

PREFACE

Learning From Iraq: A Final Report From the Special Inspector General for Iraq Reconstruction culminates SIGIR's nine-year mission overseeing Iraq's reconstruction. It serves as a follow-up to our previous comprehensive review of the rebuilding effort, *Hard Lessons: The Iraq Reconstruction Experience*.

This study provides much more than a recapitulation of what the reconstruction program accomplished and what my office found in the interstices. While examining both of these issues and many more, *Learning From Iraq* importantly captures the effects of the rebuilding program as derived from 44 interviews with the recipients (the Iraqi leadership), the executors (U.S. senior leaders), and the providers (congressional members). These interviews piece together an instructive picture of what was the largest stabilization and reconstruction operation ever undertaken by the United States (until recently overtaken by Afghanistan).

The body of this report reveals countless details about the use of more than \$60 billion in taxpayer dollars to support programs and projects in Iraq. It articulates numerous lessons derived from SIGIR's 220 audits and 170 inspections, and it lists the varying consequences meted out from the 82 convictions achieved through our investigations. It urges and substantiates necessary reforms that could improve stabilization and reconstruction operations, and it highlights the financial benefits accomplished by SIGIR's work: more than \$1.61 billion from audits and over \$191 million from investigations.

Since early 2004, my office carried out an unprecedented mission under extraordinarily adverse circumstances. Hundreds of auditors, inspectors, and investigators served with SIGIR during that span, traveling across Iraq to answer a deceptively facile question: what



Construction official briefs the Inspector General on the status of construction at the Nassiriya Prison during an on-site inspection in 2008.

happened to the billions of dollars expended to rebuild that country?

Our work became increasingly more difficult as the security situation deteriorated, the effect of which forced our mission to become quite literally oversight under fire. The collapse of order in Iraq caused an unacceptably high human toll: at least 719 people lost their lives while working on reconstruction-related activities. SIGIR suffered from this toll, with one auditor killed by indirect fire in 2008 and five others wounded the year before.

In late 2003, the burgeoning rebuilding program required more oversight: that was the Congress's view. Thanks to the vigilant efforts

of Senator Russ Feingold of Wisconsin, Senator Susan Collins of Maine, and many others, the Congress created and undergirded an unprecedented inspector general office—the Coalition Provisional Authority Inspector General (later SIGIR)—with the power and resources sufficient to provide independent, cross-jurisdictional oversight.

The CPA-IG came into being through a November 2003 congressional act that also provided over \$18.4 billion in taxpayer dollars for Iraq’s reconstruction. Total appropriations for the rebuilding of Iraq eventually would crest \$60 billion. In late January 2004, the Secretaries of Defense and State appointed me to lead the mission of auditing and investigating the CPA’s programs and projects.

During my initial visit to Baghdad in early February 2004, I quickly became aware of the immense task before me. Walking the halls of the Republican Palace, a sprawling structure on the Tigris River constructed by Saddam Hussein and now housing the CPA, I overheard someone say: “We can’t do that anymore. There’s a new inspector general here.” That offhand remark augured an oversight mission imbued with challenges of a scope well beyond what anyone then could have imagined.

I made several more trips to Iraq that year—the total would eventually tally to 34—deploying teams of auditors and investigators and engaging with leadership to address the fraud, waste, and abuse that we were uncovering. Pursuant to a presidential decision, the CPA closed its doors in late June 2004, with the Department of State assuming formal control of the rebuilding program. Although sovereignty passed back to the Iraqis, the U.S.-led reconstruction effort was just ramping up. The delays inherent in contracting out a sum as large as \$18.4 billion meant that the CPA actually spent very little of it.

In mid-2004, the new U.S. Ambassador to Iraq, John Negroponte, assessed the troubled situation. He determined that about \$3 billion should be reprogrammed to address the rapidly declining security situation. Thus began a stark shift away from the CPA’s large civic infrastructure strategy to a course aimed at improving the country’s military and police forces. This sea change in spending stemmed from the well-founded belief that Iraq’s rule-of-law system required immediate and substantial aid. Creating the Multi-National Security Transition Command-Iraq bolstered the new approach, bringing Lieutenant General David Petraeus back to Iraq to lead it. Over

the next eight years, MNSTC-I and its successors would oversee expenditures in excess of \$24 billion to train, equip, and employ Iraq’s security forces.

The earlier-than-expected end of the CPA triggered a statutory provision requiring my office to close by December 2004. Though barely having stood up, I now started to stand down. By October, my staff had dropped to 15, when the Congress acted again, passing a bill transforming the CPA-IG into SIGIR and expanding our mission to reach more of the rebuilding money. We reversed course and moved into an accelerated expansion mode.

