Hard Lessons: The Iraq Reconstruction Experience

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PREFACE

Hard Lessons: The Iraq Reconstruction Experience appears on the five-year anniversary of my appointment as Inspector General in Iraq. Shortly after that appointment, I met with Secretary of Defense Donald Rumsfeld, to whom I reported, to discuss the mission. His first words were: "Why did you take this job? It is an impossible task." I began to understand why he offered so startling a "welcome" during the following week, when I made my first trip to Iraq to begin setting up oversight of the Coalition Provisional Authority (CPA), then in charge of Iraq's reconstruction. The CPA-IG office in the Republican Palace, which housed the CPA—and would later house the U.S. Embassy in Iraq—was adjacent to the CPA Comptroller's. What I saw was troubling: large amounts of cash moving quickly out the door. Later that same day, walking the halls of the palace, I overheard someone say: "We can't do that anymore. There is a new inspector general here."

These red flags were the first signs that the oversight mission the Congress had assigned my office would be extraordinarily challenging. But it has not been impossible, chiefly because of the professional, productive, and consistently-courageous work of the many auditors, inspectors, and investigators who have worked hard over the past five years to meet the mission of the Office of the Special Inspector General for Iraq Reconstruction (SIGIR). Since the March 2004 opening of our office in Baghdad, SIGIR has produced 137 audits, generated 139 on-site inspections, initiated over 370 investigations, issued 20 Quarterly Reports to the Congress, and published 3 Lessons Learned Reports. The audits yielded cost savings and benefits of well over $300 million; the inspections prompted numerous project-management improvements; and the investigations led to 11 convictions so far and over $17 million in recovery, restitution, or forfeiture. The three previous lessons learned reports—which addressed personnel, contracting, and program management challenges—served as catalysts for improvements in the U.S. government's reconstruction efforts in Iraq and in readiness for future contingencies.

SIGIR's oversight jurisdiction covers nearly $50 billion in U.S. funds appropriated by the Congress for Iraq—the largest foreign relief and reconstruction effort for one country in American history. Over the past five years, this sea of taxpayer dollars flowed to a wide spectrum of initiatives, ranging from training Iraq's army and police to building big electrical, oil, and water projects; from supporting democracy-building efforts like elections to

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strengthening provincial councils' budget execution; and from funding rule of law reforms to ensuring that Iraq sustains what the U.S. program provided. Some of the initiatives succeeded, but, as this report explains, many did not.

Hard Lessons reviews the Iraq reconstruction experience from mid-2002 through late 2008. Like SIGIR's previous lessons-learned reports, this study is not an audit. Rather it arises from 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 report presents a detailed chronological history of the U.S. reconstruction program in Iraq, threading together a number of themes that presented themselves during the endeavor, including:

- the enormous challenges that security problems posed for rebuilding efforts
- the dramatic and frequently reactive course-changes in reconstruction strategy
- the turbulence engendered by persistent personnel turnover at every level
- the waste wrought by inadequate contracting and contract management practices
- the poor integration of interagency efforts bred by weak unity of command and inconsistent unity of effort.

The text of this report, through vignette, interview, and documented detail, explicates these themes by, in turn, laying out the blinkered and disjointed pre-war planning for Iraq's reconstruction; the CPA's extraordinary and ultimately too-ambitious expansion of the U.S. program; the security-driven reprogrammings required by the exploding insurgency; the strongly resourced response of the Surge; and the rise of Iraq's role in its own reconstruction.

Hard Lessons answers some important questions about U.S. reconstruction efforts in Iraq:

- Did the program meet the goals it set for itself? The answer is generally no on the infrastructure front, but generally yes regarding the development of Iraq's security forces. Electricity and oil outputs in Iraq remain below goals set by the CPA over

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five years ago, while the number of project completions in the key water and health sectors fell far short of hopes. But Iraq's security forces, after several false starts and greatly increased U.S. investment, have achieved substantial operational capabilities, notwithstanding some remaining doubts about overall unit readiness and potential performance levels.

- Was the program grossly burdened by waste and fraud? Regarding waste, yes; regarding fraud, no. The overuse of cost-plus contracts, high contractor overhead expenses, inordinately-high contractor award fees, unacceptable program and project delays, and constant personnel turnover contributed to a massive waste of taxpayer dollars. On the other hand, while SIGIR and other law enforcement agencies have uncovered egregious examples of fraud in Iraq, the size of the total criminal wrongdoing known to date amounts to a relatively small percentage of the overall reconstruction investment and the number of individuals involved were relatively few. The vast majority of those who served the U.S. reconstruction program – soldier, civilian, and contractor - did so honorably.

- Why did reconstruction efforts so often fail to meet their mark? Security. That single explanation has been offered up thousands of times since the 2003 invasion as the prevailing reason for shortfalls, large and small, in the U.S. reconstruction program. But it begs a further question: why was so large a reconstruction program pursued in so insecure an environment? Others will have to provide that answer. But beyond the security issue stands another compelling and unavoidable answer: the U.S government was not adequately prepared to carry out the reconstruction mission it took on in mid-2003.

The research for *Hard Lessons* comprised interviews with hundreds of individuals and the review of thousands of documents. SIGIR reached out to virtually every major player in the Iraq reconstruction experience and, I am pleased to report, almost all agreed to be interviewed or provide useful responses. Among others, Secretaries Powell and Rumsfeld; USAID

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Administrator Natsios and Deputy Administrator Kunder; Deputy Secretaries Wolfowitz, England, and Armitage; Ambassadors Bremer, Negroponte, Khalilzad, Crocker, Jeffrey, Satterfield, Speckhard, Taylor, and Saloom; and Generals Garner, Abizaid, McKiernan, Strock, Eaton, Sanchez, Casey, Petraeus, Odierno, Chiarelli, Dempsey, and McCoy were all interviewed by SIGIR or gave helpful information or advice. We also interviewed Iraqi leaders, including former Prime Ministers Allawi and Ja'afari, Deputy Prime Minister Barham Salih, Ambassador Sumaida'ie, Judge Rahdi, Minister Baban, and Ahmed Chalabi. Equally important to the study, SIGIR staff interviewed hundreds of military members, government officials, and contractors who carried out the "bricks and mortar" work of Iraq's relief and reconstruction.

A word of sincere thanks to the SIGIR staff that spent more than two years compiling *Hard Lessons*. I especially commend my two senior writers, Victoria Butler and Christopher Kirchhoff, who shouldered virtually all the writing burden, which included research travels to Iraq. Thanks to Executive Editor Col. (Ret.) John R. Martin and Senior Editor Barbara Wolfson for sage advice, insight, and guidance. I thank the researchers—Jennifer McGee, Brad Larson, and Gwendolyn Toops—for thousands of hours of diligent detail-work to help ensure the report's accuracy. I also thank our editorial advisers for their invaluable assistance: Dr. Philip D. Zelikow of the University of Virginia; Dr. Fredrick D. Barton of the Center for Strategic and International Studies; Dr. Dana Eyre of the U.S. Institute for Peace; Dr. Terrence K. Kelly of RAND Corporation; Dr. Ernest R. May of Harvard University; and Dr. Gordon W. Rudd of the U.S. Marine Corps School of Advanced Warfighting (and the ORHA/CPA Historian).

Finally, a somber note. While this oversight mission has not been "impossible," it has been dangerous. During 2007, five SIGIR staff members were injured by indirect fire in Iraq. And on March 24, 2008, SIGIR auditor Paul Converse died from wounds he received during the Easter Day rocket barrage on the Green Zone. This report is dedicated to him and to all who gave their lives in Iraq in service to our country.

Stuart W. Bowen, Jr.
Inspector General
February 2, 2009

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Chapter 1

PLANNING BEGINS

I have no idea what CENTCOM was planning, and I have absolutely no idea what the Joint Chiefs of Staff were planning. I do know that political guidance they were getting from Rumsfeld, the NSC, and the White House was, 'You got about three months to get this thing up and running.'

- General Colin Powell,
Secretary of State (2001-2005)[*]

The origins of U.S. reconstruction policy in Iraq are rooted in a series of debates held in the fall of 2001 when plans for deposing Iraq's dictator, Saddam Hussein were ordered revised.[1] From the outset, Secretary Rumsfeld anticipated that power would be rapidly transferred to an interim Iraqi government in the aftermath of an invasion. Reflecting Rumsfeld's vision, Pentagon officials conceived of U.S. forces as liberators who would leave Iraq within months of Saddam's fall. In such a scenario, the United States would not need to administer the functions of Iraq's government after major combat operations ceased.[2]

A different view of regime change evolved at the State Department. Senior officials in Foggy Bottom believed that Iraq, with its history of sectarian violence, could not be so easily reshaped. Invading Iraq and replacing its totalitarian regime would require a mission of enormous scope, carried out over a period of years, engaging everything from Iraq's judiciary to its electrical grid. Secretary of State Colin Powell pointedly told the President that "when you hit [Iraq], it's like a crystal glass. It's going to shatter. There will be no government. There will be civil disorder. You'll have 25 million Iraqis standing around looking at each other."[3]

The tense interplay between these competing visions fundamentally shaped the process of pre-war planning in the fifteen months preceding the March 2003 invasion of Iraq. As planning moved forward, experts inside and outside government—including some in the Department of Defense—warned that the failure to prepare for a more-extensive involvement after regime change exposed the U.S. to extraordinary risks. These disagreements—which remained unresolved as the U.S. ultimately went to war—

[*] SIGIR interview with Gen. (Ret.) Colin Powell, former Secretary of State, February 4, 2008.

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arose from different assessments of conditions in Iraq and what the consequences of deposing Saddam would be.

~ *A Brief History of Modern Iraq* ~

Shortly after World War I, Winston Churchill, then head of Britain's War Office, told the commander of British forces in Iraq: "The fate of the province depends entirely upon whether a reasonable scheme for maintaining order can be devised at a cost which is not ruinous."[4] Creating a "reasonable scheme," however, proved exceedingly difficult. By 1920, Iraqis living under British military occupation had compiled a list of grievances against their foreign rulers. Shi'a clerics in the south demanded an independent Islamic government. The Kurds in the north wanted autonomy. Tribesmen throughout the country opposed the British-imposed tax system and forced labor. Eventually, senior Sunni and Shi'a clerics joined together to issue a *fatwa* calling for rebellion. An insurgency started in Mosul and quickly spread across the country, forcing the British to move up their timetable for granting Iraq full sovereignty.

In their efforts to build an independent state, British officials faced the challenge of melding three distinct social structures (tribal, clerical, urban), three ethno-religious groups (Sunni Kurds, Sunni Arabs, Shi'a Arabs), and three territorial regions (north, middle, south). The solution they ultimately settled on, undertaken with the advice of British Arabists Gertrude Bell and T.E. Lawrence, was to install a king, Emir Faisal. The investiture of Faisal—a Sunni—established a pattern of sectarian politics that would burden Iraq for decades.

The exercise of power by the minority Sunnis over the majority Shi'a produced instability: 58 separate governments ruled Iraq in the 37 years between 1921 and the 1958 revolution that overthrew the monarchy.[5] In 1963, the Sunni-controlled Ba'ath party took power in a coup.[6] By the mid-1970s, a middle class had emerged in Iraq that was a model for its neighbors. High oil prices briefly pushed the country's per capita gross domestic product past that of Spain's. A secular state with an excellent education system and a thriving economy, Iraq seemed poised to break with its turbulent past. But this relative renaissance was not to last.

In 1979, a law school dropout named Saddam Hussein seized power. He would rule Iraq for the next 24 years at ruinous cost. In 1980, Saddam launched his country on a disastrous eight-year war with Iran that left half a million Iraqis dead.[7] The war ended the country's brief period of prosperity, decimated a generation of young men, and roiled tensions between the regime's Sunni elite

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and their Shi'a and Kurdish countrymen. In 1990, Saddam invaded Kuwait, and the United States quickly responded, leading to the 1991 Gulf War. Saddam was badly defeated by a broad coalition of forces, and his regime became an international pariah. By the year 2000, the impact of multiple wars, severe international sanctions, and repressive rule had left Iraq a broken country.

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Iraq Under Saddam

Iraq's population of around 25 million people lived in an area about the size of California. The land between the Tigris and Euphrates Rivers, known as the cradle of civilization, had given birth to remarkable innovations in writing, farming, law, medicine, and governance. At the start of the 21st century, though, Iraq suffered under a brutal tyrant whose destructive policies had led to the imposition of debilitating United Nations sanctions. The deterioration of Iraq's physical and political infrastructure stemmed to varying degrees from these sanctions, Saddam's neglect, the Iran-Iraq War, and the first Gulf War.

