



**Commission on Wartime Contracting
In Iraq and Afghanistan**

**Statement of Commissioner
Linda J. Gustitus**

**“Lessons from the Inspector General:
Improving Wartime Contracting”**

**The Commission on Wartime Contracting in Iraq and Afghanistan
The Caucus Room, 325 Russell Senate Office Building
Washington, DC
February 2, 2009**

The Commission’s first hearing today is rightfully receiving testimony on the work performed and lessons learned by the Inspectors General charged with the responsibility of overseeing U.S. contracting in Iraq and Afghanistan. We are over seven years into our military operation in Afghanistan and almost six years into our military operation in Iraq. During that time, these offices of Inspectors General, along with the Government Accountability Office and Congressional committees, have been identifying serious problems and sounding the alarm on our contracting practices in both countries. The Commission has benefited and will continue to benefit greatly from their work.

I am particularly thankful for the detailed, comprehensive, and hard-hitting work of the Special Inspector General for Iraq Reconstruction. The volume, scope, and depth of their reports and analyses have given the public a good understanding of the extent of the problems in Iraq reconstruction -- they have also provided the Commission with a solid roadmap for our work in this area.

The report being made public today, “Hard Lessons,” addresses an almost staggering number of issues and problems -- poor contracting practices, inadequate staffing at all levels, inexperienced staffing, goals that are beyond our capabilities, and a shocking lack of planning. I want to pay particular attention, however, to three overarching issues that I think are some of the most compelling that Mr. Bowen and his team have identified -- they are the lack of security, the lack of coordination, and the failure to involve the Iraqis sufficiently in the reconstruction process.

None of these issues was unknown to the Department of Defense, the Department of State, USAID, or the White House either before the invasion or after. So the failure to address them in a reasonable time frame wasn’t out of ignorance -- arrogance perhaps, but not ignorance.

The White House, the Department of Defense, and the Department of State knew from the very beginning that security was going to be a major problem.

-- CENTCOM, of course, as we all know at the beginning wanted 500,000 troops for the invasion -- that was reduced by Secretary Donald Rumsfeld, with the consent of General Tommy Franks, to 160,000. (We're learning now that much of that smaller troop size over the years has been made up for with Private Security Contractors.)

-- In October 2002, the Department of Defense put together the "Parade of Horribles" memo -- SIGIR calls it "prescient" in its report. It identified all the things that could go wrong -- and sectarian and ethnic strife was one of them.

-- In early 2003, the State Department issued its "Future of Iraq" report which identified what could go wrong -- political violence was one concern.

-- One month before the invasion, the military and civilian agencies involved in postwar administration met at what was called the "Rock Drill." SIGIR says that "security was the number one show-stopper," and notes from that meeting state, "current force packages are inadequate for [the] first step of securing major area."

-- In 2003, after the invasion, we paid Bechtel a lot of money for what SIGIR says was an "infrastructure assessment." Bechtel gave us that assessment -- very clearly. They identified worsening security as a serious problem. "The report predicted that Iraq's deteriorating security situation would cause reconstruction costs to skyrocket." The UN said the same thing in the summer of 2003.

I could go on, but the point is clear -- there were many warnings about the problems of security. The President and his agencies weren't caught by surprise on this -- this was something they chose to ignore -- and it was at the peril of our reconstruction program. In April 2003, Secretary Rumsfeld cancelled the deployment of 50,000 additional troops; in May 2003, Ambassador Paul Bremer disbanded the Iraqi Army. Then-Major General David Petraeus said that Bremer's order alone probably created tens of thousands, if not hundreds of thousands, of additional enemies of the Coalition forces. SIGIR has estimated that half of the cost of reconstruction in Iraq -- half of the \$50 billion we spent on reconstruction -- went to security.

So, too, with the lack of coordination. SIGIR's report contains references over and over again concerning the failure of our agencies to cooperate and to coordinate. It's one of the constant drumbeats in this report.

It started with the planning for post-war Iraq. There was one group in the National Security Council, another group preparing the "Future of Iraq" report in the Department of State, CENTCOM was doing its planning, and Undersecretary of Defense Douglas Feith's office was doing its own planning. These groups weren't talking to each other. In December 2002, President Bush decided to put the Department of Defense in charge of

the post-war effort; in January 2003, Secretary Rumsfeld asked retired Army Lt. Gen. Jay Garner to head up the Office of Reconstruction and Humanitarian Affairs (ORHA). Little of the findings or works of these earlier efforts were shared with Garner. Garner learned of the 1,000 page "Future of Iraq" report and the work of Feith's office by accident.

The management structure of the reconstruction process was ever-changing. Management of Iraq reconstruction changed hands four times in two years -- from the National Security Council (NSC), to the ORHA, to the Coalition Provisional Authority (CPA), to the U.S. Embassy. The Bechtel assessment of 2003 listed coordination and integration as a major concern. The ultimate success of the reconstruction program, Bechtel noted, "demanded improved coordination among the U.S. government agencies involved."

