

GAO

Briefing Report to the Chairman,
Committee on Foreign Relations,
U.S. Senate

February 1998

BOSNIA

Operational Decisions
Needed Before
Estimating DOD's
Costs



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19980303 075

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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-279183

February 11, 1998

The Honorable Jesse Helms
Chairman, Committee on Foreign Relations
United States Senate

Dear Mr. Chairman:

As you know, we have reported extensively on contingency operations, including the Department of Defense's (DOD) costs for military operations in and around Bosnia and Herzegovina¹ and on the progress toward restoring peace in Bosnia (see page 24 for a list of related GAO products). As you requested, this report reviews (1) DOD's incremental costs for its Bosnia operations, (2) whether DOD's fiscal year 1998 appropriations for Bosnia are adequate to cover the costs of planned operations, and (3) the nature and timing of key decisions that could significantly affect the costs. We will be sending you shortly related reports on the progress made toward achieving the Dayton Agreement's goals for Bosnia and on the International Criminal Tribunal for the Former Yugoslavia.

Background

Since December 1995, the United States has deployed military forces in and around Bosnia to assist in implementing the General Framework Agreement (also known as the Dayton Agreement). U.S. forces are part of a multilateral coalition under the command of the North Atlantic Treaty Organization (NATO). From December 1995 to December 1996, the coalition was called the Implementation Force. In December 1996, NATO authorized a new mission and renamed the coalition the Stabilization Force (SFOR).

On December 18, 1997, the President announced that in principle the United States will participate in an international military presence in Bosnia past June 1998, when SFOR's mandate expires. According to the President, the agreement in principle will become a commitment only when he approves NATO's action plan for its military forces.

In this report, the costs of operations in and around Bosnia exclude the costs of Task Force Able Sentry in Macedonia (\$11.7 million in fiscal year 1997). In its reports, DOD includes Macedonia costs as Bosnia costs. Also, we have used the term "budget-quality estimates," by which we mean budget estimates based on known operational and cost factors, rather than a rough guess or willingness to pay.

¹Hereafter, we have referred to Bosnia and Herzegovina as Bosnia.

Results in Brief

DOD's incremental costs for its operations in and around Bosnia are expected to be \$6.4 billion through June 1998. DOD reported \$2.5 billion in costs for fiscal year 1996 and \$2.3 billion for fiscal year 1997. For fiscal year 1998, DOD is estimating costs of \$1.6 billion for its Bosnia operations. DOD based its fiscal year 1998 estimate on the then-current plan to withdraw U.S. forces by June 1998 and consequently requested no funds for Bosnia in the fiscal year 1999 President's budget.

Fiscal year 1998 Bosnia funding will not cover DOD's likely Bosnia costs if the President's tentative decision to extend the mission beyond June 1998 is affirmed. Operations costs for July-September 1998 are unbudgeted, as is a troop rotation due in the summer to replace Army troops currently in Bosnia. Therefore, executing commands, such as U.S. Army Europe, will require additional funds for Bosnia or will need to reduce other planned activities, such as training and equipment maintenance. However, funding requirements for these unanticipated tasks should be offset somewhat by the availability of budgeted funds no longer required in fiscal year 1998, such as funds for closing all base camps.

Revised budget-quality estimates for fiscal years 1998-99 are not likely until key decisions are made. To be as accurate as possible, estimates should be based on NATO and U.S. decisions about the mission in Bosnia, the military tasks, force size, force mix, operational tempo, and logistical and other factors. Also, the military services are considering additional ways to reduce costs, now that the Bosnia mission appears to have been extended. To meet Congress' legislative calendar, in March 1998, DOD plans to amend its fiscal year 1999 budget and request supplemental appropriations for fiscal year 1998. However, if NATO and the United States have not decided on the force size and other details by March, then budget-quality estimates may not be possible at that time.

