

STATEMENT OF
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HARD LESSONS: THE IRAQ RECONSTRUCTION EXPERIENCE

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Chairman Thibault and members of the Commission on Wartime Contracting in Iraq and Afghanistan, thank you for inviting me to testify on the latest lessons learned report from the Office of the Special Inspector General for Iraq Reconstruction entitled *Hard Lessons: The Iraq Reconstruction Experience*.

Introduction and Background

SIGIR is the successor organization to the Coalition Provisional Authority Inspector-General (CPA-IG), which was established by Congress in November 2003 at the same time that it provided \$18.4 billion for the Iraq Relief and Reconstruction Fund (IRRF 2). The agency's mandate, which has been expanded several times by Congress, is to oversee more than \$50 billion dollars appropriated for the relief and reconstruction of Iraq. More than 90 percent of this money has gone into four principal funding accounts: The Iraq Relief and Reconstruction Fund (IRRF 1 and 2), the Iraq Security Forces Fund (ISSF), the Commander's Emergency Response Program (CERP), and the Economic Support Fund (ESF).

To fulfill its Congressional mandate, SIGIR conducts audits, inspections, and investigations. Our office also initiated a series of lessons learned studies to identify problems and propose solutions in human resources, contracting, and program management in Iraq. Today, SIGIR is releasing *Hard Lessons: The Iraq Reconstruction Experience*, a detailed account of the U.S. effort to rebuild Iraq from prewar planning in mid-2002 through the fall of 2008. Like SIGIR's three previous lessons learned reports, *Hard Lessons* is not an audit. Rather, it seeks to meet our congressional mandate to provide

“advice and recommendations on policies to promote economy, efficiency, and effectiveness” in programs created for Iraq’s relief and reconstruction.

The research for *Hard Lessons* comprised hundreds of interviews with key participants in the reconstruction effort and the review of thousands of documents. SIGIR reached out to every senior U.S. official involved in rebuilding Iraq and almost all agreed to be interviewed or provide useful responses to questions. In addition, SIGIR staff interviewed rank and file members of the military and civilian agencies as well as private contractors who carried out the work of Iraq’s reconstruction. We talked with many Iraqi leaders, including Prime Ministers Allawi and Ja’afari, to ensure that we understood the Iraqi perspective on the reconstruction program. *Hard Lessons* also drew on the body of SIGIR’s audits, inspections, and investigations, as well as reports from other oversight agencies and investigative bodies.

At the outset of the reconstruction effort in 2003, Lieutenant General Jay Garner, who headed the Office of Reconstruction and Humanitarian Affairs (ORHA), said that history would “judge the war against Iraq not by the brilliance of its military execution, but by the effectiveness of the post-hostility activities.” *Hard Lessons* chronicles that postwar reconstruction and, as the title suggests, it has been very difficult. The United States government was unprepared and ill-equipped to mount a major contingency relief and reconstruction program in Iraq in 2003. For the last six years we have been on a steep learning curve.

The U.S. taxpayer has paid for a wide array of programs and projects in Iraq, ranging from training the Iraqi army and police to building and repairing the country’s infrastructure in the oil, electricity, water, justice, transportation, and health sectors. Appropriated funds have supported programs to build democracy, enhance the rule of law, and improve the ability of Iraq’s national, provincial and local governments to execute their budgets. Some of these projects have succeeded, but, as *Hard Lessons* documents, many did not.

Central Questions and Answers

The central questions addressed by this report are: why did the U.S. reconstruction effort so often fail to achieve its goals? And, what can our government do to ensure that it has the capacity to manage future contingency operations?

Hard Lessons answers the first question by reviewing the chronology of the reconstruction effort and examining the challenges our government faced as the rebuilding program expanded from the \$2.4 billion envisioned by prewar planners to twenty-five times that much. The report answers the second question by identifying 13 hard lessons we must learn from the Iraq reconstruction experience.

Former Secretary of Defense Donald Rumsfeld and Former Secretary of State Condoleezza Rice have both said that United States government did not have the right structure for conducting contingency relief and reconstruction operations. Consequently, as Rumsfeld told SIGIR, “The U.S. government has had to rely on quickly assembled ad hoc efforts such as ORHA to coordinate reconstruction.” Nearly everyone SIGIR has spoken with agrees that the United States must reform the way it manages relief and reconstruction.

The U.S. Congress has already passed an important reform measure with “The Reconstruction and Stabilization Civilian Management Act of 2008” (RSCMA). This act, which incorporates a number of recommendations made by SIGIR in our previous lessons learned reports, creates a structure to address the planning, personnel, and program management needs of contingency relief and reconstruction operations. *Hard Lessons* concludes with some recommendations to ensure that RSCMA fulfills its purpose.