Yet the subtitles in the SIGIR report give us an idea of the problems posed by the lack of coordination among agencies: "Fragmented Planning," "Conflicted Planning," "Two Chains of Command," and "Coordination in Chaos." In its latest report, SIGIR states clearly that "unity of effort in Iraq proved elusive."

In its "Hard Lessons" report SIGIR also discusses the breakdown in use of Iraq Relief and Reconstruction Fund (IRRF) funds by the CPA and USAID. The report states that, "These breakdowns, both personal and bureaucratic, would continue to affect the reconstruction program for years to come."

SIGIR also notes that the Project and Contracting Office (PCO) in the Department of Defense and USAID were barely on speaking terms in the spring of 2004. SIGIR reports that "poor interagency cooperation across the vast enterprise was plainly evident" in spring 2005. When discussing the conduct of asset transfer to the Iraqis in 2006, SIGIR again reports on the disjointed processes between agencies:

"One of flaws of the asset transfer approach as it was structured in 2006 was that each U.S. agency working in Iraq had different procedures, levels of detail, and due diligence requirements for transferring projects....Procedures differed even within agencies for separate reconstruction funds... The lack of one centralized authority to manage asset transfer for the entire US reconstruction effort was problematic."

In discussing the Rule of Law Task Force established by Ambassador Zalmay Khalilzad in 2005, James Santelle, the Rule of Law coordinator for the U.S. embassy in Iraq said, "We were sometimes our own worst enemies because we did not talk to each other and did not coordinate with each other."

When the Iraq Study Group Report was released in December 2006, it criticized the poor coordination between USAID, the Department of State, and the Department of Defense. "There are no clear lines establishing who is in charge of reconstruction," the report said. And this was December 2006, almost four years after the start of the military action.

“The lack of executive authority was apparent everywhere” at the start of 2007, the SIGIR report states. “A truly joint command structure never evolved.”

Only in the end, when the military began to work with the Provincial Reconstruction Teams (PRTs) did we see government agencies begin to coordinate with each other in a meaningful way. Otherwise and overall, it’s a pretty dismal account.

Lastly, there is the matter of listening to or including the Iraqis in the reconstruction. In June 2003, Secretary Rumsfeld asked the Center for Strategic and International Studies (CSIS) to go to Iraq and identify “the country’s rebuilding needs.” In addition to expressing serious concern about lack of security, CSIS “recommended engaging more Iraqis at every level of the reconstruction effort.”

Yet SIGIR’s “Hard Lessons” report is replete with instances in which our government agencies operating in Iraq simply ignored or failed to seek Iraqi input on key reconstruction issues. As a result, we built projects and made historically significant decisions from our perspective -- through the U.S. lens -- and not from the perspective of the Iraqis. It comes as no surprise, therefore, that many Iraqis did not buy into the programs we were promoting or want the projects we built on their behalf.

Here are just some of the failures to consult with the Iraqis identified in the “Hard Lessons” report:

- SIGIR reports that we never discussed with the Iraqis the choice of the new defense minister.
- The CPA largely left Iraqi lawyers and judges out of discussions about how to reform the country’s legal system.
- SIGIR says, “Project scopes and requirements to which contractors built were frequently not determined in partnership with the ultimate customer (the Iraqi). Instead, the attempt by U.S. program officers to work on the Iraqis’ behalf frequently ran afoul of what they wanted.”
- In July 2003, USAID contracted with Bearing Point to give Iraq’s Ministry of Finance tools to track disbursements. The state of the art information system Bearing Point produced turned out to be unworkable. It was built with U.S. and not Iraqi accounting practices in mind and was rejected by the Iraqi civil servants who were to use it.
- We created a court system the Iraqis couldn’t recognize. Stephen Anderson, a resident legal advisor in the Baghdad PRT told SIGIR, “We have co-opted the Iraqi justice system for our own use and left ordinary Iraqis with nothing.” SIGIR reports that, to the average Iraqi, the Central Criminal Court of Iraq and its

associated courts are American creations. One former judge said, “We call them the Potemkin Courts.”

-- SIGIR also quotes Ambassador Timothy Carney, Coordinator of Economic Transition in Iraq, as saying, “On the overall policy we were continuing to precede without sufficient Iraqi participation...We got the insurgency because we didn’t have Iraqis completely with us on the effort to move the country forward after we destroyed Saddam Hussein’s regime.”

There are many powerful lessons learned from the Iraq reconstruction experience. And reconstruction is just one of the areas this commission is charged with overseeing. We have responsibilities in the areas of logistics and private security contracting as well. But the overarching themes addressed by this report are no doubt applicable to these other two areas as well. We’ll find out, of course, as we pursue them further. My fear is that these lessons were ones we had already learned and knew before Iraq. The Administration just chose to ignore them, and I don’t know if there’s a real fix for that kind of problem.