

Economics of Iraqi Security (Part II): Assessing the Value of Security Spending

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Brief Analysis

This PolicyWatch is the second in a three-part series written to coincide with the Madrid Donors Conference on Iraq, which begins on October 24, 2003. [Read Part I \(templateC05.php?CID=1673\)](#) (also by Knights) and [Part III \(templateC05.php?CID=1676\)](#) (by Patrick Clawson).

Expanding the size of Iraqi government security forces will be key to reducing the amount of international troops in the country, including U.S. forces. On October 19, the Washington Post reported a U.S. plan to reduce its military presence in Iraq from the current level of 130,000 troops to 100,000 by summer 2004, and to as little as 50,000 by mid-2005. Whether such reductions are possible will depend in large part on how quickly Iraqi security forces fill the gap, especially in light of uncertainty over the number of international peacekeepers that will replace U.S. forces.

Increasing the size and scope of Iraqi security forces will require extra funding. In 2004, various Iraqi security sectors will be allocated a total of \$4.8 billion from several different sources. In cost-benefit terms, such expenditures could reap major savings for the United States in terms of both blood and treasure (assuming that the Iraqi forces in question are loyal and efficient). Moreover, the development of security structures such as police forces will have beneficial effects on Iraqi society, reducing the endemic levels of crime that impede economic recovery and complicate the process of reconstruction.

Direct or Hard Security Spending

The 2004 Coalition Provisional Authority (CPA) budget for Iraq, financed by Iraqi resources such as oil exports, allocates funds for a variety of hard security items (i.e., items directly related to security):

- \$146 million has been budgeted for the new Iraqi army and the Ministry of the Interior. The army is scheduled to receive \$23 million in 2004 for a projected 26,500 soldiers, increasing to \$72 million in 2005. The Interior Ministry is to receive \$123 million for 65,105 personnel. According to CPA administrator Paul Bremer, over 58,000 of the ministry's staff are currently deployed in security roles, including 37,000 police officers, 2,500 Civil Defense Force paramilitary troops, approximately 14,500 Facilities Protection Service (FPS) guards, and 4,700 U.S.-trained border

guards. The start-up costs for these forces have been paid by the current half-year 2003 budget; their recurring costs will be covered by \$103 million in salary payments allocated by the 2004 budget.

- \$138 million has been budgeted for the Ministry of Justice, including \$42 million for rebuilding courthouses and prisons.
- Additional funds have been budgeted for other items, such as \$14 million for airport security guards. Some security forces may be included within the \$745 million budgeted for regional and local governments. Yet, the \$45 million allocated to the Ministry of Oil in 2003 may not be available for security once pipeline protection is taken over by the FPS. Most of the hard security spending in Iraq will be financed by off-budget infusions from the \$18.6 billion U.S. supplemental funding request. That request allocates over \$4.6 billion to various security, law enforcement, justice, public safety, and security-related civil society programs:
 - \$2.1 billion has been budgeted for the new Iraqi army and the paramilitary Civil Defense Corps (CDC). According to the CPA, the army recently turned out its first infantry battalion and is aiming to field a 12,000-man division by January 2004 and a 30,000-man corps by December 2004. The army is also negotiating a deal to obtain small arms, night-vision equipment, and trucks. The 2,500-strong CDC will be expanded to an eighteen-battalion force totaling 9,000 troops.
 - \$950 million has been budgeted for the Iraqi police force, which will double the number of officers to 75,000 and fund the establishment of a police training college.
 - \$284 million has been budgeted for other security forces. The FPS will receive \$67 million, which will expand it to 20,000 guards and pay for training and vehicles. Iraq's border guard training program will be maintained throughout 2004 at a cost of \$217 million.
 - \$1.3 billion has been budgeted for justice, public safety, and civil society infrastructure, including \$209 million for prisons, \$509 million for hardening and securing public buildings, and \$100 million for a witness protection program that will directly benefit intelligence collection and law enforcement efforts.

Indirect or Soft Security Spending

Under the 2004 CPA budget, the Iraqi Ministry of Finance is slated to pay \$250 million in stipends to demobilized soldiers. The stipends will reportedly be distributed to 320,000 former soldiers, giving them an average of \$780 for the year; in contrast, the average government workers salary in 2004 will be \$2,000. Although the stipend will provide demobilized soldiers with money, it will not occupy their time, giving them ample opportunity to get into trouble (e.g., join the resistance). Former soldiers will need real jobs as well as short-term social safety-net support. Expanding local security forces may help absorb some of the disgruntled former military personnel who could prove troublesome to the CPA if left unemployed.

Even so, there is a troubling gap between the reported 320,000 scheduled to receive stipends and the 440,000 soldiers and security personnel that were demobilized on May 23, 2003. The 120,000 presumably unsuccessful claimants may become doubly aggrieved once the new budget takes effect. On October 11, an estimated 14,000 former soldiers and security personnel took part in violent demonstrations in Baghdad, with one protestor killed.

Extensive government employment may also help ease social tension. As many as 2 million government jobs have been budgeted for 2004 (although many of these jobs will be disguised unemployment, giving employees a wage but little actual work to do). Central government salary expenditures will be \$2.8 billion, not including the salary component of the \$500 million allocated for state enterprises and the \$745 million allocated for local and regional governments. The CPA will also continue the public distribution system begun under the UN oil-for-food program, allocating \$3.5 billion to it for 2004, or \$130 per Iraqi. The CPA projects that it will increase funding for the system to

\$4.9 billion in 2005, with no plans to phase it out until after 2006.

Implications

The United States is serving its own interests by investing in Iraq's security forces. By the end of 2004, the CPA plans to have nearly 140,000 Iraqi police, military, and paramilitary forces under arms at a cost of around \$2.2 billion (including a variety of start-up costs). These forces will thereafter be relatively cheap to maintain in the field. Even the initial annual cost of \$2.2 billion will seem like a bargain, averaging out to about \$43 per day per Iraqi soldier/policeman. In comparison, maintaining U.S. forces in Iraq currently costs \$3.9 billion per month for 130,000 troops, which works out to \$1,000 per day per soldier, not including salaries. To be sure, the CPA need not choose between Iraqi and U.S. forces. Ideally, the two would be mixed: Iraqis would undertake law enforcement as well as static and border defense, with smaller U.S. forces responsible for proactive counterinsurgency operations.

Small financial sacrifices now could well reap big rewards in the long term. For example, if 120,000 former soldiers are not in fact given demobilization stipends, the maximum savings will be relatively small (less than \$100 million per year). Moreover, these savings could be more than offset if a considerable number of these soldiers cooperate with the resistance. Counterinsurgency is very expensive, and much of it is directed against active resistance elements that may number fewer than 5,000 fighters. The CPA would be well advised to use such cost-benefit analyses to determine how economic and employment issues affect its security program.

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