During the 1991 Gulf War, Iraq inflicted significant damage on Kuwait. Under the supervision of then-Secretary of Defense Richard Cheney, Kuwaiti and U.S. officials planned the reconstruction of Kuwait in advance of its liberation. Kuwait's quick recovery largely resulted from work carried out by the U.S. Army Corps of Engineers and private contractors, including Bechtel and Brown and Root, both of which would later play major roles in Iraq's reconstruction.[8]

Although Saddam restored some level of essential services after the 1991 war, the larger recovery of Iraq proved more daunting. UN-imposed sanctions and an international trade embargo, aimed at preventing the regime from acquiring ballistic missiles and weapons of mass destruction, limited the country's ability to reconstruct itself.[9] Iraq's non-oil economy was especially hard hit. By the mid-1990s, unemployment and under-employment exceeded 50 percent.[10] Iraq's gross domestic product, which peaked in 1990 at $74.9 billion, fell to $10 billion and remained under $20 billion throughout most of the 1990s, rising to just $23.7 billion by 1999.[11]

Under Saddam, Iraq had plunged from a gradually-advancing middle-income country to a poor and underdeveloped one. In its sudden shift "from relative affluence to massive poverty," as a United Nations report characterized it, 60 percent of Iraq's population was left heavily dependent on the government-provided food ration for their livelihood.[12] By the mid-1990s, these rations, delivered through the government's public distribution system, provided only 1,100 calories per person per day, causing widespread malnutrition.[13]

Faced with rising social and economic instability, Saddam acceded to a UN proposal, on the table since 1991, to allow proceeds from limited sales of oil to purchase more food and medicine.[14] Under the new "Oil-for-Food Program," the UN supervised monthly distributions of 450,000 tons of flour, clarified butter, peas, lentils, beans, sugar, tea, salt, and soap through a network of 44,000 privately-owned corner stores. The program worked, effectively doubling the population's per capita caloric intake.[15] But beneath the sanctions and authorized oil sales, an illicit economy flourished. Institutionalized corruption and criminal smuggling networks infected both the government and the supporting UN programs, spawning powerful criminal elements within Iraq.[16]

The reversal in U.S.-Iraqi relations during Saddam's rule—with Saddam first an ally and then an enemy—increased Iraqis' skepticism about Western designs on their territory and oil wealth. This skepticism, together with the effects of internal political violence, a corrupt public sector, regular shortages of food, medicine, and everyday goods—plus frequent U.S. bombing of air-defense installations in the no-fly zones—led to a siege mentality among many Iraqis.

The peculiar mix of charity and harsh sanctions that defined the international community's relations with Iraq in the years following the first Gulf War presented U.S. policy makers with a paradox. Saddam's brutal secrecy and intrigue shrouded the inner workings of the Iraqi state, but the goods and services distributed through a UN-approved bureaucracy comprised about 70 percent of Iraq's gross national product.[17] The UN sanctions committee had in its possession a list of every good it had permitted Iraq to import for more than a decade, down to fuses in power plants.[18] Although these UN records were not organized as a needs assessment of the infrastructure, a diligent

policymaker could have found out how much cement a particular Iraqi factory produced or what spare parts an Iraqi electricity plant had ordered.

Early Civilian and Military Efforts

On September 29, 2001, Secretary Rumsfeld initiated a review of existing Iraq war plans.[19] Shortly thereafter, General Tommy Franks, Commanding General of the U.S. Central Command (CENTCOM)—the combatant command with responsibility for the Middle East and Central Asia—removed a small group of key planners from the Afghanistan campaign and ordered them to revise plans to attack Iraq.[20] At the outset, Secretary Rumsfeld directed the planners not to prepare for a military administration in Iraq after Saddam's regime fell.[21] He believed others in the government, probably the Department of State, would handle the governance aspects of "Phase IV," military parlance for operations after the end of major combat.[22]

Although some at CENTCOM disagreed with Secretary Rumsfeld's decision, the attitude of most of the planning staff was to "let the politicians do the politics" and "to let soldiers be soldiers, and carry out whatever we are told."[23] The concept of operations Rumsfeld and Franks devised in four videoconferences between Thanksgiving and late December 2001 focused only on the combat phase. The war plan Secretary Rumsfeld briefed to the President on December 28, 2001, was based on a rapid handover to an Iraqi government and a minimal continuing military footprint.[24]

In early 2002, the State Department's Bureau of Near Eastern Affairs launched the "Future of Iraq Project" to assess postwar requirements with members of the Iraqi exile community. Six days after the President named Iraq as part of the "axis of evil" in his January 29, 2002, State of the Union address, Project director Thomas Warrick submitted an outline of subjects to Ambassador Ryan Crocker, then serving as the Deputy Assistant Secretary of State for Near Eastern Affairs. The plan anticipated seventeen working groups that would evaluate post-invasion needs in areas ranging from rule-of-law and public finance to oil, energy, and anti-corruption efforts.[25] The Project would serve both as a means to expand postwar planning and as a vehicle to consolidate competing Iraqi exile groups.

White House coordination of nascent planning for Iraq began in the spring of 2002 during twice-weekly meetings of the National Security Council's Deputies Committee, which comprises the second-in-command officials—or their representatives—from the Departments of State, Defense, CIA, and the military's Joint Staff.[26] Ideas about how to handle the postwar phase took shape during these meetings. Deliberations focused on three concepts: a liberation model, in which Iraqis quickly took charge through a provisional government; a military administration, led by CENTCOM; or a civilian transitional authority, perhaps run under UN auspices. Irrespective of which concept or combination of concepts would apply, policymakers addressed three linked issues: how to secure public order; what relief and reconstruction operations would be necessary; and how to promote U.S. interests in Iraq's longer-term economic and political stability.[27]

"One of our main themes was liberation rather than occupation," Under Secretary of Defense for Policy Douglas Feith said. "There was this constant debate between those of us who said we've got to push the Iraqis forward," Feith recounted, and others who judged that the Iraqis would only be ready to govern themselves after several years.[28] Reflecting the views of Secretary Rumsfeld, Feith advocated a rapid transition to Iraqi control. Drawing lessons from past nation-building efforts, he and Rumsfeld believed that minimizing the military's presence forced local populations to rely more rapidly upon their own leaders to resolve problems. They were convinced that the U.S.—by limiting the role of the military, as well as the duration of any nation-building effort—could avoid the "culture of dependency" that had taken root in other post-conflict interventions.[29]

The U.S campaign in Afghanistan seemed to show that the rapid-transfer approach worked.[30] After a small U.S. force achieved military victory, political authority passed to Hamid Karzai, an exile leader who emerged from a *loya jirga,* a grand assembly of Afghan leaders, and was appointed President of Afghanistan by the Bonn international conference. Per capita reconstruction expenditure in Afghanistan remained modest. Officials viewed this seemingly successful postwar transition as a vindication of the Administration's break with conventional wisdom about nation-building, buttressing Defense officials' arguments that the Afghanistan approach should serve as a model for what to do in Iraq.[31]

The State Department argued against applying the Afghanistan model to Iraq. Iraqi exile leaders, State experts believed, were unlikely to garner the same level of support from their countrymen. State's analyses suggested that Iraq would need a longer transitional period because of the need to reconcile Iraq's competing ethnic and sectarian groups. The Department advocated a U.S.-led "Transitional Civil Authority" that would govern postwar Iraq during a "multi-year transitional period to build democratic institutions."[32] This analysis foreshadowed the eventual formation of the Coalition Provisional Authority, which would rule postwar Iraq for fourteen months under the aegis of the Defense Department.

Interagency Planning Accelerates

By mid-2002, an invasion of Iraq remained in the realm of speculation for all but a handful of senior officials in Washington. As late as July 2002, the machinery of interagency planning in the National Security Council largely sat idle. The fissure between planning for war and planning for war's aftermath remained open during the midsummer months. The differences among the three underlying policies for a postwar framework—rapid transfer to Iraqi control, military administration, or transitional civil authority—had not yet been seriously addressed, much less resolved. Moreover, no consensus had been reached on the public order and relief and reconstruction requirements for each scenario.[33]

In August 2002, the President and his advisors enlarged the Iraq planning effort to include civilian agencies who would ostensibly administer the postwar phase. "Iraq: Goals, Objectives, Strategy," a national security document signed by President Bush on August 29, 2002, articulated an evolving strategy that would employ "all instruments of national power" to free Iraqis. Further, the U.S. would "work with the Iraqi opposition to demonstrate that we are liberating, not invading Iraq, and give the opposition a role in building a pluralistic and democratic Iraq, including the preparation of a new constitution." As for rebuilding, the U.S. strategy would:

> demonstrate that the United States is prepared to play a sustained role in the reconstruction of post-Saddam Iraq with contribution from and participation of the international community, that rapidly starts the country's reconstruction, that preserves but reforms the current Iraqi bureaucracy and reforms Iraqi military and security institutions.[34]

Secretaries Powell and Rumsfeld and Vice-President Cheney met in August 2002 with Iraqi exile leaders to show support and to express the seriousness of U.S. intentions.[35]

To help execute the ambitious mission envisioned by the August 29 document, the Joint Staff instructed CENTCOM that it should now plan to administer the country for an interim period after the invasion. This order in effect reversed the earlier Rumsfeld directive that others in the government would assume the principal responsibility for managing Iraq after the combat phase. Despite the Joint Staff order, "there wasn't a whole lot of intellectual energy being focused on Phase IV," one of CENTCOM's key planners said.[36] While most CENTCOM staff remained focused on Phases I, II, and III, Major Thomas Fisher and Major Ray Eiriz, two mid-level officers who had served in Bosnia and Kosovo, took charge of expanding Phase IV planning.[37]

To jump-start postwar planning efforts across the government, National Security Advisor Condoleezza Rice established a National Security Council (NSC) Executive Steering Group on Iraq in August 2002 and asked Frank Miller, an NSC senior director, to chair it. At the same time, the Joint Staff formed a political-military team to link detailed operational planning at CENTCOM with interagency planners in Washington. An energy infrastructure working group, a coalition working group, a global communications office, and a humanitarian working group eventually joined the planning effort.[38]

Under Secretary Feith also enlarged the Pentagon office responsible for Iraq policy planning. Only four people in the Department of Defense's Near East and South Asia Office worked on Iraq.[39] Feith brought together a staff of about a dozen under a new "Office of Special Plans," a name chosen deliberately to conceal the office's purpose: large-scale planning for war. Later, officials working on the management of post-invasion Iraq would discover that this office had produced analysis and concept

papers that were not shared during interagency consultations or with those who eventually played a leading role in post-war Iraq.[40]

NSC's Humanitarian Working Group

Assessing how the war might disrupt the provision of food, water, and shelter fell to an interagency Humanitarian Working Group led by Elliot Abrams, an NSA senior director, and Robin Cleveland, assistant director of the Office of Management and Budget.[41] The working group, which began weekly meetings in Cleveland's office, included officials from the CIA, USAID, the Joint Staff, and the Departments of Defense, State, Treasury, Justice and Commerce.[42]

The working group grappled with one nightmare scenario that loomed above all others: the possibility that Saddam could use chemical or biological weapons against an invading force or his own people. In the wake of such a disaster, hundreds of thousands or even millions of Iraqis might flee. Refugee flows in excess of 1.1 million were thought by Pentagon analysts to be the most likely challenge the U.S. would face in the aftermath of an invasion.[43] Accordingly, Cleveland and Abrams focused on how the U.S. government would respond to large-scale humanitarian contingencies.

The working group considered the role of the United Nations as well. Several officials initially resisted continuing the Oil-for-Food Program—which partially financed Iraq's public distribution system, through which 25 million Iraqis received a monthly food staple—on grounds that it ceded too much control to the UN. But USAID and State officials argued that the program would help prevent starvation if food became scarce. A related question was how to administer oil revenues accruing under the UN Oil-for-Food Program. Several officials resisted UN control, while State and USAID officials again argued that an international body would be best suited to serve as custodian of Iraq's oil wealth. Several rounds of adjudication through the Deputies Committee left the UN in control of both programs.[44]

Under Elliot Abrams' leadership, the Humanitarian Working Group quietly coordinated with the international aid community to develop a "no-strike" list of civilian infrastructure, such as hospitals and power plants. To separate the regime's military

command and control facilities from known civilian sites, the UN and non-governmental organizations (NGOs) familiar with Iraq nominated locations that the military would then cross-walk through an intelligence-community database.[45]

Although the working group had been chartered to evaluate only humanitarian contingencies, its participants soon realized that Iraq's infrastructure and government ministries would play essential roles in post-war operations.[46] Ambassador Wendy Chamberlin and Ross Wherry of USAID began a reconstruction assessment that considered what it would take to get Iraq's infrastructure and government ministries operating after the invasion.[47] This raised a fundamental strategic question: how extensive should post-war reconstruction be? Reconstruction geared to repair war damage would differ greatly from an endeavor attempting to reverse the effects of the Iran-Iraq war, sanctions, and Saddam's own destructive policies.[48]

In the absence of direction from above, the working group's co-chairs developed a set of core judgments about post-war Iraq. "It was taken as an assumption," one participant said, "that the war would be brief, war damage would be minimal, and oil revenues would finance almost all of reconstruction."[49] In the view of some of her colleagues, Robin Cleveland belonged to the "no nation-building" camp that had arrived with the new Administration—a characterization she disputes.[50] Her well-known frugality as the budget official responsible for Afghan reconstruction prompted National Security Council staff, who had long argued with her for more money, to view her appointment as co-chair of the humanitarian planning team as a form of cooption. "Asking OMB to participate in the beginning is easier than fighting them for money in the end," a White House staff member noted .[51]