Scope and Methodology

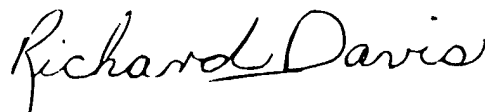
To obtain prior-year costs for DOD's Bosnia operations, we used data reported by DOD components to the Defense Finance and Accounting Service's Denver Center. To obtain current cost estimates and other data, we interviewed officials and examined documents at the Office of the Under Secretary of Defense (Comptroller) and the offices of the Assistant Secretaries (Financial Management and Comptroller) of the military services. To discuss fiscal year 1998 cost estimates, current operations, and key decisions, we also visited the Air Combat Command Headquarters, Langley Air Force Base, Virginia; the U.S. European Command Headquarters, the U.S. Air Forces in Europe Headquarters, and

the U.S. Army Europe Headquarters, all in Germany; and the U.S. Mission to NATO, Brussels, Belgium. We did not independently verify the financial data DOD provided us. Our past work has shown that DOD's financial information is not always reliable and that its financial management practices are sometimes inadequate.

We performed our review between October 1997 and January 1998 in accordance with generally accepted government auditing standards. We reviewed the information in this report with DOD officials and made changes where appropriate. DOD officials agreed with the facts in this report.

We are providing copies of this report to other congressional committees and to the Secretaries of Defense, the Army, the Navy, and the Air Force, and the Director, Office of Management and Budget. This report will also be made available to others on request. If you or your staff have any questions about this report, please contact me at (202) 512-3504. Steven H. Sternlieb, Assistant Director, and Douglas M. Horner, Senior Evaluator, prepared this report.

Sincerely yours,



Richard Davis
Director, National Security
Analysis

DOD's Bosnia Costs

**GAO U.S. Military Has Major Role in
Implementing Dayton Peace Agreement**

- U.S. provides about 25 percent of Stabilization Force (SFOR) troops in Bosnia
- U.S. officer commands SFOR
- U.S. in charge of one of three military districts in Bosnia

Since December 1995, the United States has deployed military forces in and around Bosnia to assist in implementing the General Framework Agreement (also known as the Dayton Agreement). U.S. forces are part of a multilateral coalition under the command of the North Atlantic Treaty Organization (NATO). From December 1995 to December 1996, the coalition was called the Implementation Force. In December 1996, NATO authorized a new mission and renamed the coalition the Stabilization Force (SFOR).

In Bosnia, the United States provides approximately 8,300 troops—about 25 percent—of SFOR's 31,000 troops. In addition, the United States supports SFOR with about 3,400 troops based in Italy, Hungary, and Croatia. These figures are approximate averages—actual troop strengths vary over time. For example, during 1997, U.S. Army personnel in and around Bosnia numbered about 11,400 in January, declined to 8,800 in July, peaked at 14,400 in October, and dropped to 9,100 in December.

Americans hold key leadership positions. SFOR is commanded by a U.S. Army general under the overall military authority of the Supreme Allied Commander, Europe, also a U.S. Army officer. In addition, another U.S. Army general commands Multi-National Division-North, one of the three military districts into which NATO divides Bosnia.

On December 18, 1997, the President announced that in principle the United States will participate in an international military presence in Bosnia past June 1998, when SFOR's mandate expires. According to the President, the agreement in principle will become a commitment only when he approves NATO's action plan for its military forces. NATO is currently developing options for the mission and size of military forces in Bosnia after June 1998.