Divided in five parts, *Hard Lessons* begins with the blinkered and disjointed prewar planning that occurred between September 2001 and April 2003 when ORHA deployed to Baghdad. Part Two covers the 14-month period during which the Coalition Provisional Authority (CPA) governed Iraq. The CPA’s ambitious vision, which focused on improving Iraq’s infrastructure, became the foundation for a greatly expanded reconstruction program. The United States struggled over the next four years to develop and implement a strategy for reconstructing Iraq as a stable and democratic nation on the path to prosperity. Deteriorating security both informed and complicated every decision. Part Three, examines the repeated re-alignment of U.S. funding to address the grave security threats posed by an exploding insurgency. Employing a variety of tactics to address the growing violence the United States poured money and – finally – more troops into the country, all the while trying to rebuild Iraq’s physical infrastructure, its security forces, and its capacity to govern. Part IV chronicles the strongly-resourced surge, and the rise of Iraq’s role in its own reconstruction.

Part V lays out SIGIR’s 13 major findings – the hard lessons of the Iraq reconstruction experience. These findings are grouped in three categories which cover the principles, organization and mechanics of contingency relief and reconstruction operations.

First Principles for Contingency Relief and Reconstruction Operations

The Iraq experience gives rise to five core principles that should form the foundation of preparing for contingency relief and reconstruction operations:

- Security is necessary for large-scale reconstruction to succeed.

- Developing the capacity of people and systems is as important as bricks and mortar
- Soft programs serve as an important complement to military operations in insecure environments
- Programs should be geared to indigenous priorities and needs
- Reconstruction is an extension of political strategy

Security is necessary for large-scale reconstruction to succeed

A successful reconstruction program requires a balancing of security, political, and economic interests. Reconstruction cannot proceed on a large scale without the requisite security to protect those responsible for implementing and overseeing projects. When embarking on a contingency relief and reconstruction operation, the U.S. government should analyze whether and at what costs those security risks can be mitigated. Projects should only proceed when senior leaders determine that the strategic objectives they seek to fulfill outweigh the risk of failure and the costs of mitigating security risks.

Developing the capacity of people and systems is as important as bricks and mortar

The CPA's reconstruction program focused chiefly on large infrastructure projects aimed at improving the delivery of essential services. Little of its money was set aside to boost government capacity. The failure to fund capacity building programs alongside infrastructure construction contributed to a crisis in sustainability that continues to this day. A robust capacity-development program implemented from the outset of the reconstruction effort could have prevented this. Such a program should be an essential component of any future contingency relief and reconstruction operations.

Soft programs serve as an important complement to military operations in insecure environments

An emerging lesson from Iraq is that when violence is pervasive, soft programs – like those orchestrated by USAID and Provincial Reconstruction Teams – are especially important in advancing U.S. goals. Working through indigenous networks seems to increase community acceptance and provide a higher and more lasting degree of local security than military or private-security protection alone could achieve. Because such programs operate out of view of most U.S. personnel, the selection of metrics and careful monitoring of expenditures are critical to ensuring value for the U.S. taxpayer.

Programs should be geared to indigenous priorities and needs

Host country buy-in is essential to reconstructions' long-term success. In many cases there was a lack of sufficient Iraqi participation in deciding how or what to reconstruct. Detailed joint planning with Iraqi officials – perhaps the most important prerequisite for success after security – only gradually improved over time.

Reconstruction is an extension of political strategy

If war, as Clausewitz famously said, is an extension of politics by other means, so too is relief and reconstruction an extension of political, economic and military strategy. There is a big difference between pursuing reconstruction to catalyze long-term economic growth and deploying reconstruction to support a counterinsurgency campaign.

Organizing the Interagency System for Contingency Relief and Reconstruction Operations

The United States government did not have the administrative structure and regulatory framework needed to effectively mount a large-scale reconstruction program in Iraq. SIGIR has five major findings concerning the organization of relief and reconstruction operations:

- Executive authority below the President is necessary to ensure the effectiveness of contingency relief and reconstruction operations
- The U.S. government should develop new wartime contracting rules that allow for greater flexibility
- Uninterrupted oversight is essential to ensuring taxpayer value in contingency operations
- An integrated management structure and management information system are needed to effectively oversee interagency reconstruction efforts
- Outsourcing management to contractors should be limited because it complicates lines of authority in contingency reconstruction operations

Executive authority below the President is necessary to ensure the effectiveness of contingency relief and reconstruction operations

The role of executive authority – and the lack thereof – over interagency coordination lies at the heart of the failures in the Iraq reconstruction program. The question of who was in charge, both in Washington and in Baghdad, was fiercely contested throughout the reconstruction effort. The lack of unity of command in Iraq meant that unity of effort was seldom achieved. Too often, programs were designed to meet agency goals, rather than U.S. interests. Stronger integration was needed not only between the military and civilian agencies, but also among the civilian agencies themselves. Reform efforts should press for the creation of structures that will promote the development of a unifying strategy with clearly delineated agency responsibilities and adequate authority to enforce its execution.