The lack of information about Iraq's infrastructure and government institutions made it difficult for the working group to determine what would be needed to restore essential services. "We never had anything more than a PowerPoint briefing," a Defense official later commented. "We might have had some financial estimate papers, but it was a lot of back-of-the-envelope, 'what will it take to fix the Ministry of fill-in-the-blank' It was all guesstimates made on top of suppositions."[52] The few detailed reports reviewed by the working group suggested that sanctions significantly limited Iraq's recovery from the first Gulf War. For example, a UN assessment of the electrical sector concluded that

a lack of spare parts left the system remarkably fragile. In the light of Iraq's substantial oil wealth, however, the scope of expected infrastructure repairs seemed manageable. The group assumed long-term repairs could be undertaken and funded by the Iraqis.[53]

With military, political, and democratization plans being developed out of sight of the Humanitarian Working Group, its members could consider only in general terms how reconstruction could help legitimize a new Iraqi state. The group asked for but never received a briefing on how public-order requirements would be met. It was also not permitted to examine the potential role of reconstruction in civil administration. Department of Justice proposals to employ police trainers were dismissed as falling outside the group's mandate.[54] The Defense Department asserted that it had plans for civilian postwar security well in hand.[55] As one Working Group member said, it appeared that "a lot of things were decided but never discussed."[56]

The Humanitarian Working Group was left to assume that the political people would somehow "pull a Karzai out of the hat," and that the Iraqis would take care of the rest.[57] By the end of fall 2002, with time running out and war potentially a few months away, group officials were working eighteen-hour days to make sure their parts of the plan came together. General Franks at CENTCOM did not seriously question the plans developed under Abrams's and Cleveland's leadership. Briefed twice by the working group members on their findings, Gen. Franks reacted favorably. "On both occasions, he said this was good," an official recalled. Franks said that the reconstruction and humanitarian planning "basically jibes with what we're thinking."[58]

The Defense Department Structures the Post-War Administration

On October 15, 2002, Under Secretary Feith briefed the National Security Council on a proposed structure for CENTCOM's military administration of postwar Iraq. The structure consisted of a military headquarters, known as Combined Joint Task Force-Iraq (CJTF-I), headed by a three-star general, and a civil administration, headed by a civilian "Iraq coordinator." Both would fall under CENTCOM's command. The briefing recommended that the Secretary of Defense be placed in charge of the entire effort, reflecting Rumsfeld's conclusion that political, economic, and security activities in

postwar Iraq should not be managed by separate institutions.[59] This proposed structure touched off a vigorous debate among interagency planners. Lt. Gen. George Casey, who would command military forces in Iraq from 2004 to 2006, later said, "We lost, in my view, two months while we fought over who was going to be in charge."[60]

As the National Security Council allowed the debate to continue, CENTCOM divided Phase IV into three overlapping stages—Alpha, Bravo, and Charlie.[61] During Alpha, the military would have the lead; during Bravo, a U.S. civilian authority would move to the forefront; during Charlie, the Iraqis would take charge. "None of this was exclusive," CENTCOM's chief of war plans explained. "It was who dominated and who had the lead during those phases."[62] The "A, B, C" approach was a way for the military to conceptualize what and when certain tasks would have to be performed, given that planners did not yet know whether U.S. policy would call for a rapid-hand off to Iraq leaders or to a civilian transitional authority of longer duration. The phases were set, their duration was not.

On October 18, 2002, three days after Feith's NSC briefing, Secretary Rumsfeld asked him to stand up the postwar planning office that would prepare for the civil administration of Iraq. But Secretary Rumsfeld canceled the order a few days later. Feith later learned from Deputy National Security Advisor Steven Hadley that the nullification arose from a Presidential decision that the U.S. government should not engage in large-scale postwar preparations while in the midst of an international effort to achieve regime change in Iraq without war.[63]

These decisions reflected a reluctance to bring post-war planning into the open. All the interagency Iraq planning groups were working in secret. Few knew the others existed. Officials justified extreme secrecy on the grounds that ongoing diplomatic negotiations would be undercut if Saddam knew that post-war planning was well underway. "There was a reluctance to pull that all together," Feith explained, "because, while you're saying that you want to resolve this dispute through non-military means, there's a sense that you're contradicting yourself if you're not only planning for the war but planning for the post-war."[64] While postwar planning progressed under strict secrecy, the build-up of troops and materiel around Iraq's borders continued as a necessary threat to make diplomatic negotiations credible in the eyes of Saddam.

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The structure of the postwar administration and the mechanics of political transition remained undecided for the rest of the fall. A revised version of the strategy paper, "Iraq: Goals, Objectives, Strategy," issued in late October 2002, reflected the lack of a clear decision on these matters. Rather than articulating a detailed timetable for transition to Iraqi control, the memorandum spoke vaguely of an interim administration that would provide for "external and internal security," "humanitarian assistance," and "the country's political, economic and security reconstruction."[65]

Early Warnings

As planning for the invasion went forward, the Departments of Defense and State produced remarkably similar assessments of what could go wrong. In October 2002, Secretary Rumsfeld and his aides wrote a "Parade of Horribles" memo discussing 29 possible catastrophes. In retrospect, the memo proved remarkably prescient. Number thirteen was not finding weapons of mass destruction. Other items included strife among Sunnis, Shi'a, and Kurds; Iraq fracturing into two or three pieces; post-war involvement lasting ten years, rather than two to four; and a turnabout in world opinion.[66] In mid-December, Secretary Powell received a twelve-page warning—co-authored by Ryan Crocker, eventual Ambassador to Iraq—titled "The Perfect Storm." This memo presciently warned that the struggle for dominance after the fall of Saddam would likely inspire violent clashes between and among Iraq's sects, tribes, and ethnic factions, possibly leading to the country's fragmentation.[67] Neither the "Parade of Horribles" nor "The Perfect Storm" memos were shared with the National Security Council's Executive Steering Group on Iraq and neither Rumsfeld nor Powell summarized the concerns they raised for officials working on day-to-day Iraq planning.[68]

Caveats about what lay ahead could also be found in the history of nation building.[69] Of the sixteen countries in which the U.S. attempted to implant institutions of democratic government over the past century, only four—West Germany, Japan, Panama and Grenada—remained democratic a decade after U.S. forces ended their active involvement in governance. In three countries—Cuba, Haiti and Nicaragua—intervention led to even worse misrule and economic decline.[70] Some political scientists

and historians noted that Iraq's social and political attributes could make the country inherently resistant to political reform by outsiders.[71]

The potential difficulty in remaking Iraq's political system was underscored in January 2003 by a then-classified National Intelligence Council assessment, "Principal Challenges in Post-Saddam Iraq," which predicted that establishing a democratic system in Iraq "would be a long, difficult, and turbulent process."[72] CIA Director George Tenet and his deputy, John McLaughlin, did not highlight the findings of the assessment to interagency planners or ask that it be briefed at a meeting of the National Security Council's Executive Steering Group on Iraq or Deputies Committee.[73]

Although some policy makers asserted the effort in Iraq would be akin to the U.S. occupation of Germany and Japan, important differences existed. Both Germany and Japan were highly-developed societies with homogeneous populations and established bureaucracies. Operational planning for their occupation began within months of the bombing of Pearl Harbor, and thousands of Japanese and German speakers were trained. The U.S. would not have similar advantages in Iraq.[74]

Several other studies outlined how the expected difficulties of regime change would affect military and civil missions in Iraq.[75] The most comprehensive was by Conrad Crane and Andrew Terrill of the Army War College Strategic Studies Institute. In coordination with the Army Deputy Chief of Staff for Operations, Crane's interdisciplinary team began work on their study in October 2002. Two dozen officials from the Joint Staff, Joint Forces Command, and the Departments of Defense and State vetted its interim findings in mid-December. The report, published February 1, 2003, identified 135 tasks military and civilian agencies would need to perform across 21 categories of activity.[76]

The Congress also examined postwar scenarios. On August 1, 2002, the Senate Foreign Relations Committee held a hearing at which members heard warnings from scholars about the potential challenges an invasion of Iraq could bring. It would be the only Congressional examination of post-war scenarios before the Congress authorized the President to "use the Armed Forces of the United States as he determines to be necessary and appropriate" to defend the U.S. against the threat from Iraq and to enforce United Nations resolutions regarding Iraq.[77] Although six committees and two subcommittees

held more than a dozen hearings subsequent to the Congress' vote to approve the use of force, most of the hearings focusing on post-Saddam Iraq did not occur until just before hostilities began in March 2003.[78]

By late 2002, participants in the State Department's Future of Iraq Project began formulating their own vision of postwar administration. Working independently of other planning teams, fourteen of the Project's seventeen working groups met between July 2002 and April 2003, bringing some 200 Iraqi exiles together with government and international experts.[79] The Project identified a range of issues an invading army would inevitably confront, from the possibility of political violence to the decrepit electricity, oil, and water infrastructure. The richly-developed working group reports constitute the single most rigorous assessment conducted by the U.S. government before the war. While the findings of each working group did not amount to an operational plan, their reports contained facts and analysis that could have informed operational planning.

Several factors—timing being among the most decisive—kept Project findings from influencing interagency deliberations. Twelve of the fourteen working groups that did meet carried their deliberations into 2003—too late to influence pre-war planning.[80] The reports that were completed were of varied utility. Some of the papers, such as that of the Transitional Justice Working Group, offered a detailed analysis of Iraq's political-military establishment. The specific suggestions it contained came close to constituting an action plan on the legal front. Others, such as the Public Health and Humanitarian Needs Working Group, offered only a generalized set of recommendations drawn from international crises.

Although the Project's director, Thomas Warrick, was invited to brief the National Security Council's Executive Steering Group on Iraq shortly before the invasion, it was hard to reduce the Project's unwieldy reports—which *in toto* ran more than 1000 pages—to an easy-to-brief set of slides that policymakers could absorb.[81] Warrick's briefing did not raise a single issue for decision and was not viewed as useful at the time. To planners preparing for war, the Future of Iraq Project did not look like a coherent plan for the postwar period.[82] Only when Warrick produced an edited volume of findings after the war began could the project be seen as a comprehensive guide to issues the U.S. would face—and by then was already facing.[83]

Perhaps most critically, the Project's reports did not capture the attention of the State Department's senior decision-makers. Secretary of State Colin Powell and his Deputy Secretary Richard Armitage did not use it to bolster their cautionary views or to push for more detailed planning for worst-case scenarios. Without a high-level patron, the Project's reports lacked the visibility and clout to reach key decision-makers in time.[84] "I never felt that the Future of Iraq Project was embraced or connected to the actual planning effort for regime change," Ambassador Ryan Crocker said, "and the farther we went into the calendar, the more noticeable that became."[85]

A Fragmented Planning Process

The divergence Crocker noticed was the consequence of a planning process that had been fragmented from its beginning. For nearly a year, the National Security Council exercised loose coordination over separate State and Defense Department planning efforts and did not seek the participation of post-conflict experts at USAID. The marked separation between civilian and military planning that existed since October 2001 was followed by further fragmentation within the interagency planning process that began in earnest in August 2002. Even as officials thought they were moving toward an integrated master plan, the building blocks of that plan were being developed in a piecemeal fashion that rendered risks less visible to officials who might otherwise have planned to address them.

The reasons for this were in part bureaucratic, but in an important sense they were also the result of strategic judgments. Early calls for better-integrated planning and greater capacity to address worst-case scenarios were effectively subordinated to the views of Defense Department officials, who were committed to a rapid transfer of power. The liberation approach they backed became the operative strategy, with the White House elevating it to official U.S. policy by late fall 2002.[86]

As fall turned to winter, National Security Council officials moved to integrate this vision of regime change into operational plans being prepared by the government's civilian agencies. USAID was among the first to be mobilized.

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~ Essential Services: Pre-war Levels in Iraq ~

Outputs[87]

Service	Pre-invasion
Electricity Production	4,075 megawatts
Oil Production	2.58 million barrels per day
Access to Potable Water	12.9 million citizens
Iraqi Security Forces	1,300,000 soldiers and police[88]
Telecommunications	
landline subscribers	833,000
mobile subscribers	80,000
Education	
schools open	14,121

Iraq's electricity sector suffered from years of inadequate maintenance and poor management under Saddam.[89] According to the International Monetary Fund, monthly electricity production in Iraq from March 2002 to March 2003 averaged 4,075 MW per day.[90] The distribution of power under Saddam heavily favored Baghdad, which received between 16 and 24 hours of power per day, while the average Iraqi outside of Baghdad received power for just four to eight hours per day.[91]

The U.S. Department of Energy estimated that Iraq's oil production fell to 2.0 million barrels per day (MBPD) in 2002, but slowly increased to 2.5 MBPD just before the war, peaking at 2.58 MBPD.[92] Although oil production itself is not an essential service, oil feeds the refineries that produce petroleum products for domestic consumption, is critical to electricity generation, and provides Iraq with much of the revenue to provide other essential services.