GAO Military Tasks

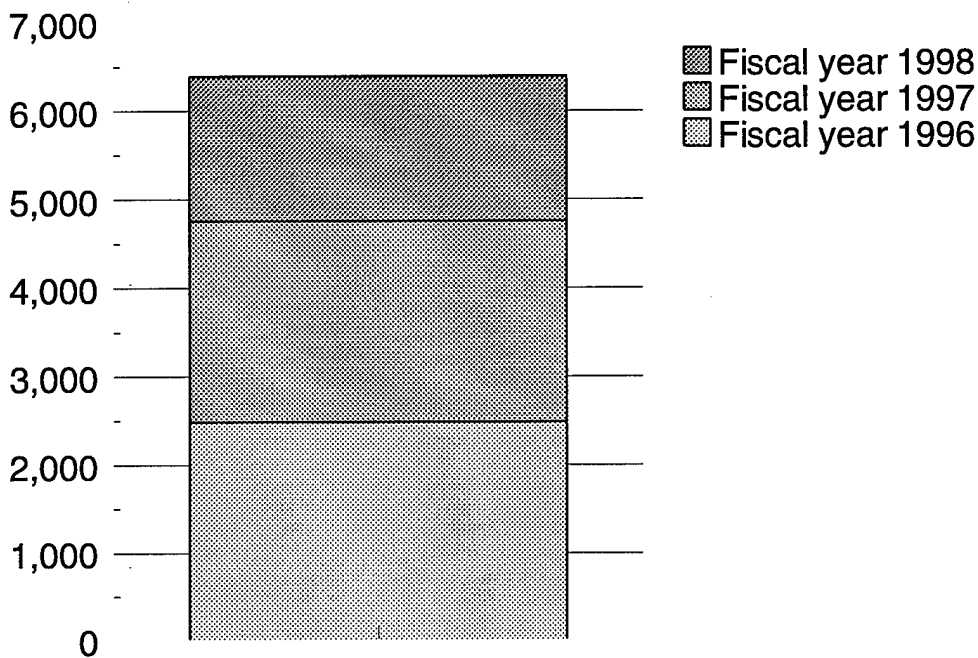
- Keep peace--separate warring armies and monitor their training and movement
 - Enforce "no-fly" zone over Bosnia
 - Control or destroy certain weapons
 - Protect SFOR military personnel
 - As resources permit
 - Remove unauthorized checkpoints to allow civilians free movement
 - Supervise demining operations by parties
 - Support elections, police restructuring, other tasks
-

Under the provisions of the Dayton Agreement, the primary military objective for the NATO-led coalition is to prevent resumption of the war that raged in Bosnia from 1992 to October 1995. The military tasks include separating the armed forces of the parties to the Dayton Agreement, moving these forces and their heavy weapons into approved sites, regularly inspecting these sites, confiscating and destroying illegal weapons, patrolling the 1,400-kilometer (870-mile) demilitarized boundary line, and monitoring the training and movement of the parties. In addition, NATO—including U.S.—aircraft have enforced a “no fly” zone over Bosnia since April 1993. During a 3-month period in 1997, 8,250 sorties were flown by combat aircraft in support of the Bosnia mission. Force protection is also an important task for the military.

The NATO-led military coalition also performs supporting tasks “within the limits of its assigned principal tasks and available resources.” These tasks include providing increased security and transporting ballots during elections, assisting with the movement of humanitarian organizations, preventing interference with civilian movement and refugee resettlement, and monitoring the clearing of minefields and obstacles. The military also assists the Office of the High Representative and the United Nations with certain tasks, such as monitoring and restructuring police. For example, in November 1997, SFOR confiscated the weapons of the Republika Srpska Specialist Police Unit in Doboj and gave police officials direction on the future role of the force.

