

Statement of
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at a hearing on
"Effective Counterinsurgency: How the Use and Misuse of Reconstruction
Funding Affects the War Effort in Iraq and Afghanistan"
before the
Committee on Armed Services
United States House of Representatives
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Chairman Skelton, Ranking Member McHugh, and Members of the Committee:

Thank you for the opportunity to present the perspective of the Office of the Special Inspector General for Iraq Reconstruction (SIGIR) on the use of U.S. reconstruction funding over the past six years in support of the war effort in Iraq.

Since its inception in January 2004, SIGIR has reported on how the use and misuse of reconstruction funds has affected the war effort in Iraq, including the counterinsurgency effort.

Our most recent publication – *Hard Lessons: The Iraq Reconstruction Experience* – provides a detailed history of the consequences of the failure to plan, the failure to adapt promptly and effectively, and the failure to establish or implement an effective system for managing contingency relief and reconstruction operations. Beginning in 2003, the use of U.S. reconstruction funds was guided by a series of ad hoc decisions. Funds were used in ways that changed constantly – responding to the ever-changing security environment in Iraq – and they usually failed to meet

the needs at hand, in part because the resources necessary for managing their proper expenditure were unavailable or inadequate to the task. These shortfalls resulted in substantial waste and missed opportunities.

Hard Lessons traces the pervasive waste and inefficiency in the largest nation-building program in history, revealing the mistaken judgments, flawed policies, and structural weaknesses that led to enormous shortfalls. Unless Congress and the Administration develop a reformed approach for managing reconstruction activities in a contingency environment, including new contingency contracting rules, the mistakes of Iraq stand to be repeated in the expanding effort in Afghanistan and in future contingencies.

The U.S. approach to reconstructing Iraq originated in the fall of 2001, when the President and Secretary of Defense fashioned the war plan according to a “liberation” model in which U.S. troops would depart shortly after the fall of Saddam Hussein. Warnings from post-conflict experts that an extensive rebuilding effort should be a key part of our strategy went unheeded, and a war was planned with limited regard for its aftermath. The post-invasion breakdown in public order led to a huge expansion in the program that ultimately saddled the American taxpayer with an enormous obligation that continues to this day.

Hard Lessons reveals how U.S. officials laid plans to modernize every aspect of Iraqi society, from the banking system to traffic laws. In so doing, they overreached, pursuing transformational goals for their own sake instead of using the reconstruction program to meet Iraq’s immediate security and economic needs. Although the program significantly corrected its course in 2007, the core problem was – and still is – that the United States government lacks an accepted doctrine for how to rebuild a failed state and a structure capable of mobilizing resources on the required scale.

Unless the expanding Afghanistan program draws upon the lessons learned in Iraq, substantial waste of taxpayer dollars will occur. To date, \$32 billion has been appropriated for Afghanistan, with little oversight. The Special Inspector General for Afghanistan Reconstruction, created in 2008, is moving forward, and he is unsurprisingly uncovering problems similar to those we found in Iraq.

SIGIR has made *Hard Lessons* available to the Congress, the Administration, and to the public. It is our best and most complete response to questions about the effect of reconstruction on the war effort in Iraq. In a contingency operation, a well-planned, properly resourced, and effectively managed relief and reconstruction program is a prerequisite to an effective counterinsurgency campaign. *Hard Lessons* makes it clear that the original reconstruction effort in Iraq was not part of a well-planned counterinsurgency strategy.

The original reconstruction plan – developed in 2002 and early 2003 – envisaged a very narrow program that would focus on repairing war damage and averting humanitarian disasters. That plan was quickly superseded by a much larger vision, embodied in the occupation executed by the Coalition Provisional Authority. The CPA envisaged a \$20 billion reconstruction effort – ten times larger than the originally planned investment – and the amount we have appropriated for Iraq to date (\$50 billion) is about 25 times greater than what we originally anticipated.

Before the initial U.S. reconstruction efforts in Iraq had an appreciable effect, a lethal insurgency erupted derailing much of what had been planned. The CPA’s strategy did not focus on security – it focused on big infrastructure projects. But a lack of security in 2003-2004 significantly slowed the reconstruction program. The situation that dominated Iraq through 2005-2006 was ameliorated only after a substantial military and civilian surge in 2007, deploying many more troops and new counterinsurgency tactics – such as “Money as a Weapons System” – that suppressed the insurgency and allowed the balance of the U.S. reconstruction effort to proceed in a relatively more secure environment.