According to a U.S. Department of Defense pre-war estimate, only 12.9 million Iraqis—about half the population of the country—had access to potable water.[93] Other estimates ranged from 9.5 million to 14 million.[94] While Iraq produced enough water to supply about 60 percent of the urban population and 40 percent of the rural, the absence of water metering made it difficult to quantify total service.[95] One U.S. Department of State official said that "the [prewar] baseline data [on water services were] not reliable."[96]

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[1] For an account of the September 13, 2001, National Security Council (NSC) meetings and several follow-on sessions concerning the debate over Iraq war plans, see: Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 13-15, 47-49.
[2] SIGIR interviews with Brig. Gen. (Ret.) Mark Scheid, former CENTCOM logistics planner; Col. John Agoglia, former CENTCOM planner; and Col. (Ret.) Michael Fitzgerald, former CENTCOM J5 Chief of War Plans.
[3] SIGIR interview with Gen. (Ret.) Colin Powell, former Secretary of State and Richard Armitage, former Deputy Secretary of State, February 4, 2008; and Karen DeYoung, *Soldier: The Life of Colin Powell* (New York: Alfred A. Knopf, 2006), 401-403.
[4] Christopher Catherwood, *Churchill's Folly: How Winston Churchill Created Modern Iraq* (New York: Carroll & Graf, 2004), 74.
[5] Christopher Catherwood, *Churchill's Folly: How Winston Churchill Created Modern Iraq*, (New York, NY: Carroll & Graf, 2004), 7, 123, 130, 217, 221.
[6] Phebe Marr, *The Modern History of Iraq*, 2nd edition, (Boulder, CO: Westview Press, 2003), 113-116, 177-215.
[7] Phebe Marr, *The Modern History of Iraq*, 2nd edition, (Boulder, CO: Westview Press, 2003), 113-116, 177-178, 207-208.
[8] Kuwaiti political structures remained intact after the nation's leadership fled in 1990.This enabled negotiations with the United States before military action restored the Kuwaitis to power, a very different situation than in 2002 and early 2003 when the Iraqi exile leadership was fractious and could not provide a unified front with which to negotiate plans. Nevertheless, the condition of Kuwait's infrastructure proved worse than anticipated, just as would happen in Iraq in 2003. Sewage, water, and electricity plants in Kuwait failed in 1991. The effort ultimately repaired 10,000 kilometers of electrical lines, restored over 145 schools, 1,000 public buildings, and hundreds of other facilities. The Army Corps of Engineers alone completed 1,200 task orders with the help of international contractors. Janet A. McDonnell, *After Desert Storm: The United States Army and the Rebuilding of Kuwait* (Washington, DC: Department of the Army, 1999), 31, 129-131, 176-185.
[9] See: United Nations Security Council Resolutions (UNSCR) 661, 687, 706, 712, 986, and 1051. UNSCR 661 of August 6, 1990, imposed comprehensive economic sanctions on Iraq, exempting food and medicine, and established a committee to oversee implementation of the sanctions; UNSCR 687 of April 3, 1991, set terms for a cease-fire and maintained the terms of the embargo; UNSCR 706 of August 15, 1991, set out a mechanism for an oil-for-food program and authorized an escrow account to be established by the Secretary-General (to fund an oil-for-food program, $1.6 billion was to be raised in six months by the sale of Iraqi oil); UNSCR 712 of September 19, 1991, confirmed the sum of $1.6 billion to be raised by the sale of Iraqi oil in a six-month period to fund the oil-for-food program; UNSCR 986 of April 14, 1995, enabled Iraq to sell oil worth up to $1 billion every 90 days and use the proceeds for humanitarian supplies (it also set terms of reference for the Oil-for-Food Program); and UNSCR 1051 of March 27, 1996, established the export/import monitoring system for Iraq.
[10] Independent Inquiry Committee, "The Impact of the Oil-for-Food Programme on the Iraqi People," September 7, 2005, 8, 16.
[11] Organization of the Petroleum Exporting Countries, "Annual Statistical Bulletin 2001," 2001, 3.
[12] United Nations Security Council S/1999/356, "Annex II: Report of the Second Panel Established Pursuant to the Note by the President of the Security Council of 30 January 1999 (S/1999/100), Concerning the Current Humanitarian Situation in Iraq," March 30, 1999; and Independent Inquiry Committee, "The Impact of the Oil-for-Food Programme on the Iraqi People," September 7, 2005, 10.
[13] To make up the additional intake necessary to survive, the very poor relied on wheat flour and bread, the only foodstuff whose prices remained low. Independent Inquiry Committee, "The Impact of the Oil-for-Food Programme on the Iraqi People," September 7, 2005, 18, 20.
[14] UN Secretariat Memorandum S/1996/356, "Memorandum of Understanding between the Secretariat of the United Nations and the Government of Iraq on the Implementation of Security Council Resolution 986 (1995)," May 20, 1996.

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[15] UN Office of the Iraq Programme: Oil-for-Food, "Background Brief: Food Basket," February 26, 2003, http://www.un.org/Depts/oip/food-facts.html; and GAO Testimony 04-651T, "United Nations: Observations on the Oil for Food Program," April 7, 2004.
[16] Independent Inquiry Committee, "Manipulation of the Oil-for-Food Programme by the Iraqi Regime," October 27, 2005, 1-9; and Iraq Survey Group, "Comprehensive Report of the Special Advisor to the DCI on Iraq's WMD with Addendums," September 30, 2004, 8-9, http://www.gpoaccess.gov/duelfer/index.html.
[17] These numbers are based on a 2002 estimate. GAO Report 03-792R, "Rebuilding Iraq," May 15, 2003, 20.
[18] SIGIR interview with William Orme, UN Development Program, Director of Communications, September 8, 2006.
[19] Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 219
[20] The cell's members included Maj. Gen. Victor Renuart, CENTCOM Director of Operations (J3); Brig. Gen. John F. Kimmons, CENTCOM Director of Intelligence (J2); Col. David D. Halverson, Chief of Operations Plans Division, CENTCOM (J3); and Col. Mark Scheid, Chief of Logistics Plans Division, CENTCOM (J4). SIGIR interview with Brig. Gen. (Ret.) Mark Scheid, former CENTCOM logistics planner, September 20, 2006.
[21] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM J5 Chief of War Plans, May 30, 2008; SIGIR interview with Brig. Gen. (Ret.) Mark Scheid, former CENTCOM logistics planner, September 20, 2006; and SIGIR interview with Col. John Agoglia, former CENTCOM planner, May 22, 2008. Secretary Rumsfeld later stated, "I do not recall, nor do others present in the numerous discussions with General Franks, giving any guidance that could be interpreted as requesting CENTCOM not plan for Phase IV post-war operations, as General Franks will attest. Nor would I have minimized its importance." Donald Rumsfeld, written comments to SIGIR, November 5, 2008. Michael Fitzgerald, CENTCOM Chief of War Plans, attests that, "We, CENTCOM, were not in charge of designating and developing the government, determining who would be responsible in immediate post-conflict." Michael Fitzgerald, former CENTCOM J5 Chief of War Plans, May 30, 2008.
[22] SIGIR interviews with Brig. Gen. (Ret.) Mark Scheid, former CENTCOM logistics planner, September 20, 2006; and Col. John Agoglia, former CENTCOM planner, May 22, 2008. The notation used for campaign phases changes over the years as military doctrine evolves. From 2001 to 2006, the phases were: 1-Deter/Engage; 2-Seize; 3-Decisive Operations; and 4-Transition. Joint Chiefs of Staff Joint Publication 3-0, "Joint Operations," III-18-III-21, http://www.bits.de/NRANEU/others/jp-doctrine/jp3_0(01).pdf. In 2006, the phases were changed to 0-Shape; 1-Deter; 2-Seize Initiative; 3-Dominate; 4-Stabilize; and 5-Enable Civil Authority. Joint Chiefs of Staff Joint Publication 3-0, "Joint Operations," IV-26-IV-30, http://www.dtic.mil/doctrine/jel/new_pubs/jp3_0.pdf. The phases represent general guidance to combatant commanders and may be changed for specific plans. For purposes of this book, Phase 4 refers to the establishment of self-sustaining peace, civil control, and the rule of law.
[23] SIGIR interview with Brig. Gen. (Ret.) Mark Scheid, former CENTCOM logistics planner, September 20, 2006.
[24] For popular accounts, see: Michael R. Gordon and Gen. Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon Books, 2006); Thomas E. Ricks, *Fiasco: The American Military Adventure in Iraq* (New York: Penguin Group, 2007); Bob Woodward, *State of Denial: Bush at War, Part III* (New York: Simon & Schuster, 2006); and Bob Woodward, *Plan of Attack* (New York: Simon & Schuster, 2004).
[25] Warrick initially discussed this evaluation with State Department officials Steve Beecroft, Alan Limpert, and others from the Iraq desk. ORHA/CPA Historian interview with Thomas S. Warrick, former Senior Advisor to the Assistant Secretary of State for Near Eastern Affairs, November 10, 2004. Dr. Gordon Rudd was the staff historian for both the Office of Reconstruction and Humanitarian Assistance and the Coalition Provisional Authority. All of Rudd's interviews will be indentified as "ORHA/CPA Historian." The groups were: Democratic Principles and Procedures; Economy and Infrastructure; Defense Policy and Institutions; Education; Public Health and Humanitarian Needs; Civil Society Capacity Building; Transitional Justice; Water, Agriculture and Environment; Preserving Iraq's Cultural Heritage; Public Finance; Oil and Energy; Local Government; Anti-Corruption Measures; Foreign and National Security;

Free Media; Migration; and Public Outreach. DoS, "Future of Iraq Project," May 12, 2003, Overview, 4, http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB198/FOI%20Overview.pdf.

[26] These meetings, held in the White House situation room, included Deputy Secretary of State Richard Armitage, Under Secretary of State Marc Grossman, Under Secretary of Defense Douglas Feith, Vice Chairman of the Joint Chiefs of Staff General Peter Pace, Chief of Staff to the Vice President I. Lewis "Scooter" Libby, Deputy Director of Central Intelligence John McLaughlin, and Deputy National Security Advisor Steven Hadley. Gen. Wayne Downing—then Zalmay Khalilzad and later Frank Miller—attended as staff representatives from the NSC. The internal NSC calendar referred to the Deputies gatherings as "regional affairs" meetings, obscuring their purpose from the wider NSC staff. ORHA/CPA Historian interview with Douglas Feith, Under Secretary of Defense for Policy, December 17, 2004. For a general description of the "Deputies Lunches," see: Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 237-298.

[27] Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 237-298; and SIGIR interview with Douglas Feith, Under Secretary of Defense for Policy, March 21, 2008.

[28] ORHA/CPA Historian interview with Douglas Feith, Under Secretary of Defense for Policy, December 17, 2004; and Richard Armitage, "The Future of Iraq," Department of State policy paper distributed to the Deputies Committee on July 25, 2002, as quoted in Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 277-78.

[29] Donald Rumsfeld, "Beyond Nation Building," DoD speech, February 14, 2003.

[30] For an analysis of the Afghan campaign, see: Stephen Biddle, "Afghanistan and the Future of Warfare: Implications for Army and Defense Policy," Strategic Studies Institute, November 2002.

[31] It was only later that the initial gains in Afghanistan unraveled with the resurgence of the Taliban. David Rohde and David E. Sanger, "How a 'Good War' in Afghanistan Went Bad," *New York Times*, August 12, 2007; and Center for the Study of the Presidency, "Afghanistan Study Group Report," January 30, 2008.

[32] Richard Armitage, "The Future of Iraq," Department of State policy paper distributed to the Deputies Committee on July 25, 2002, as quoted in Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 277-78.

[33] SIGIR interviews with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008; SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM (J5) Chief of War Plans, May 30, 2008; and SIGIR interview with Col. John Agoglia, former CENTCOM planner, May 22, 2008.

[34] Bob Woodward, *Plan of Attack* (New York: Simon & Schuster, 2004), 154-56; and NSC briefing, "Iraq: Goals, Objectives, Strategy," circulated by National Security Advisor Condoleezza Rice, October 29, 2002.

[35] Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 281-83.

[36] ORHA/CPA Historian interview with Col. John Agoglia, former CENTCOM planner, June 28, 2003.

[37] ORHA/CPA Historian interview with Maj. Thomas Fisher, former CENTCOM planner, August 27, 2003; and ORHA/CPA Historian interview with Maj. Ray Eiriz, former CENTCOM planner, December 7, 2006.

[38] SIGIR interviews with Frank Miller, former Chairman of the Executive Steering Group of the NSC, June 26, 2008; and February 4, 2004.

[39] ORHA/CPA Historian interview with Douglas Feith, Under Secretary of Defense for Policy, December 17, 2004.

[40] Lt. Gen. (Ret.) Jay Garner, multiple interviews with ORHA/CPA Historian and SIGIR; and DoD-IG Report 07-INTEL-04, "Report on the Pre-Iraqi War Activities of the Office of the Under Secretary of Defense for Policy," February 9, 2007.

[41] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, August 19, 2008.

[42] SIGIR interview with Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, May 3, 2006.

[43] ORHA/CPA Historian interview with Maj. Ray Eiriz, former CENTCOM planner, December 7, 2006.

[44] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, October 11, 2006.