In January 2005, SIGIR released a major audit exposing the vulnerabilities inherent in managing a multibillion-dollar rebuilding program in an unstable environment. The audit documented the poor controls over billions disbursed from the Development Fund for Iraq, which left that Iraqi money subject to fraud, waste, and abuse. Future SIGIR investigations revealed fraud in the use of the DFI, and people went to prison for it, but our subsequent audits showed that waste was the paramount problem. Ultimately, we estimate that the Iraq program wasted at least \$8 billion.

In mid-2005, Ambassador Zalmay Khalilzad arrived to replace Ambassador Negroponte, who left to serve as the first Director of National Intelligence. Ambassador Khalilzad embraced SIGIR’s oversight work, partnering with us in a way that would generally continue for the remainder of our mission. He agreed with our view that the cost-plus design-build contracts then in place were inappropriate for the mission and too wasteful. Ambassador Khalilzad asked the Department of Defense, which controlled those contracts, to terminate them and implement fixed-cost vehicles in their place. The challenges encountered in pushing this policy exposed interagency weaknesses within the Iraq program’s ad hoc structure. Pursuant to a May 2004 presidential order, Defense managed the contracts, while State managed rebuilding policy. Given that the operators within these respective “stove-pipes” answered to different masters with different agendas, program and project discontinuities and disconnects became *de rigueur*.

Seeking to remedy these palpable weaknesses, Ambassador Khalilzad created the Provincial Reconstruction Team program, similar to one he developed in Afghanistan, where he previously served as

Ambassador. Though desultory at inception, the PRT program picked up speed in 2006 and, along with the Commander's Emergency Response Program, eventually became a significant innovative effort. SIGIR's audits of the PRTs and the CERP exposed unsurprising weaknesses, but they also spotted effective progress achieved by both programs. We found that PRT success depended chiefly on the performance of the PRT leader, while CERP success required limited project scopes and continuity of oversight.

Worsening security problems ultimately swamped Ambassador Khalilzad's plans. Oil and electricity outputs sagged, while al-Qaeda in Iraq expanded, fomenting Sunni-Shia conflicts. By the spring of 2007, when Ambassador Ryan Crocker arrived as the new Chief of Mission, Iraq was in the throes of a virtual civil war. Foreign fighters flooded the country, and improvised explosive devices wreaked daily death and havoc. As Ambassador Crocker put it, we very nearly lost Iraq.

General Petraeus returned again to Iraq in early 2007 as Commanding General, Multi-National Force-Iraq, to implement a new strategy called the "surge." This comprehensive, multilayered approach entailed, among other things, a deeper engagement with restive Sunnis through reconciliation initiatives and the "Sons of Iraq" program, a stronger emphasis on CERP-funded local rebuilding projects that better met Iraqi needs, and the deployment of over 25,000 more troops into the country. While attacks and deaths initially spiked, the strategy succeeded in significantly suppressing violence.

Importantly, both General Petraeus and Ambassador Crocker, like Ambassador Khalilzad before them, believed in the value of SIGIR's oversight and teamed with us to target areas that most crucially needed it. SIGIR's in-country presence rose to more than 40 auditors and inspectors and more than 10 investigators. They worked out of the Republican Palace, which was subject to weekly, if not daily, rocket attacks.

By the fall of 2007, efforts to secure the Iraqi people, pursue extremists, and foster reconciliation had combined to improve conditions substantially. Expanding the "Awakening" movement to all of Anbar province, and then to wherever Sunni insurgents or Shia militia existed, catalyzed reconciliation efforts across the country. The Sons of Iraq program expended about \$370 million in CERP funds to employ about 100,000 Sunni insurgents and some Shia militia, effectively removing them from the battlespace. A revised Iraqi-

oriented reconstruction program, reflected in the Joint Contracting Command-Iraq's "Iraqi First" policy, fed economic potential into local towns and villages. CERP spending on reconstruction markedly increased, supporting a renewed "clear, hold, and build" program. The Embassy extended the reach of the PRT effort, implementing an "embedded PRT" initiative, which doubled the program's capacity. All of these infusions, expansions, and innovations strategically coalesced to roll back the deadly tide that had submerged Iraq.