The U.S. government should develop new wartime contracting rules that allow for greater flexibility

The United States needs contracting reform that enables U.S. dollars to be more effectively used in contingency relief and reconstruction operations. A “Contingency FAR” should be developed by the Congress and the executive branch. The standard FAR’s complicated contracting regulations, which can be further modified by agency rules, should be knitted into a single set of simplified, uniform rules for conflict environments that all contracting agencies would have to use. A much larger corps of well-trained and experienced contracting officers must be developed and maintained for deployment during all phases of contingency operations, including planning. Similarly, a diverse pool of contractors with expertise in post-conflict reconstruction should be pre-competed and pre-qualified to be available when a contingency operation begins.

Uninterrupted oversight is essential to ensuring taxpayer value in contingency operations

In the absence of effective management by government officials, contractors in Iraq were often left in dangerous circumstances to carry out insufficiently defined contracts written by inexperienced contracting officers who lacked situational awareness. Uninterrupted oversight by inspectors general and the Congress – accompanied by adequately staffed quality-control and quality-assurance programs – is essential to ensuring the efficient and effective use of taxpayer dollars.

An integrated management structure and management information system are necessary to effectively oversee interagency reconstruction efforts

After the reconstruction program began in 2003, at least 62 offices and agencies played some role in managing projects. There were, however, no interagency project management and information systems that could coordinate the activities of the hundreds of firms and subcontractors executing construction work orders at thousands of sites across Iraq. Integrated systems could have helped to ensure that programs and projects were planned and completed with effective communication, control, and cooperation.

Outsourcing management to contractors should be limited because it complicates lines of authority in contingency reconstruction operations

By law, contractors report solely to the government contracting officers or the designated representatives of the agency that awarded the contract. In Iraq, the proliferation of contractors serving as managers and advisors in each of the offices managing reconstruction projects raised questions regarding what constituted an inherently government activity, and the extent to which oversight authority can be delegated to a contractor.

Contracting Mechanisms and Human Resources in Contingency Relief and Reconstruction Operations

SIGIR has identified three areas where the United States must improve its ability to harness the personnel resources it needs to implement large-scale reconstruction programs:

- The U.S. government needs a new human-resources management system capable of meeting the demands of a large-scale contingency relief and reconstruction operation
- The U.S. government must strengthen its capacity to manage the contractors that carry out reconstruction work in contingency relief and reconstruction operations
- Diplomatic, development, and area expertise must be expanded to ensure a sufficient supply of qualified personnel in contingency reconstruction operations

The U.S. government needs a new human-resources management system capable of meeting the demands of a large-scale contingency relief and reconstruction operation

Supplying adequate numbers of personnel with the requisite expertise emerged as a critical bottleneck early in the reconstruction effort. Although personnel recruitment improved somewhat as the reconstruction enterprise matured, at no time were there sufficient numbers of experienced advisors to meet Iraq's critical capacity-building needs. Washington was unable to draw effectively on the extraordinary talent available in America to form a cadre of workers that combined private-sector expertise with academic knowledge and bureaucratic skill. Further, the failure to provide unambiguous authority to the Chief of Mission in NSPD 36 and the reluctance of the several chiefs of mission to exercise their authority made the effective cross-jurisdictional management of personnel almost impossible. A uniform set of human resource rules that would apply to all federal personnel deployed for contingency operations is needed, as are stronger recruiting mechanisms, a large stable of ready-to-deploy personnel, and a plan for managing long-duration contingencies.

The U.S. government must strengthen its capacity to manage the contractors that carry out reconstruction work in contingency relief and reconstruction operations

Once Baghdad fell and the looting began, the scope of reconstruction quickly overwhelmed the U.S. government's standing capacity to respond. The post-Cold War downsizing of USAID and military construction capacities increased the U.S. government's reliance on the private sector. Not even the Pentagon could mobilize contractors fast enough. The decision to reduce the number of warranted contracting officers during the ten years preceding the Iraq invasion proved particularly consequential. It became clear that the U.S. and international contractors hired by the Defense Department and the CPA were not ready to quickly mount a large-scale reconstruction operation in a dangerous security environment.