[45] Colin H. Kahl, "In the Crossfire or the Crosshairs? Norms, Civilian Casualties, and U.S. Conduct in Iraq," *International Security* 32, no. 1 (Summer 2007), 16.
[46] According to Frank Miller, to whom the Humanitarian Working Group reported, it was not originally charged to do any reconstruction planning. SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, June 26, 2008.
[47] SIGIR interview with Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, May 3, 2006.
[48] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, October 11, 2006; and SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, June 26, 2008.
[49] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, October 11, 2006.
[50] Robin Cleveland disputes the characterization of her as opposed to nation building. "I don't think I arrived in the Administration with the view of 'no nation building' ascribed to me." Robin Cleveland, former associate director, OMB, email to SIGIR, September 8, 2008.
[51] SIGIR interview with Rand Beers, former NSC counterterrorism advisor, February 22, 2007.
[52] ORHA/CPA Historian interview with Col. (Ret.) Joseph J. Collins, former Deputy Assistant Secretary of Defense for Stability Operations, August 29, 2006.
[53] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, October 11, 2006.
[54] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, October 11, 2006.
[55] ORHA/CPA Historian interview with Col. (Ret.) Joseph J. Collins, former Deputy Assistant Secretary of Defense for Stability Operations, August 29, 2006.
[56] ORHA/CPA Historian interview with Col. (Ret.) Joseph J. Collins, former Deputy Assistant Secretary of Defense for Stability Operations, August 29, 2006.
[57] The "Karzai" comment refers to how Hamid Karzai emerged in Afghanistan as a national leader around whom the nation could generally rally. Karzai, an Afghan exile leader, was named as the country's president after the overthrow of the Taliban.
[58] ORHA/CPA Historian interview with Col. (Ret.) Joseph J. Collins, former Deputy Assistant Secretary of Defense for Stability Operations, August 29, 2006.
[59] SIGIR and ORHA/CPA Historian interviews with Douglas Feith, Under Secretary of Defense for Policy, December 17, 2004, January 27, 2005, and March 21, 2008; and Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 315-317, 544-45.
[60] SIGIR interview with Gen. George Casey, former Director of the Joint Staff and former Commander of MNF-I, July 30, 2008.
[61] This subdivision of Phase IV had long been CENTCOM's preferred concept of operations, and was taken from OPLAN 1003-98, a standing plan for war in Iraq that had been approved by the Secretary of Defense in 1998. SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM J5 Chief of War Plans, May 30, 2008.
[62] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM J5 Chief of War Plans, May 30, 2008.
[63] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008; and Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: Harper Collins, 2008), 316-317.
[64] ORHA/CPA Historian interview with Douglas Feith, Under Secretary of Defense for Policy, December 17, 2004.
[65] The strategy paper was circulated on October 29, 2002. Condoleezza Rice, National Security Advisor, Memorandum to the Vice President, the Secretary of State, the Secretary of Defense, Chief of Staff to the President, Director of Central Intelligence, Chairman of the Joint Chiefs of Staff, "Principals' Committee Review of Iraq Police Paper," October 29, 2002, as reproduced in Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 541-43.
[66] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, January 27, 2005.

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[67] Assistant Secretary of State William Burns and his deputy, Ryan Crocker, worked to produce a twelve-page, single-spaced analysis of political risks they titled "The Perfect Storm." Karen DeYoung, *Soldier: The Life of Colin Powell* (New York: Alfred A. Knopf, 2006), 459; and SIGIR interview with Ambassador Ryan Crocker, United States Ambassador to Iraq, February 24, 2008.
[68] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, August 19, 2008.
[69] For an overview of the literature, see, for instance: James Dobbins, et al., *America's Role in Nation-Building: From Germany to Iraq* (Santa Monica, CA: RAND, 2003); and Stephen Kinzer, *Overthrow: America's Century of Regime Change from Hawaii to Iraq* (New York: Times Books, 2006). For an opposing view, see: Justin Logan and Christopher Preble, "Failed States and Flawed Logic: The Case Against a Standing Nation-Building Office," CATO Institute Policy Analysis, no. 560, January 11, 2006.
[70] Minxin Pei and Sara Kasper, "Lessons from the Past: The American Record on Nation Building," Carnegie Endowment for International Peace Policy Brief no. 24, May 2003, 2, 4.
[71] See, for instance: Charles Tripp, "Iraq: The Imperial Precedent," *Le Monde Diplomatique*, January 13, 2003; and Brent Scowcroft, "Don't Attack Saddam," Op-Ed, *Wall Street Journal*, August 15, 2002.
[72] National Intelligence Council, "Principal Challenges in Post-Saddam Iraq," January 2003, as reproduced in: U.S. Senate Select Committee on Intelligence, "Prewar Intelligence Assessments about Postwar Iraq," May 25, 2007, 56-94.
[73] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, August 19, 2008.
[74] For perspectives on the Germany case study and how historians viewed its relevance to Iraq, see: Charles S. Maier, Seminar, "Comparative Insights: Marshall Plan, Japan, and Iraq," Seminar at Massachusetts Institute of Technology, Cambridge, MA, March 7, 2005, http://mitworld mit.edu/video/255/. On the use of historical analogy between Japan and Iraq, see: John W. Dower, "A Warning from History: Don't Expect Democracy in Iraq," *Boston Review*, February 2003; John W. Dower, "The Other Japanese Occupation," *The Nation*, July 7, 2003; and John W. Dower, "Lessons from Japan about War's Aftermath," Op-Ed, *New York Times*, October 27, 2002. These analyses are drawn from a larger body of scholarship, including: John W. Dower, *Embracing Defeat: Japan in the Wake of WWII* (New York: W.W. Norton & Company, 2000).
[75] The Institute for National Strategic Studies at the National Defense University in November 2002 hosted a meeting of more than 70 scholars, experts, and practitioners from inside and outside the government to discuss post-intervention reconstruction and political stabilization of Iraq. A 41-page proceeding of the workshop, "Iraq: Looking Beyond Saddam's Rule," was circulated across the government, including to the office of Douglas Feith. National Defense University, "Workshop Report: Iraq: Looking Beyond Saddam's Rule," National Defense University Institute for National Strategic Studies in collaboration with the Naval Postgraduate School, November 20-21, 2002; Edward P. Djerejian and Frank G. Wisner, co-chairs, *Guiding Principles for U.S. Post-Conflict Policy in Iraq*, (New York: Council on Foreign Relations, 2003); Richard W. Murphy and C. Richard Nelson, "Winning the Peace: Managing a Successful Transition in Iraq," The Atlantic Council Policy Paper, January 2003; William D. Nordhaus, "Iraq: The Economic Consequences of War," *The New York Review of Books* 49, no. 19, December 5, 2002; and Bob Davis, "Cost of Iraq War May Top $100 Billion," *Wall Street Journal*, September 16, 2002. For subsequent news accounts, see: Carl Kaysen, Steven E. Miller, Martin B. Malin, William D. Nordhaus, and John D. Steinbruner, *War with Iraq: Costs, Consequences and Alternatives*, (Cambridge, MA: American Academy of Arts, 2002); Frederick D. Barton and Bathsheba N. Crocker, "A Wiser Peace: An Action Strategy for Post-Conflict Iraq," Center for Strategic and International Studies, January 2003; and Anthony Cordesman, "Planning for a Self-Inflicted Wound: U.S. Policy to Reshape a Post-Saddam Iraq," Center for Strategic and International Studies, December 31, 2002.
[76] Conrad C. Crane and W. Andrew Terrill, "Reconstructing Iraq: Insights, Challenges, and Missions for Military Forces in a Post-Conflict Scenario," U.S. Army War College Strategic Studies Institute, February 1, 2003.
[77] Sinan Al-Shabibi, Col. (Ret.) Scott Feil, Rend Rahim Francke, and Phebe Marr testified before the Senate Foreign Relations Committee on August 1, 2002, as part of a multi-day hearing on Iraq. Their panel focused specifically on post-Saddam Iraq. U.S. Senate Committee on Foreign Relations, "Hearings to Examine Threats, Responses, and Regional Considerations Surrounding Iraq," July 31 and August 1, 2002. Also see: Phebe Marr's subsequent writings, especially: Phebe Marr, "Iraq 'The Day After': Internal

Dynamics in Post-Saddam Iraq," *Naval War College Review* LVI, no. 1 (Winter 2003); P.L. 107-243, Authorization for Use of Military Force Against Iraq Resolution of 2002, October 16, 2002; and White House Press Release, "Statement by the President," October 16, 2003.

[78] GPO Access, "Congressional Hearings," 107th Congress (2001-2002), 108th Congress (2003-2004), http://www.gpoaccess.gov/chearings/

[79] The project's first meetings, held April 9 and 10, 2002, under the auspices of the Middle East Institute, a non-partisan research center in Washington, DC, opened with the discord that was to mark its findings and Iraqi exile politics more generally. Ahmed Chalabi, the prominent Iraqi exile and leader of the Iraqi National Congress, raised concerns about the Middle East Institute's participation. He viewed the think tank as an unnecessary intermediary between the Iraqi National Congress and the State Department. Acceding to Chalabi's concerns, the State Department agreed to be the project's sole sponsor, with meetings resuming in early July. ORHA/CPA Historian interview with Thomas S. Warrick, former Senior Advisor to the Assistant Secretary of State for Near Eastern Affairs, November 10, 2004. The three groups that did not meet were Refugees and Internally Displaced Persons; Foreign and National Security Policy; and Preserving Iraq's Cultural Heritage. DoS, "The Future of Iraq Project," May 12, 2003, http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB198/index htm.

[80] Four of the groups (Education; Free Media; Transparency and Anti-Corruption Measures; and Civil Society Capacity Building) did not begin meeting until after the start of the new year. DoS, "Future of Iraq Project," Overview, 7-8, May 12, 2003, http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB198/FOI%20Overview.pdf. For details on updates sent to the Executive Steering Group, see: ORHA/CPA Historian interview with Thomas S. Warrick, former Senior Advisor to the Assistant Secretary of State for Near Eastern Affairs, November 10, 2004.

[81] ORHA/CPA Historian interview with Thomas S. Warrick, former Senior Advisor to the Assistant Secretary of State for Near Eastern Affairs, November 10, 2004.

[82] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, August 19, 2008.

[83] For the edited volumes of the Future of Iraq project, see: DoS, "The Future of Iraq Project," May 12, 2003, http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB198/index htm.

[84] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, August 19, 2008.

[85] SIGIR interview with Ambassador Ryan Crocker, United States Ambassador to Iraq, February 24, 2008.

[86] NSC briefing, "Iraq: Goals, Objectives, Strategy," circulated by National Security Advisor Condoleezza Rice, October 29, 2002; and Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 541-543.

Essential Services: Pre-war Levels in Iraq

[87] International Monetary Fund, "Iraq: Statistical Appendix," August 2007; Energy Information Administration, Department of Energy, "Iraq Country Analysis Brief," December 2005, as cited in SIGIR, *Quarterly Report to the United States Congress*, July 2006, 34; DoD, *Iraq Status Update,* November 17, 2003; Kenneth M. Pollack, *The Threatening Storm: The Case for Invading Iraq* (New York: Random House, 2002), 116-117; Economist Intelligence Unit, "Country Profile: Iraq," 2005, 34; International Telecommunication Union, "World Telecommunication/ICT Indicators," no date, A-30m, http://www.itu.int/ITU-D/ict/statistics/at_glance/cellular03.pdf; and DoS, *2207 Report,* October 2006, selected metrics.

[88] There were an estimated 500,000 people working in various intelligence, security and police organizations. With the inclusion of the armed forces and paramilitary units, the estimate for the total Iraqi Security Forces is 1.3 million. Kenneth M. Pollack, *The Threatening Storm: The Case for Invading Iraq* (New York: Random House, 2002), 116-117.

[89] Bechtel National, Inc., "Iraq Infrastructure Reconstruction Program," Assessment Report submitted to USAID, June 2003; and Paul Wolfowitz, Deputy Secretary of Defense, Testimony before the Senate Foreign Relations Committee, May 22, 2003. Pre-war estimates of electricity production ranged from 3,250 to 4,500 megawatts (MW) per day. The 2003 UN/World Bank Joint Needs Assessment estimated production at 4,500 MW. United Nations/World Bank, "Joint Iraq Needs Assessment," October 2003, 28. GRD later noted, "4,500 MW represents a short-term peak before the war. The full pre-war average for

2002 was 4,300MW." GRD, response to SIGIR vetting for the *Quarterly Report to the United States Congress*, April 18, 2007. ITAO reports that data from the Ministry of Electricity "suggest that pre-war high levels of production... never exceeded 70,000 MWhr" which translates into 3,250 MW. ITAO-Electricity response to SIGIR Vetting for the *Quarterly Report to the United States Congress,* January 13, 2008.

[90] International Monetary Fund, "Iraq: Statistical Appendix," August 2007.

[91] DoS Briefing by U.S. Embassy Baghdad, November 30, 2005, as cited in SIGIR, *Quarterly Report to the United States Congress*, July 2006, 25.

[92] Energy Information Administration, Department of Energy, "Country Analysis Brief: Iraq," December 2005, as cited in SIGIR, *Quarterly Report to the United States Congress*, July 2006, 34.

[93] DoD, *Iraq Weekly Status Report*, November 17, 2003, 11.

[94] The U.S. Embassy in Iraq reported a pre-war level of 5.5 million people, which appears to be an outlier from other figures. DoS, "Reconstruction Progress in Iraq," November 30, 2005 as cited in: SIGIR, *Quarterly Report to the United States Congress*, January 2006.

[95] Nasreen Mustafa Sadiq Barwari, "Iraqi Public Works Reconstruction," DoS briefing, September 24, 2003.

[96] GAO Report 05-872, "Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities," September 2005, 14.

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Chapter 2

THE AGENCIES ENGAGE

We needed to be thinking at a much different order of magnitude of what is required to reconstruct a failed state, in the context of a U.S. military invasion.