Throughout this period, SIGIR produced an average of six audits and at least six inspections per quarter. My Assistant Inspector General for Inspections implemented innovative practices to good effect. Each of his teams included auditors and engineers, with every report examining a project's financial and structural aspects. This produced propitious results, including the discovery by SIGIR engineers of project defects, the correction of which yielded savings of taxpayer dollars. Our audit teams addressed issues crucial to the maturing program such as how to transfer projects to Iraqi control and how Iraq should sustain them thereafter.

In 2008, SIGIR's investigative branch boosted production. Thanks to the leadership of a new and highly experienced Assistant Inspector General for Investigations, our case inventory burgeoned, with indictments and convictions increasing. These positive results came about through several new programs, including coordinated efforts to trace funds through special means and the building of better partnerships with domestic and international law-enforcement agencies.

In 2009, we partnered with the Department of Justice to implement an unprecedented program dubbed the SIGIR Prosecutorial Initiative, or SIGPRO. It involved hiring our own prosecutors and placing them within DoJ's fraud section where they aggressively pursued SIGIR cases. SIGPRO proved a great success, yielding a rapid rise in prosecutions and many more convictions. SIGIR's Investigations Directorate more than doubled its financial results, indictments, and convictions in just over two years.

Transition was the theme of 2010 and 2011. U.S. and Iraqi authorities focused on implementing the Security Agreement and the Security Framework Agreement. The former laid out a timeline for U.S. troop withdrawal, while the latter established a process for continuing bilateral cooperation on Iraq's reconstruction and

SIGIR's Average Quarterly Statistics, 2004–2013



Published Reports

12.2



Indictments and Convictions

5.2



Congressional Testimonies

1.0



Financial Benefits

\$50.1 Million



Agency Costs

\$6.8 Million

recovery needs. The overarching challenge at this juncture involved transmogrifying a support system largely sustained by Defense to one handled exclusively by State. SIGIR played a role in this process through audits of the Police Development Program, which revealed weaknesses in planning and coordination. From a taxpayer perspective, these reviews had good effect. State downsized the program to levels the Iraqis wanted, saving hundreds of millions of taxpayer dollars.

Taken together, the following seven chapters of *Learning From Iraq* provide the most comprehensive picture of the reconstruction program yet produced. Chapter 1 synthesizes the prodigious work SIGIR's auditors, investigators, and inspectors accomplished over the past nine years, providing best practices each directorate developed. The second chapter presents key primary source material on the effects of the rebuilding program drawn from interviews with Iraqis, U.S. senior leaders, and congressional members. They paint a telling tableau of a program fraught with challenge.

Chapters 3 and 4 describe the many ad hoc entities that managed the Iraq rebuilding program, denoting who did the actual work and detailing the varying funding streams that supported thousands of programs and projects. Chapter 5, the report's lengthiest, thoroughly lays out where the \$60 billion in U.S. funds for Iraq went, with extensive explications of how the money was used to rebuild the country's infrastructure, security system, governance capacity, and economy, punctuated by project vignettes that provide brief but piquant looks into the program's wide scope. The penultimate chapter frames a short history of attempted reforms that sought to respond to management problems encountered during the Iraq program. *Learning From Iraq* concludes with seven final lessons that SIGIR's collective work points to and supports.

These seven lessons and our substantial body of work stand as our legacy. We saved money through audits, improved construction through inspections, and punished criminals through investigations. As pleased as I am with the SIGIR teams that achieved these important results, I view our lessons-learned reports, of which this is the last, as equally important.

Seven Final Lessons from Iraq

1. Create an integrated civilian-military office to plan, execute, and be accountable for contingency rebuilding activities during stabilization and reconstruction operations.
2. Begin rebuilding only after establishing sufficient security, and focus first on small programs and projects.
3. Ensure full host-country engagement in program and project selection, securing commitments to share costs (possibly through loans) and agreements to sustain completed projects after their transfer.
4. Establish uniform contracting, personnel, and information management systems that all SRO participants use.
5. Require robust oversight of SRO activities from the operation's inception.
6. Preserve and refine programs developed in Iraq, like the Commander's Emergency Response Program and the Provincial Reconstruction Team program, that produced successes when used judiciously.
7. Plan in advance, plan comprehensively and in an integrated fashion, and have backup plans ready to go.

SIGIR most succeeded when it helped the relief and reconstruction mission improve. Our audits, inspections, and lessons-learned reports did that by identifying program challenges and offering recommendations for positive change. SIGIR's reporting points to a crucial bottom line: the United States must reform its approach to planning, executing, and overseeing stabilization and reconstruction operations.

Respectfully submitted,

Stuart W. Bowen, Jr.
Inspector General