Diplomatic, development, and area expertise must be expanded to ensure a sufficient supply of qualified personnel in contingency reconstruction operations

The Iraq mission suffered from a shortage of personnel with diplomatic skills, language and cultural expertise, and development experience. The Iraq reconstruction experience illustrates the extent to which civilian agencies lack capacity to project power abroad. Cuts at USAID, for example, have halved the number of permanent government employees at that agency. To remedy this weakness,

Secretary of Defense Robert Gates has called for a “dramatic increase in spending on the civilian instruments of national security.” The Congress and the President should consider a long-term strategy for building technical and area expertise in the government’s civilian diplomatic and development agencies and creating mechanisms for deploying such capabilities abroad in times of peace and crisis.

Reforming Contingency Relief and Reconstruction Operations

On October 14, 2008, the President signed into law, as part of the National Defense Authorization Act, “The Reconstruction and Stabilization Civilian Management Act of 2008” (RSCMA), the most significant congressional legislation to date regarding the structure of and planning for contingency relief and reconstruction operations. The Act places responsibility for preparing the civilian side of contingency relief and reconstruction operations within the Department of State and directs the Secretary of State, in consultation with the USAID Administrator, to develop an interagency strategy for executing reconstruction and stabilization operations.

RSCMA establishes in law reforms that the President began when he signed NSPD 44, which assigned the State Department the lead in managing government-wide civilian preparation for contingency operations. The State Department’s Coordinator for Reconstruction and Stabilization (S/CRS) now has the responsibility to monitor crises worldwide, prepare contingency plans, and recruit, train and equip personnel for relief and reconstruction missions. Without adequate funding and a large staff, S/CRS will not be able to accomplish the tasks assigned to it.

Three things are necessary to fulfill RSCMA’s purpose:

First, the Congress must provide appropriations suitable to meet the RSCMA mandate. If Congress expects the RSCMA to succeed, it should consider funding the initiative.

Second, more must be done to ensure that the interagency coordination and integration required by RSCMA actually occurs. Even though the law now defines the role of the S/CRS, its ability to foster change across the government remains unproven and many of the same structural obstacles still exist. Contingency relief and reconstruction operations are not inherently the function of any single department.

The Defense Department, usually the largest player in contingency relief and reconstruction, has pursued its own course towards enhancing its capacities for such operations. DoD Directive 3000.05, issued in November 2005, provided that “stability operations are a core U.S. military mission” that “shall be given a priority comparable to combat operations and be explicitly addressed and integrated across all

DoD activities.” The directive gave the military departments the responsibility to conduct contingency relief and reconstruction operations if civilian agencies cannot. In response to this directive the Army has made stability operations a central part of its doctrine, and the U.S. Army Corps of Engineers (USACE) has strengthened its engineering support to combatant commands and enhanced its own capacity to deploy divisions specializing in post-conflict reconstruction. Nevertheless, progress towards meeting the DoD directive’s goals has been uneven.

Third, the Administration should work to revise and integrate the civilian and military components of contingency and reconstruction operations. The President and the relevant cabinet secretaries should ensure that all agencies – especially State and Defense – better integrate the structure and resources for contingency relief and reconstruction operations.

Unity of Effort

The Iraq reconstruction experience makes clear that contingency relief and reconstruction operations require coordinated and cross-jurisdictional structures, planning, resources, and management. The Iraq endeavor fell short on many occasions because the absence of unity of command prevented unity of effort. Too often, agencies and offices worked in their respective stovepipes without ensuring that their activities fully supported U.S. goals and objectives. As General Petraeus told me, “State is never going to put an ambassador under a general, and DoD is never going to put a general under an ambassador.” A new integrated interagency system for contingency relief and reconstruction operations is necessary to ensure future success.

The Iraq reconstruction experience demonstrates that the U.S. government was neither prepared for nor able to respond quickly to the ever-changing demands of the contingency relief and reconstruction mission we faced. Reforms along the lines of – or going beyond – RSCMA are a prerequisite for future success. The inevitability of future contingency relief and reconstruction operations – whether they result from political conflicts or natural disasters – demands that the U.S. government develop new ways to prepare for the inevitable crises and project civil-military power to manage them.

The President and the Congress should take further steps toward achieving this goal. Time and resources must be devoted to developing a sound doctrine and to increasing the U.S. government’s capacity to conduct relief and reconstruction operations. Great effort, reflection, and imagination could put the Iraq reconstruction experience to good use by developing new approaches and structures build on the hard lessons learned in Iraq.