- James Kunder,
USAID Deputy Assistant Administrator for
Asia and the Near East (2002-2004)[*]

In 2002, the United States Agency for International Development (USAID) administered nearly $7.5 billion in foreign aid programs.[1] Its 2,000 employees and 5,000 contractors worked in over 100 developing countries across the world.[2] Many in government nonetheless viewed USAID as a minor player running small projects in faraway places. Despite its relative lack of capacity, USAID in 2002 was becoming an essential player in the planning for post-war Iraq. National Security Council planners assumed that USAID's disaster response teams could help contain humanitarian crises and that its development know-how could help repair Iraq's infrastructure and support the country's transition to democracy. Some Pentagon planners—particularly those unfamiliar with USAID's missions in Bosnia, Kosovo, and Afghanistan—imagined the agency had vast powers to rush in civilians behind the troops and establish conditions that would eventually lead to the soldiers' redeployment home.

USAID officials first learned of their expected role in Iraq well after war planning had begun. USAID's Administrator Andrew Natsios was not formally consulted in the early phases.[3] Ross Wherry, who ultimately directed much of the agency's reconstruction preparations, began to learn about Iraq planning in mid-2002 through a series of chance encounters, cryptic notes, and indirect suggestions that the agency should develop contingency scenarios.[4] It was not until August 2002, when USAID Assistant Administrator Wendy Chamberlin was asked to serve on the National Security Council's Humanitarian Working Group, that the agency became formally involved. White House officials subsequently asked several USAID officials to join the planning efforts over the next month.[5] The agency's Asia and Near East Bureau took charge of reconstruction

[*] SIGIR interview with James Kunder, USAID Acting Deputy Administrator, February 15, 2008.

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planning, while the Bureau for Democracy, Conflict and Humanitarian Assistance prepared for humanitarian relief operations.[6] From October 2002 on, Administrator Natsios held weekly Iraq Task Force meetings to coordinate the overall agency effort. Several hundred USAID employees eventually would work full time on Iraq plans.[7]

When it came to mobilizing resources for possible humanitarian disasters in Iraq, USAID officials proceeded with full Administration support. Mobilizing reconstruction resources, however, was a different matter. The National Security Council conceived of reconstruction primarily in terms of bricks and mortar, but USAID viewed such rebuilding as only part of the long-term social and political transformation necessary to achieving a fully-democratic Iraq. This divergence of views, reflecting a larger disagreement among the President's advisors over what the post-war mission in Iraq would require, made for a difficult and tense planning process. In every aspect of the effort—in both the humanitarian and reconstruction areas—complex contracting regulations and time pressures pushed USAID's capacities to the limit, exposing structural weaknesses in the U.S. government's ability to mobilize for contingency relief and reconstruction operations.

USAID's "Vision for Post-Conflict Iraq," first drafted in October 2002, stated the emerging Administration policy that "reconstruction will aim to bring Iraqi facilities back to a modestly-improved pre-conflict level." It also included this pointed—and ultimately accurate—assessment: "complete reconstruction to the economic and institutional capacity of 1980 (conditions prior to the Iran-Iraq war) will require years of public investment."[8]

USAID Plans for a Humanitarian Disaster

The fear that Saddam would severely damage his own country in response to the U.S. invasion drove much of USAID's humanitarian planning. "What happens if Saddam blows up the dikes, the dams, floods the country?" Natsios asked.[9] Refugees also were a paramount concern. In response, USAID mobilized a cadre of U.S.-based and international non-governmental organizations (NGOs) that carry out the agency's

humanitarian missions. The agency's disaster relief expert, Jonathon Dworken, then on loan to the National Security Council staff, chaired regular meetings in the USAID crisis room to plan their deployment. USAID's Office for Foreign Disaster Assistance built the largest Disaster Assistance Response Team in the agency's history.[10] USAID's Office of Transition Initiatives, which works to stabilize countries making the transition from violence to peace, also mobilized its staff.[11] Programs to prevent or minimize acts of reprisal and to maximize high-visibility projects that would be symbols of U.S. goodwill were geared toward best-case, worst-case, and middle-range scenarios.[12]

Food was also a top priority.[13] The World Food Program, the food aid branch of the United Nations, was best suited to manage the logistics; it had the capacity to rush in the 600,000 metric tons of food needed to feed 25 million people each month.[14] In the early fall of 2002, the Director of USAID's Office of Food for Peace alerted World Food Program officials in Rome that hostilities might be imminent. Robin Cleveland, co-chair of the National Security Council's humanitarian working group, authorized up to $200 million for the World Food Program to survey roads, identify warehouses, and pre-position trucks, supplies, and staff.[15] It was the first U.S. down payment on post-invasion Iraq.

Success in Iraq would depend in part upon synchronizing relief efforts with military action. In early November 2002, a contingent from the NSC's Humanitarian Working Group spent two days at CENTCOM headquarters in Tampa, Florida.[16] The Humanitarian Planning Team, as the contingent came to be known, worked to improve coordination among planners at CENTCOM and USAID.[17] In Tampa, the planning team and their military counterparts walked through what each agency and branch of the military would do in the event of mass civilian casualties, refugee flows, and disruptions in the water and food supply.

Bureaucratic inertia and institutional differences made joint planning difficult.[18] In the view of USAID officials, CENTCOM planners had a circumscribed view of post-war operations. Military planning naturally emphasized the combat phase. "They were very focused on operations orders, take this hill by this date, take this crossroads," Wherry said. USAID planners realized that meeting humanitarian needs would fall almost entirely on their shoulders."[19]

USAID Plans for Reconstruction

The post-invasion plan called for a "handoff" to reconstruction to occur once humanitarian needs were met. The scope of reconstruction would depend upon the amount of damage.[20] The NSC's Humanitarian Working Group developed relief and reconstruction plans for various sectors and assigned an agency to lead each one. USAID would be responsible for health, water and sanitation, electricity, education, transportation, telecommunications, and agriculture/rural development, and share the governance sector with the Department of State. Officials at Treasury would handle plans for economic development. Oil was assigned to the Pentagon.[21]

Wendy Chamberlin, Ross Wherry, and Christopher Milligan managed USAID's reconstruction planning.[22] The agency's institutional culture embraced a concept of development that went beyond merely rebuilding what war destroyed. Physical rehabilitation of damaged infrastructure would only be one step in a democratic transition. Neighborhoods would need to elect their own governing councils to restore civil order. Teachers and civil servants would have to stay on the job. Job programs, micro-lending, and other economic stimuli would be offered alongside programs that fostered reconciliation. This "conflict transformation" framework had informed international peacekeeping missions in Somalia, Haiti, Bosnia, and Kosovo.[23] USAID officials proposed that it should also be adopted in Iraq.

White House officials were skeptical. USAID was proposing exactly the kind of nation-building they had wanted to avoid in principle. Robin Cleveland, co-chair of the NSC Humanitarian Working Group, reflected this more-limited view of U.S. objectives, insisting that only war damage would be repaired, with most rebuilding left to the new Iraqi state. USAID planners, however, warned that achieving a stable and economically-prosperous Iraq could require significantly greater U.S. investment.[24]

U.S. policy envisioned a democratic Iraqi state that would threaten neither its neighbors nor U.S. interests. "Security, humanitarian assistance, and reconstruction aid," National Security Advisor Condoleezza Rice stated, would be deployed "in support of

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this vision."[25] How much reconstruction aid would be enough to achieve these goals was a matter of dispute between White House and USAID officials.

The U.S. reconstruction strategy ultimately anticipated a two-tiered approach. USAID would attend first to food distribution, water and sanitation, public health, emergency electricity, and critical transport routes essential to opening supply routes, including seaports and airports. Once Iraq stabilized, USAID would expand its focus to improving basic infrastructure, including electricity, roads, irrigation, hospitals, sanitation, and markets. The overarching goal of infrastructure repair was to return service delivery to pre-conflict levels. Alongside physical reconstruction, USAID planned to promote economic renewal by bolstering Iraq's private sector, banking system, and rural agricultural economy. The goal was to establish a regulatory regime favorable to private enterprise that would, in time, make Iraq competitive in the world market. USAID recognized that fostering democratic governance based on the rule of law would be a major challenge.

The Department of State had the lead on overall governance strategy, but USAID participated by planning assistance programs to reform Iraq's local governance. The plan USAID developed envisioned a radical restructuring of Iraqi institutions, paring back central government functions to promote a clean break from Saddam's highly-centralized authority. In this plan—devised in the absence of a detailed framework from the Department of State—authority over funding many civic services would devolve to local governments, which had no experience in managing the delivery of essential services or administering the rule of law.[26]

USAID's approach embraced the Administration's transformational ambitions for Iraq, but it also revealed the gulf between those ambitions and the limited resources that White House officials were willing, at the time, to commit. That tension came into stark relief when USAID's "Vision for Iraq" strategy contrasted the goals for each sector with the status of Iraq's dilapidated infrastructure. In the electricity sector, for instance, restoring service to prewar levels depended on ensuring minimal damage to existing generating capacity, finding enough portable generators, and securing adequate supplies of fuel—substantial logistical challenges in a country with minimal refining capacity.[27]

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A similar gap between goals and resources existed in the agricultural sector, Iraq's largest industry after oil. Fostering "commercial processes and a market-based food economy" would require repairing irrigation systems on more than two million acres of land, extensive technology-transfer programs, and immediate assistance for the rice and barley harvests.[28] To meet the education sector goal of reopening schools for the new term, the U.S. would need to repair 3,000 schools and provide supplies and instructional kits to 12,500 more.[29]

USAID Reconstruction Indicators

White House officials framed reconstruction policy for post-war Iraq by setting benchmarks in each sector at the one-month, three-month, six-month, and twelve-month mark. (See Table 2.1) These benchmarks arose from a sustained back-and-forth debate between White House officials and planners at USAID and other agencies. For example, Robin Cleveland argued that the number of schools rehabilitated would be a good indicator for progress in the education sector. But the idea of counting buildings was anathema to USAID, whose subject-matter experts insisted that the percentage of children in school would be a more accurate measure of progress toward primary-education goals. The number of schools became the benchmark.

Cleveland's demands often pushed planners beyond what they could reasonably deliver. Missing from the intelligence, according to Wherry, were assessments of the economy, governance, agriculture, and other "soft" aspects of Iraq's condition. "If it couldn't be got by a satellite, we just didn't have it," he said.[30] At one point Milligan was directed to establish indicators for the transportation sector. "I had a turn-around time of four hours to determine how many miles of roads would be re-opened or repaired," he said. To meet the deadline, he went to the USAID reference library, researched the available data on Iraq's road networks, and provided his "best estimate" based upon the limited information.[31] The estimate went directly into USAID's Vision for Iraq. "A targeted 50 percent, or about 2,200 kilometers, of economically important roads and bridges open to high speed traffic," was the sector goal.[32]

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Table 2.1 - USAID Reconstruction Sector-Goals Timeline

	Water and Sanitation	Public Health	Transportation	Electricity	Local Development	Eco
T T	Rubber water bladders and purification equipment for up to one million displaced persons. Generators will be provided to power water systems pumps as required.	Delivery of medicines and consumable surgical supplies to treat injured civilians and operate medical facilities.	Damage assessments will be reviewed to prioritize reconstruction efforts. Repairs to Umm Qasr and Basra International proceed.	Install emergency generators at hospitals, pumping stations, other priority sites.	Prevent destruction of land records, ration lists, public documents.	Techn begin prepa Finan In Iraq of ban docun
s	Repairs will beginon up to 10 urban water systems, assuming secure access to them.	Basic health services will be available to a targeted 25% of the population, and maternal/ child health up to 50% of the populations, in secure areas	Port of Umm Qasr and Basra International Airport reopenedfor humanitarian traffic. Flour mills connected to seaport.	A targeted 550 diesel-driven emergency generators will be installed. Rapid assessments conducted as security permits, and a power restoration plan prepared.	Indentify key local leaders and councils; connect them to opportunitiesfor relief and reconstructionassistance, using small grants for immediate assistance as appropriate. Radio stations opperating in secure areas.	Techr Iraq t finan Smal prepa
s	Dependable minimum water supply will have been re-established in 15 cities.	Basic health services will be available to a targeted 50% of the population, and maternal/ child health up to 100% of the populations, in secure areas	A targeted 50%, or about 2,000 kilometers, of economically important roads and bridges are open to high-speed traffic. Ports of entry for highways are appropriately controlled.	15% of the high voltage (132kV and 22kV) distribution net repaired, including rehabilitation of a targeted 50 substations and 5 generation plants in key urban areas. 40% of the previously served population has electricity.	Reconstruction offices established in all 18 provinces to coordinate projects and facilitate service provision. Interim local assembled have clear roles and responsibilities.	Centr opera SOM and f envir If a ne ready prom globa
ls	Water systems will begin to be returned to local control. Revenue generation will be an issue at that point.	The reformed Ministry of Health will begin operating the health care system. Referral hospitals will be functioning in 21 urban locations.	Reconstruction of roads, rail and barge landings completed to minimal level.	Generation of 6,750 MW achieved.	Local governments counterbalance recentralization tendencies; interim democratic institutions demonstrate representative and transparent local governance.	MOF payro hospi
ls	Dependable minimum water supply will have been re-established in all cities greater than 25,000 persons. Primary sewage treatment will have been restored in ten urban centers.	Basic Health services available to the entire population. Advanced surgical services available.	The Ministry of Public Works will be restructured, and furthered transportation assistance will make a transition to being the responsibility of the Ministry and local governments.	An additional 60 substations and another 5 generation plants operational. Total electric supply a targeted 75% of pre-1991 level, with electricity reaching most, if not all, of the urban population.	Local administrations have responsibility for revenue generation for local services.	Priva busin Wide priva

Source: USAID, "Vision for Post-Conflict Iraq," February 19, 2003.