GAO \$6.4 Billion in DOD Costs Are Expected Through June 1998

Dollars in millions

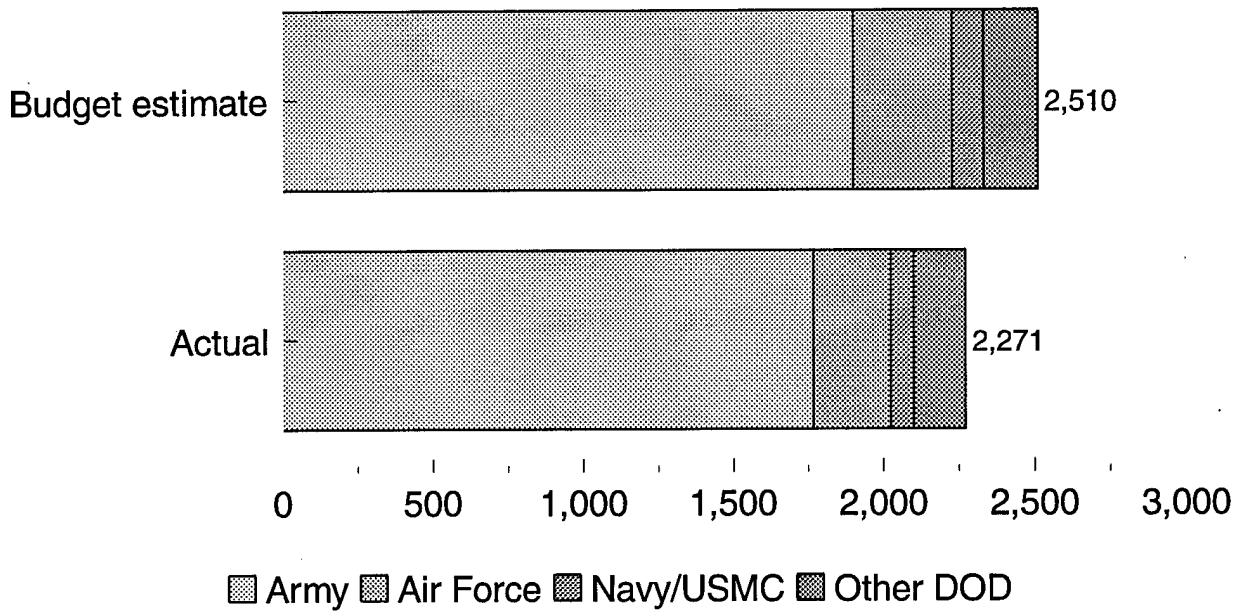


The Department of Defense's (DOD) incremental costs for its operations in and around Bosnia are expected to be \$6,389 million through June 1998. DOD reported \$2,489 million in costs for fiscal year 1996 and \$2,271 million for fiscal year 1997, for a total of \$4,760 million. In early December 1997, DOD estimated fiscal year 1998 costs at \$1,629 million. However, the Office of the Under Secretary of Defense (Comptroller) prepared the estimate before the President's December 18, 1997, decision to extend the U.S. military presence in Bosnia. Therefore, the estimate assumed withdrawal of U.S. forces by June 1998.

Incremental costs are additional costs to DOD that are directly related to the Bosnia operation and would not otherwise have been incurred. In some cases, incremental costs are offset by avoiding costs (such as training exercises) that would have occurred in the absence of the operation.

GAO Fiscal Year 1997 Operations Were Fully Funded

Dollars in millions



In March 1997, DOD revised its fiscal year 1997 Bosnia budget estimate to \$2,510 million. This revised estimate was \$2 billion more than the initial fiscal year 1997 request of \$542 million that was predicated on a withdrawal of U.S. troops in December 1996, because the President and NATO decided to extend the Bosnia mission beyond that date.

In December 1997, DOD reported \$2,271 million in incremental Bosnia costs for fiscal year 1997.² The Army incurred nearly 80 percent (\$1,767 million) of these costs. The Air Force had the next largest share, \$256 million, while the Navy and the Marine Corps had \$77 million in costs. The remaining \$172 million were incurred by the following DOD components: the Defense Intelligence Agency, Defense Information Systems Agency, Defense Logistics Agency, National Imagery and Mapping Agency, Defense Health Program, the U.S. Special Operations Command, and the National Security Agency.

Fiscal year 1997 Bosnia costs were financed by the Omnibus Consolidated Appropriations Act, 1997 (P.L. 104-208), and by the June 1997 supplemental appropriations act (P.L. 105-18) that provided additional funds for the Bosnia operation and for other purposes.³ However, the \$1.9 billion appropriated to DOD in the supplemental appropriations act was offset by rescissions of \$1.9 billion in other previously appropriated DOD funds.

In total, Congress appropriated \$2,570 million for operation and maintenance expenses of contingency operations in fiscal year 1997. These funds were appropriated to the Overseas Contingency Operations Transfer Fund, and the funds not needed for Bosnia were applied to other contingency operations, such as those in Southwest Asia, according to the Office of the Under Secretary of Defense (Comptroller). The transfer fund is available to pay for overseas contingency operations—as operations unfold during the year, DOD transfers money from the fund to the military services' operation and maintenance accounts.

²The Defense Finance and Accounting Service reported \$2,280 million for fiscal year 1997 in its December 1997 contingency cost reports on Bosnia. In February 1998, the Office of the Under Secretary of Defense (Comptroller) told us that these costs should be reduced by \$17 million because of an error in recording Navy military personnel costs, and should be increased by \$8 million because of previously unreported National Security Agency costs. The net result of these adjustments is fiscal year 1997 costs of \$2,271 million.