In retrospect, the failure to adapt the reconstruction effort earlier to a counterinsurgency strategy that eventually worked is responsible in part for the considerable waste of reconstruction resources that occurred.

Before the 2007 counterinsurgency program, SIGIR had pointed out – in Lessons Learned reports and many individual audits and inspections – steps to improve the operation of the reconstruction program. For example, from 2004-2006, SIGIR recommended that:

- tours of duty for those engaged in reconstruction should be lengthened to avert constant turnover
- additional contracting officers and staff should be more widely deployed across Iraq to improve quality assurance
- the award-fee process should be tightened to reduce waste and provide real performance incentives to contractors
- a heavier emphasis should be placed on developing the capacity of the Iraqi government to operate successfully the reconstruction projects the U.S. was undertaking so they continue to operate once transferred to Iraqi control
- contracting programs like the Commander's Emergency Response Program should be institutionalized

Most of these recommendations were effectively implemented by agency management or departmental leadership. We also have seen commendable success evolve from the recommendation that contracting focus more on awards to Iraqis with the substantial growth of the Iraqi First program managed by the Joint Contracting Command – Iraq/Afghanistan. SIGIR's call for more support for training and deploying a civilian reserve corps to assist in post-conflict contingencies added impetus to the effort that led the Congress to pass the Reconstruction and Stabilization Civilian Management Act, which this Committee included in last year's NDAA. But our work still is turning up program weaknesses: an upcoming SIGIR audit will reveal that our asset-transfer and asset-sustainment recommendations have still not been effectively implemented.

The Iraq program failed to satisfy a first principle for successful reconstruction contingencies – ensuring sufficient security. In fact, the United States undertook complicated public works projects in very unstable places like Fallujah in 2004 and Basra in 2005. This led to an enormous waste of resources as projects could not progress due to unsafe environments but contractors were still being paid.

Taken as a whole, the U.S. reconstruction program has not met the goals set by the CPA in 2003 on the infrastructure front but has made great strides toward meeting them on the security front, after an enormous increase in funding for the Iraq Security Forces Fund.

The shortfalls on the reconstruction side stem, to a significant degree, from the lack of a system within the U.S. government for managing contingency relief and reconstruction operations. The lack of a good management framework meant that there were ineffective lines of authority and accountability among and between military and civilian organizations. This led to a lack of unity of command and weakened the program's unity of effort.

Hard Lessons lays out a series of principles and recommendations that, if implemented, could enhance future contingency relief and reconstruction operations. Of the many lessons to be drawn from Iraq reconstruction, the most compelling speak to the need to develop an agreed-upon doctrine and structure for contingency relief and reconstruction operations so that the U.S. is ready when it next must intervene in a failed or failing state. Chapter 27 of our report provides the following lessons:

- Executive authority below the President is necessary to ensure the effectiveness of 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.
- Programs should be geared to indigenous priorities and needs.
- 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.
- The U.S. government needs a new human resources management system for contingency operations.

- 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.

In closing, SIGIR's work shows that reform is necessary. It should focus on developing unity of command for contingencies so that, in a future contingency, the United States does not again lose unity of effort as it did in Iraq. Achieving systemic integration – not merely leadership coordination – should be the goal of this reform effort. A failure to act would leave future reconstruction contingency efforts vulnerable to the same shortfalls and weaknesses that were experienced in the Iraq.

The Administration and the Congress must act to reform and transform our government's inadequate structure for planning and executing contingency relief and reconstruction operations. A new structure needs to be created, just as this Committee recreated defense management through the Goldwater-Nichols Act in 1986. This reform could be more challenging than Goldwater-Nichols because it involves more than one cabinet agency. But the scope of the challenge should not deter the effort.

Mr. Chairman and Members of the Committee, let me close by thanking you on behalf of my colleagues in Iraq and in the United States for the strong support you have given us as we strive to accomplish our challenging mission under difficult circumstances.