Although some USAID officials had taken part in interventions in Bosnia, Kosovo, and Haiti, the agency had not taken a role in large-scale contingency relief and reconstruction operations since the Civil Operations and Revolutionary Development Support (CORDS) program in Vietnam.[33] USAID's office computers were not even outfitted to email the classified plans the agency officials were developing. Each time USAID planners completed a new draft, they had to hand-carry copies to the White House.[34]

Navigating between agency views and White House demands proved most difficult of all. Realizing that he could not bridge the divide, Milligan decided to "jump

through hoops" to get as many resources as possible to mobilize contractors and agency personnel in advance of the invasion. Saying something could not be done was not an option. As a result, many of the indicators were only rough estimates, made with great uncertainty. "Just tell me what I need to do to secure the money so we can be reasonably prepared," Milligan remembers thinking.[35] Although members of the Humanitarian Working Group had disagreements along the way, at no point did they or USAID officials take issues to the level of the Executive Steering Group on Iraq or Deputies Committee for decision.[36]

By December 2002, USAID had arrived at a picture of what the agency thought it would take to reconstruct Iraq within the policy guidelines set by the National Security Council. Officials consolidated humanitarian and reconstruction plans in a huge spreadsheet that became known as the "horse blanket."[37] The horse blanket showed the order in which USAID would mobilize its workforce and the many contractors it employed. It was a checklist of what would need to happen inside USAID to get ready for post-war Iraq.

In a briefing to the NSC Deputies Committee on December 10, 2002, Robin Cleveland and Elliot Abrams presented the Humanitarian Working Group's final recommendations. Most of the briefing slides detailed humanitarian preparations; a few dealt with reconstruction and the complex Iraqi political situation that would emerge after the invasion.[38] The presentation listed the assumptions on which the group had based its plans. A secure environment was first.[39] The briefing also made clear that the working group had only planned for a modest intervention. After the meeting, USAID was "instructed to go full bore with detailed planning," including drawing up the contracts to carry it out.[40]

USAID Mobilizes its Contractors

Like most U.S. civilian agencies, USAID had little in-house surge capacity. As a result, almost all of USAID's mission in Iraq would have to be executed by nongovernmental organizations and the small circle of companies that traditionally bid on the agency's contracts. Six in ten of the personnel running USAID's overseas missions

were contractors, the result of a 37 percent cutback in government staff in the decade following the Cold War.[41] "We lost a third of the Foreign Service and a third of the civil service in the mid-90s," Administrator Natsios said, "and we never got them back."[42]

Mobilizing USAID's contractors was complicated. By law, U.S. agencies must follow the Federal Acquisition Regulations (FAR), an encyclopedic compendium of rules governing federal contracting.[43] The FAR values procedural fairness and transparency over expediency.[44] Its mandatory reviews and restrictions would later rankle officials in Baghdad, who thought its provisions were not suited for contingency contracting in a war-zone. A number of FAR exemptions allowed for flexibility in unusual circumstances.[45] One of the most important was the "notwithstanding authority" clause, which permitted USAID's Office of Foreign Disaster Assistance to award grants to relief organizations outside normal FAR processes if international disaster relief demands required it.[46]

USAID's existing contracts for frequently-used services made it possible to set up some contingency programs rapidly. These "indefinite-delivery, indefinite-quantity" (IDIQ) contracts were held by firms who maintained a ready-response capability. As needs were identified, USAID officials could issue "task orders" under the IDIQ contract, which the firm would then carry out. Pre-authorization letters also enabled USAID to mobilize contractors and emergency-relief organizations even before specific task orders were written or grants awarded.[47] In extraordinary situations, USAID officials could waive the FAR's "full and open competition" requirement. On January 16, 2003, with war looming, Natsios did exactly that, waiving full and open competition for all USAID war-related contracts. USAID's late entry into planning, he argued, made it impossible to use the normal bidding processes.[48] The agency's Inspector General later certified that USAID properly justified each contract it let with less than full and open competition.[49]

A number of USAID's traditional contractors received urgent phone calls during this period. The day after Christmas 2002, Bruce Spake, Vice President at Development Alternatives, Inc. (DAI), heard from USAID official Rob Jenkins: "Bruce, we're interested in talking to you about some possible work in a place in the Middle East. You read the newspapers, don't you?" Jenkins asked Spake to write a concept paper for working in a destabilized country in the Middle East "without using that country's

name." Spake turned in a paper the next day and DAI was awarded a contract shortly thereafter. In February 2003, the company dispatched an advance team to begin operations in Kuwait, weeks before senior U.S. civilian leadership arrived in theater.[50] USAID also awarded a total of $41 million in international disaster assistance to a broad array of NGOs, including Mercy Corps, Save the Children, and the International Rescue Committee.[51] By the end of February, USAID had provided $17.3 million for pre-positioning relief commodities in theater.[52]

Contracting was more complicated on the reconstruction side, in part because USAID had moved away from using infrastructure projects as catalysts for economic growth. While it had activated several standing IDIQ contracts, USAID still needed new contracts for the large tasks looming ahead.[53] Crafting their language was a crucial step in the mobilization process. To ensure that reconstruction policy formulated by the National Security Council translated into the right assets on the ground, contracting officers from USAID's management bureau had begun working with experts across the agency in the late fall of 2002 to write the necessary "statements of work," which are basic—but critical—descriptions of a project and what is required to implement it. Many closely mirrored the goals outlined in USAID's Vision for Iraq document and the indicators developed by the NSC's Humanitarian Working Group.[54]

Eleven teams finalized contract statements of work in early December and wrote requests for proposals during the last two weeks of the year.[55] "The instruction was…get in, get it [done], get out," Ross Wherry recalls. But because USAID's experts believed rebuilding would take longer, its contracting officers added options to extend each contract, if necessary.[56]

From February through May 2003, USAID awarded eight major contracts worth $1.3 billion, the largest short-term burst of contracting in the agency's history.[57] But this was just the beginning. Many more contracts would soon be let and others already awarded would be dramatically increased in value.[58] The contracting surge put USAID in a cash crunch. Officials drew $110 million from existing accounts on an emergency basis, "mortgaging the fourth quarter of AID's budget in order to do what we had to do in January, February, and March," Wherry said.[59] The Iraq Relief and Reconstruction Fund (IRRF 1), which the Congress created in April 2003, funded these contracts.[60]

Table 2.2 – USAID's Initial Reconstruction Contract Awards

Date Awarded	Contractor & Sector	Original Contract Amount (millions)	Original Contract Ceiling or Current Obligation (millions)	Original Contract Length	Contract Type & Procurement Method
02/07/03	International Resources Group (IRG): Personnel Services Contract	$7.000	$27.10	3 month, with 2 option years	CPFF: Sole Source
03/17/03	AFCAP: Logistics	$26.00	$91.50	2 years	Inter-agency agreement
03/21/03	SkyLink Air: Airport Administration	$10.200	$27.20	18 months, with 2 option years	CPFF: Less than full and open
03/07/03	SSA Marine: Iraq Seaport Assessment	$4.800	$14.32	1 year with 2 option years	CPFF: Less than full and open
04/11/03	Research Triangle Institute: Local Government I	$168.000	$241.91	1 year, with 2 option years	CPFF: Less than full and open
04/11/03	Creative Associates, Inc. (CAI): Education I	$62.628	$56.50	1 year, 2 option years	CPFF: Less than full and open
04/17/03	Bechtel National: Infrastructure	$680.000	$1,029.83	18 months	CPFF: Less than full and open
04/30/03	Abt Associates: Health Systems	$43.800	$23.03	1 year	CPFF: Less than full and open
06/01/03	Army Corps of Engineers: Architecture and Engineering Services	$23.99	$38.09	19 months	Interagency agreement
06/25/03	Management Systems International: Monitoring and Evaluation	$5.038	$15.12	1 base year and 2 option years	Task Order: RFP to all holders of IQC
07/24/03	Bearing Point: Economic Recovery I	$79.583	$79.58	1 year with 2 option years	CPFF: Less than full and open
10/15/03	Development Alternatives, Inc.: Agricultural Development	$36.900	$106.70	1 year with two option years	CPFF: Full and Open

Source: SIGIR, "Iraq Reconstruction: Lessons Learned in Contracting and Procurement," July 2006, 32.

By far the most substantial IRRF 1 contract awarded during this period—and the largest single contract ever let by USAID—was worth $680 million for major infrastructure reconstruction. The expedited bidding process shortened the procurement process normally required for large contracts from seven months to three.[61] Of the seven contractors invited to compete, only two submitted bids. On April 17, 2003, USAID awarded the contract to Bechtel International.[62] The contract's statement of work shows how planners thought that rebuilding infrastructure would achieve U.S. foreign policy goals. "The U.S. government envisions a post-war reconstruction effort," the statement read, "as a highly visual symbol of good faith towards building trust for economic, social and cultural benefits as well as for political stability in the region."[63] USAID would increase the Bechtel contract's value to $1.03 billion on September 30, 2003.[64]

Reconstruction Planning at Defense and Treasury

As USAID managed plans for the sectors assigned by the National Security Council, the Departments of Defense and Treasury tackled oil and economic reforms respectively. The restoration of Iraq's oil sector was central to U.S. strategic goals in Iraq. The prospect that oil revenues could finance Iraq's reconstruction led the Administration to assert in March 2003 that costs to the American taxpayer would be limited.[65] With 115 billion barrels of known reserves and potentially 100 billion more lying in wait—the world's third-largest known oil reserves—Iraq could in theory rely exclusively on oil to provide not only electricity, gasoline, and cooking fuel, but also most of its government's revenue.[66] Iraq's dilapidated oil infrastructure stood in the way.

During the 1991 Gulf War, the U.S. bombing campaign had severely damaged Iraq's refineries and distribution networks.[67] The lack of proper maintenance during the sanctions era further degraded the oil sector's infrastructure to the point that Saddam was unable to make use of a 1998 UN authorization that allowed oil sales to double.[68] Despite the import of more than a billion dollars in spare parts and equipment under the Oil-for-Food program, Iraq's production capacity barely improved during the latter half of the 1990s.

On September 20, 2002, Under Secretary Feith established the Energy Infrastructure Planning Group inside the Department of Defense, placing it under the leadership of Michael Mobbs.[69] Representatives from the Departments of State, Energy, and Defense and the Central Intelligence Agency eventually joined.[70] Formal meetings began in November, with draft plans due by mid-December.[71]

The task of determining how to revitalize Iraq's oil infrastructure far exceeded the U.S. government's in-house expertise. The need to turn to a specialized private-sector company led to the first significant—and most controversial—contract in Iraq reconstruction. Although a number of firms could repair oil infrastructure, the decision to classify the oil cell's planning restricted the universe of supporting contractors to those with security clearances.[72] Mobbs thought that the Houston-based firm of Kellogg Brown and Root (KBR), the prime contractor for the U.S. Army's massive Logistics

Civil Augmentation Program (LOGCAP), was a logical choice.[73] LOGCAP is the Army's standing IDIQ contract for the worldwide support of military operations, chiefly providing troops in the field with food, fuel, and billeting.

Just as USAID outsourced much of its work in the years after the Cold War, the military had also turned to the private sector to perform work once done by its own personnel. Under the LOGCAP contract that KBR held for all but a few years since the program's inception in 1985, contractors provide services ranging from building bases to cooking food and doing laundry. LOGCAP grew out of the post-Vietnam downsizing of the armed services, reflecting the government-wide growth of outsourcing, which would dramatically shape the war and reconstruction in Iraq.[74] In World War II, one contractor was deployed for every seven soldiers.[75] During the 2003 invasion, that number had increased to one for every 2.4.[76] By 2006, contractors outnumbered soldiers in Iraq.[77]

KBR's responsibilities under LOGCAP meant that it was already working closely with the Defense Department on Iraq contingency plans, and Mobbs wanted to capitalize upon this existing relationship. Hiring KBR, though, could create the appearance of a conflict of interest, because Vice President Cheney was the former CEO of Halliburton, KBR's parent company.[78] Under Secretary Feith raised this issue at a Deputies Committee meeting and even alerted the Vice President's office. According to Mobbs, White House officials said the mission took priority over whatever political fallout might occur from granting a sole-source contract to KBR.[79]

A second possible conflict arose. The General Counsel of the Army Materiel Command ruled that asking KBR to assist the oil cell was outside the scope of activities permitted under LOGCAP. A contract for the logistical support of military operations was not seen as an appropriate vehicle for planning to repair a foreign country's oil infrastructure. The matter was forwarded up the chain, first to the Army General Counsel, and then to the Department of Defense General Counsel, who settled the matter on November 8, 2002.[80] So long as the job did not extend to actual repair work, the opinion stated, the contract could go forward under LOGCAP.[81] A task order for $1.9 million was issued to KBR the same day.[82]

The link between planning and executing oil sector repairs, however, could not be easily severed. On March 8, 2003, just three months after KBR had received its planning

contract and one week before the invasion of Iraq, the U.S. Army Corps of Engineers (USACE) awarded KBR a $7 billion sole-source, IDIQ contract for repair work on Iraq's oil sector.[83] As the contracting documents reveal, part of the basis for this award was the previous task order issued to KBR.[84] This would be the single largest reconstruction contract in Iraq and the largest known sole-source contract in U.S. history.