³P.L. 105-18 also funded recovery from natural disasters, created a National Commission on the Cost of Higher Education, and modified the Food Stamp Act of 1977.

GAO Fiscal Year 1998 Budget Request Was \$1.5 Billion

Dollars in millions

	<u>Operation & maintenance</u>	<u>Military personnel</u>	<u>Total</u>
Army	\$850	\$158	\$1,009
Navy/USMC	74	8	82
Air Force	266	47	313
Other DOD	64	0	64
Total DOD	\$1,254	\$214	\$1,468

Note: Numbers may not add due to rounding.

For fiscal year 1998, DOD requested and received from Congress \$1,468 million for its Bosnia operations. DOD's request assumed that U.S. forces would withdraw from Bosnia by June 1998. Funds for the Army were nearly 70 percent of the total request (\$1,009 million). The Air Force had the next largest share, \$313 million, while the Navy and the Marine Corps were budgeted at \$82 million for Bosnia. DOD also requested \$64 million for the U.S. Special Operations Command, the Defense Health Program, and several defense agencies. Congress fully funded DOD's request for Bosnia in the fiscal year 1998 DOD Appropriations Act (P.L. 105-56).

Operation and maintenance funds comprise 85 percent of the total request and are used for a wide variety of purposes, including transportation of personnel, goods, and equipment; unit operational tempo (fuel and repair parts); base operating support; clothing, individual equipment, and personal demand items for troops; per diem; facilities and headquarters costs; and intelligence, communications, and logistics support.

Military personnel funds are the remainder of the request. Most of these funds are for the pay and allowances of mobilized (mostly Army) reservists. Military personnel funds are also used for special payments or allowances for all qualifying military personnel, such as Imminent Danger Pay (\$150 per month), Family Separation Allowance (\$75 per month), and Foreign Duty Pay (an average of \$15 per month for enlisted personnel).

GAO Fiscal Year 1998 Costs Higher Than Budgeted

- \$161 million (net) more required under a June 1998 withdrawal
 - +\$343 million over budget due to program changes (e.g., more troops)
 - -\$182 million under budget due to lower spending in some areas (e.g., travel, contractor assistance)
 - Extension of mission past June 1998 will further increase costs
-

In December 1997, the Office of the Under Secretary of Defense (Comptroller) estimated that DOD's Bosnia costs for fiscal year 1998 would be \$1,629 million, or \$161 million more than DOD's budget request of \$1,468 million.

The Comptroller's staff estimates that program changes will increase costs by \$343 million over budget, including costs for sustainment, unit operating tempo (fuel and parts), deployment to the theater, and military pay. DOD's budget assumed that 5,000 troops would be deployed in and around Bosnia. Instead, about 12,000 troops have been deployed during the first quarter of the fiscal year. Furthermore, the Army has used more reservists than the budget assumed, which has increased incremental Bosnia costs. Under the definition of incremental costs, all pay for reservists on active duty is an incremental cost, while only special payments (such as Imminent Danger Pay) that active duty personnel receive for deploying to Bosnia are considered incremental costs.

Other costs are projected to be \$182 million lower than planned in the budget, including travel, rents and leases, and contractor-provided support in Bosnia and Hungary. Contractors provide a wide range of services, including base camp maintenance, food, water, laundry service, snow and ice removal, road repair, and waste management.

However, the Comptroller's staff prepared this revised estimate before the President announced his decision in principle to extend DOD's mission in Bosnia beyond June 1998. Extending the mission past June 1998 will further increase fiscal year 1998 costs. Operations costs for July-September 1998 are unbudgeted, as is a troop rotation due in the summer to replace Army troops currently in Bosnia. Therefore, executing commands, such as U.S. Army Europe, will require additional funds for Bosnia or will need to reduce other planned activities, such as training and equipment maintenance.

Funding requirements for these unanticipated tasks should be offset somewhat by the availability of approximately \$135 million in budgeted funds no longer required in fiscal year 1998. These offsets include about \$60 million for the Army to close base camps and perform other activities; \$10 million for the Navy to help close base camps; and \$65 million for the planned operation of the Joint Surveillance Target Attack Radar System, which DOD no longer considers necessary for the mission.

**GAO Budget-Quality Estimates Not Likely
Until Key Decisions Made**

Decision	Made	Not made
Continue presence?	X	
Mission scope?		X
Troop strength?		X
Source of U.S. forces?		X
Mission duration?		X

Budget-quality estimates for Bosnia costs in fiscal years 1998-99 are not likely until several key decisions are made, according to the Office of the Under Secretary of Defense (Comptroller), the U.S. Army Europe Headquarters, and our analysis.

The highest-order decision, whether the U.S. military will remain in Bosnia, appears to have been made. On December 18, 1997, the President announced that in principle the United States will participate in an international military presence in Bosnia past June 1998. As previously noted, this agreement will become a commitment only when the President approves NATO's action plan for its military forces. NATO is currently developing options for the mission and size of a NATO-led military presence in Bosnia after June 1998, when SFOR's mandate expires. NATO will review these options and select one by March 1, 1998, according to U.S. and NATO officials. During April-May 1998, NATO plans to review and approve an operational plan and force commitments from participating nations, according to these officials.

Key decisions that are not yet made will drive costs. Primarily, these decisions concern the scope of the mission and its associated tasks; the size of the force, including the U.S. contribution; the specific U.S. units to be sent and their distance from Bosnia; the frequency of troop rotation; and the number of reservists needed. To prepare budget-quality estimates, rather than a rough estimate, budget officials need to know how these key factors will be decided. For example, if the United States decided to send significantly less troops, then certain costs would decrease, such as special pay and entitlement costs, operational tempo costs, and base operating support costs.

The duration of the new mission obviously affects the ultimate total cost. The President has set no new deadline for withdrawal. The decision to withdraw will now be based on achieving certain conditions within Bosnia. Therefore, budget estimates will have to make an assumption about the length of the mission during each fiscal year estimated.

GAO Military Services Considering Ways to
Reduce Costs

- Reduce or close bases
 - Improve troop housing
 - Permanent change of station
 - Reduce redundant intelligence systems
 - Increase use of prepositioned stocks
 - Rely on other countries more
-

Now that the Bosnia mission appears to have been extended past June 1998 without an end date, the military services are considering additional ways to reduce costs. The Army may be able to reduce or close bases in Bosnia and Hungary. After the closure of Camp Steel Castle in October 1997, the Army maintains eight camps in Bosnia that can serve about 10,000 personnel.⁴ However, the Army currently has fewer troops than camp capacity—about 8,000 troops in Bosnia. In addition, the Army is examining ways to reduce the \$3.5 million per month it spends on the Intermediate Staging Base in Taszar, Hungary, which serves as a way-station for troops arriving in and departing from Bosnia. The Air Force is also exploring ways to lower costs in Taszar by studying the feasibility of having the Hungarians provide more base operating support at the air base.

U.S. Army Europe officials are analyzing the costs and quality-of-life implications of switching from tents used in base camps to transportable wood barracks (called SEAhuts). The SEAhuts are more fuel efficient and less damp than the canvas over wood frame tents. At a cost of \$6-\$10 thousand apiece, the switch would save the Army money if the huts were used for 3-5 years, according to officials.

The Army is also analyzing whether to send military personnel to Bosnia for a 1-year permanent change of station, rather than on a temporary duty, and U.S. Air Forces in Europe staff are assessing permanent tours for Air Force personnel at the Tuzla air base. Employing a permanent change of station, as in Korea, saves per diem and some troop rotation costs (because troops would rotate less frequently), but could entitle soldiers and their dependents to several travel and transportation allowances. Such a change could also have operational and force structure impacts, according to a Department of the Army headquarters official.

Lower costs may be possible by reducing redundant intelligence and surveillance systems and infrastructure, increasing the Army's use of prepositioned stocks, and relying more on other countries for support or personnel.

⁴The Army also maintains one camp in Croatia that can serve about 1,300 personnel and one camp complex in Hungary.

GAO Status of Funding

- Shortfall projected for fiscal year 1998
 - Some costs higher than assumed
 - Last 3 months are new--unfunded--requirement
 - No funds requested in DOD's fiscal year 1999 budget
 - DOD plans to amend budget request and submit supplemental in March 1998
-

In December 1997, the Office of the Under Secretary of Defense (Comptroller) estimated that DOD's Bosnia costs for fiscal year 1998 would be \$161 million more than DOD's budget request for Bosnia, assuming that troops would withdraw by June 1998. Extending the mission past June 1998 will further increase fiscal year 1998 costs and funding requirements. If DOD were to continue to provide 11,000-12,000 troops in and around Bosnia during July-September 1998, at the current operational tempo, DOD would need between \$400-\$500 million more for Bosnia in fiscal year 1998, according to our analysis. We also project that DOD would need about \$2 billion to operate for 12 months during fiscal year 1999, using the same assumptions on troop levels and operational tempo.⁵

No DOD funds for Bosnia operations were requested in the President's budget for fiscal year 1999. To meet Congress' legislative calendar, in March 1998, DOD plans to amend its fiscal year 1999 budget and request supplemental appropriations for fiscal year 1998. However, if NATO and the United States have not decided on the force size and other details by March, then budget-quality estimates may not be possible at that time. Congress has directed the President to submit a supplemental request for any funding necessary to continue DOD's Bosnia deployment beyond June 30, 1998.⁶ In fiscal years 1996 and 1997, DOD received supplemental appropriations for Bosnia.

⁵To estimate the cost of 3 additional months to operate, we calculated a monthly cost to operate using revised DOD budget data that covered the first 9 months of fiscal year 1998. We excluded \$65 million not needed for the Joint Surveillance Target Attack Radar System and redeployment and reconstitution costs. To estimate fiscal year 1999 costs, we used our monthly cost estimate and added back estimated redeployment and reconstitution costs.

⁶Both the National Defense Authorization Act for Fiscal Year 1998 (P.L. 105-85, sec. 1203) and the Department of Defense Appropriations Act, 1998 (P.L. 105-56, sec. 8132) directed the President to submit a supplemental appropriations request for this purpose.

Related GAO Products

Bosnia: Cost Estimating Has Improved, but Operational Changes Will Affect Current Estimates (GAO/NSIAD-97-183, July 28, 1997).

Bosnia Peace Operation: Progress Toward the Dayton Agreement's Goals—An Update (GAO/T-NSIAD-97-216, July 17, 1997).

Bosnia Peace Operation: Progress Toward Achieving the Dayton Agreement's Goals (GAO/NSIAD-97-132, May 5, 1997).

U.N. Peacekeeping: Issues Related to Effectiveness, Cost, and Reform (GAO/T-NSIAD-97-139, Apr. 9, 1997).

Bosnia: Costs Are Exceeding DOD's Estimate (GAO/NSIAD-96-204BR, July 25, 1996).

Contingency Operations: Update on DOD's Fiscal Year 1995 Cost and Funding (GAO/NSIAD-96-184BR, June 27, 1996).

Contingency Operations: DOD's Reported Costs Contain Significant Inaccuracies (GAO/NSIAD-96-115, May 17, 1996).

Contingency Operations: Defense Cost and Funding Issues (GAO/NSIAD-96-121BR, Mar. 15, 1996).

Bosnia: Costs Are Uncertain but Seem Likely to Exceed DOD's Estimate (GAO/NSIAD-96-120BR, Mar. 14, 1996).

Peace Operations: U.S. Costs in Support of Haiti, Former Yugoslavia, Somalia, and Rwanda (GAO/NSIAD-96-33, Mar. 6, 1996).

Peace Operations: Update on the Situation in the Former Yugoslavia (GAO/NSIAD-95-148BR, May 8, 1995).

Peace Operations: DOD's Incremental Costs and Funding for Fiscal Year 1994 (GAO/NSIAD-95-119BR, Apr. 18, 1995).

Humanitarian Intervention: Effectiveness of U.N. Operations in Bosnia (GAO/NSIAD-94-156BR, Apr. 13, 1994).