A subsequent review by the Government Accountability Office found that the original November task order was beyond the scope of the contract and that the Army Field Support Command should have prepared a written justification to authorize the work without competition.[85] Defense officials later justified their use of LOGCAP by citing the overriding necessity to get work started. "We certainly did not have time to run a competition to see who was going to support us," Mobbs said.[86]

The U.S. Army Corps of Engineers mobilized to help with the oil sector work. General Robert Crear, commander of the Corps' Southwest Division, established Task Force Restore Iraq Oil (RIO) as part of the plan to rush engineers into theater. Task Force RIO's projected strength was 129 people, 90 of whom would be civilians.[87] By February 2003, a Task Force RIO advance team had deployed to Kuwait.

As Task Force RIO and the Energy Infrastructure Working Group proceeded, Frank Miller and National Security Council staffer Pamela Quanrud developed a longer-term plan for moving control of Iraq's oil infrastructure back to Iraqis. Avoiding the perception that the U.S. would annex Iraq's oil wealth for its own purposes was a crucial goal. Miller and Quanrud devised a way to manage downstream and upstream production while also assembling a governing board of Iraqis. Decisions about Iraq's oil wealth were not to be seen as made by the U.S. alone. Their plan was approved by the President—who came to call Quanrud "the Petroleum lady"—in January 2003, when war with Iraq was less than three months away.[88]

Iraq's Financial Reconstruction

The NSC gave the Treasury Department a unique mission for post-invasion Iraq—preserving and restoring the country's financial system—which it ultimately

executed with success in the chaotic months after Saddam's fall. Treasury officials recognized that the financial recovery of Iraq depended upon the simultaneous accomplishment of two interdependent feats: maintaining confidence in the country's currency and restoring operations at Iraq's financial institutions, including its central and commercial banks and the Ministry of Finance. Without a functioning financial system and a stable currency, commerce in Iraq—and much of ordinary life—would grind to a halt.

Addressing these and other economic challenges fell to Treasury Under Secretary John Taylor, who, beginning in September 2002, led the agency's Iraq planning efforts, along with Van Jorstad, George Mullinax, and David Nummy.[89] Taylor established the Treasury's Task Force on Iraq Financial Reconstruction, setting up offices in the Treasury Department's Market Room. Taylor and his team soon found that reliable information about Iraq's economy was almost nonexistent. The International Monetary Fund had not done a technical analysis of the Iraqi economy for twenty years, and Iraqi data-collection entities had atrophied under Saddam. Almost no bank in Iraq transferred money electronically, and the regime had co-opted the once-functional Central Bank to "lend" money to Saddam's cronies. There was also the issue of dealing with Iraq's dual system of currency—the "Swiss" dinar used in the Kurdish region in northern Iraq and the Saddam dinar used everywhere else.[90]

Taylor worked with Iraqi participants drawn from the Future of Iraq Project and experts across the government to draft contingency plans to prevent a monetary collapse and stabilize Iraqi assets.[91] The plan focused on securing key financial institutions after Saddam's regime fell and then using seized Iraqi assets to pay the government's employees and pensioners until a permanent system could be established. In support of this planning, the President issued an executive order on March 20, 2003—the day the war began—authorizing the freezing of funds held by the Saddam regime in U.S. banks. The United States ultimately vested about $1.9 billion of these assets in the Treasury Department for the purpose of paying Iraqi salaries.[92]

A Striking Asymmetry

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A striking asymmetry resulted from the NSC-led planning process: the U.S. government planned for the worst-case humanitarian scenario while it simultaneously planned for the best-case reconstruction one. Humanitarian planning advanced smoothly because the humanitarian disaster contingencies involved were straightforward, and the President backed it from the beginning. As a result, humanitarian planners had the ability to mobilize the government as a whole and even reach out to international institutions to formulate a robust multilateral approach. In contrast, reconstruction planning was impeded by irreconcilable notions of how extensive the U.S. financial and administrative role in Iraq might become. Restoring war damage was ultimately set as the policy goal, but little connection was made between how the rebuilding would—or even could—bring about a democratic transition.[93]

USAID officials went along with planning despite reservations. Once invited inside secret planning cells, USAID officials were asked to formulate a program of reconstruction that some believed was at odds with their agency's institutional wisdom and ethos. Because contesting the plan risked their exclusion from the process, they assented to sector indicators developed under the aegis of the National Security Council, even though the indicators were not in keeping with accepted practices in post-conflict environments. The early USAID contracts were mostly for "bricks-and-mortar" rebuilding that emphasized tangible outputs rather than the "softer" programs that characterized USAID's favored conflict-transformation approach.

The reality was that reconstruction was such a relatively minor issue to most policymakers that USAID's contract with Bechtel was seen by members of the National Security Council staff as a "standby" measure—for emergency use only.[94] USAID officials—who privately predicted a three- to five-year, $90 billion rebuilding scenario in 2002—would not have gotten "traction" for such a plan with the officials to whom they reported in the interagency planning group.[95]

The debate over reconstruction, along with all the other bureaucratic and administrative rivalries playing out in the fragmented Iraq planning process, would soon fall on the Department of Defense, which, at Secretary Rumsfeld's request, would be given full responsibility for administering post-invasion Iraq.

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[1] USAID, "2002 Congressional Budget Request," http://www.usaid.gov/pubs/cbj2002/request.html.
[2] USAID, "Primer: What we do and how we do it," revised January 2006, http://www.usaid.gov/about_usaid/PDACG100.pdf. In 2002, only 1,985 of USAID's workforce were government employees; more than two-thirds of the workforce of 7,741 was made up of contractors. GAO Testimony 03-117T, "Foreign Assistance: USAID Needs to Improve Its Workforce Planning and Operation Expense Accounting," September 23, 2003, 1-2.
[3] SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[4] SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, April 5, 2006; and SIGIR interview with Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, May 3, 2006.
[5] Chamberlin had just stepped down as Ambassador to Pakistan, and knew White House planners from her long career at the Department of State. SIGIR interviews with Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, April 18, 2007 and May 3, 2006.
[6] The Asia and Near East Bureau was headed by Chamberlin. USAID Press Release, "Wendy Chamberlin Sworn in as Head of USAID's Asia and Near East Bureau," December 2, 2002.
[7] Andrew Natsios, former USAID Administrator, email to SIGIR, October 25, 2008.
[8] USAID, "Vision for Post-Conflict Iraq," February 19, 2003. Although not released to the public until February 2003, a working draft of this document was produced by members of the Humanitarian Working Group in the fall of 2002.
[9] SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[10] USAID Fact Sheet, "USAID Contingency Plans for Humanitarian Assistance to Iraq," February 24, 2003.
[11] SIGIR interview with Lauren Barbour, former Iraq Team Leader, USAID Office of Transition Initiatives, December 20, 2005; USAID, "Transition Initiatives," http://www.usaid.gov/our_work/cross-cutting_programs/transition_initiatives/, January 26, 2006.
[12] USAID memorandum, "USAID Consultations on Iraq Contingency Plans," February 24, 2003, http://pdf.dec.org/pdf_docs/PDABY342.pdf.
[13] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, March 29, 2007.
[14] USAID memorandum, "USAID Consultations on Iraq Contingency Plans," February 24, 2003, http://pdf.dec.org/pdf_docs/PDABY342.pdf.
[15] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, March 29, 2007; USAID memorandum, "USAID Consultations on Iraq Contingency Plans," February 24, 2003, http://pdf.dec.org/pdf_docs/PDABY342.pdf; USAID Press Release, "USAID Announces $200 Million in Emergency Food Assistance to Iraq," April 2, 2003; and World Food Program Press Release, "WFP Welcomes International Response to Iraq Appeal," April 4, 2003.
[16] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, March 29, 2007.
[17] Interestingly, the group was not directed to meet by the Joint Staff Pol-Mil Cell, but rather arose more spontaneously from contacts of lower and mid-level staff members on the NSC and at CENTCOM. ORHA/CPA Historian interview with Maj. Ray Eiriz, former CENTCOM planner, December 7, 2006.
[18] SIGIR and ORHA/CPA Historian interviews with CENTCOM planners Col. (Ret.) Michael Fitzgerald, Col. John Agoglia, Maj. Thomas Fisher, and Maj. Ray Eiriz.
[19] SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, April 5, 2006.
[20] SIGIR interview with Christopher Milligan, USAID Deputy Director of Iraq, March 27, 2007.
[21] SIGIR interview with Christopher Milligan, USAID Deputy Director of Iraq, February 9, 2006. Joshua B. Bolten, OMB Director, Testimony before the Senate Foreign Relations Committee, July 29, 2003; and USAID, "Vision for Post-Conflict Iraq," February 19, 2003. Shelter and payroll management assistance sectors had been considered but were ultimately dropped.

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[22] Milligan, a USAID official, had worked in Ecuador, Zimbabwe, and finally Indonesia, where Agency personnel were evacuated after the Bali bombing. Shortly thereafter, Wendy Chamberlin included him in planning.
[23] Jock Covey, Michael J. Dziedic, and Leonard R. Hawley, eds., *The Quest for Viable Peace: International Intervention and Strategies for Conflict Transformation* (Washington, DC: USIP, 2005).
[24] SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, April 5, 2006; Christopher Milligan, USAID Deputy Director of Iraq, March 27, 2007; Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, March 29, 2007,; and Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, April 18, 2007.
[25] Condoleezza Rice, National Security Advisor, Memorandum to the Vice President, the Secretary of State, the Secretary of Defense, Chief of Staff to the President, Director of Central Intelligence, Chairman of the Joint Chiefs of Staff, "Principals' Committee Review of Iraq Police Paper," October 29, 2002, as reproduced in Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 541-43.
[26] USAID, "Vision for Post-Conflict Iraq," February 19, 2003.
[27] See: "Electricity" in USAID, "Vision for Post-Conflict Iraq," February 19, 2003.
[28] See: "Food, Agriculture, and Rural Economy" in USAID, "Vision for Post-Conflict Iraq," February 19, 2003.
[29] See: "Education" and "Electricity" in USAID, "Vision for Post-Conflict Iraq," February 19, 2003.
[30] SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, April 5, 2006.
[31] SIGIR interview with Christopher Milligan, USAID Deputy Director of Iraq, February 9, 2006.
[32] See: "Transportation" in USAID, "Vision for Post-Conflict Iraq," February 19, 2003.
[33] The CORDS pacification program in rural Vietnam is an interesting precursor to Provisional Reconstruction Teams used in Afghanistan and Iraq. See: R. W. Komer, RAND Report R-967-ARPA, "Bureaucracy Does Its Thing: Institutional Constraints on U.S.-GVN Performance in Vietnam," August 1972; Lewis Sorley, *A Better War: The Unexamined Victories and Final Tragedy of America's Last Years in Vietnam* (New York: Harcourt Brace & Company, 1999); and Neil Sheehan, *A Bright Shining Lie: John Paul Vann and America in Vietnam* (New York: Vintage, 1989).
[34] SIGIR interview with Christopher Milligan, USAID Deputy Director of Iraq, March 27, 2007.
[35] SIGIR interviews with Christopher Milligan, USAID Deputy Director of Iraq, April 14, 2006; and March 27, 2007.
[36] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the National Security Council, August 19, 2008.
[37] SIGIR interview with Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, April 18, 2007. The military also uses this term to denote large depictions of plans, schedules or programs.
[38] SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, April 5, 2006; and SIGIR interview with Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, April 18, 2007.
[39] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, March 29, 2007; and SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, November 2, 2005.
[40] SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, April 5, 2006.
[41] GAO Testimony 03-117T, "Foreign Assistance: USAID Needs to Improve Its Workforce Planning and Operation Expense Accounting," September 23, 2003, 1-5.
[42] SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[43] For current provisions for the FAR, see: Acquisition Central, "Federal Acquisition Regulation (FAR)," http://www.acqnet.gov/FAR/.
[44] James Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It* (New York: Basic Books, 1991 reprint edition), 126-127.
[45] USAID Acquisition Regulation (AIDAR), Subpart Level 48, CFR 706.302-70, October 18, 2007, http://www.usaid.gov/policy/ads/300/aidar.pdf. A good overview of contracting procedures can be found in: Valerie Bailey Grasso, Congressional Research Service Report RL32229, "Iraq: Frequently Asked Questions About Contracting," updated March 18, 2005; and John R. Luckey, Congressional Research Service Report RS21555, "Iraq Reconstruction: Frequently Asked Questions Concerning the Application of

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Federal Procurement Statues," June 23, 2003. For an overview of budget mechanisms for humanitarian assistance, see: Rhoda Margesson, Congressional Research Service Report RL33769, "International Crisis and Disasters: U.S. Humanitarian Assistance, Budget Trends, and Issues for Congress," updated May 3, 2007; and SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.

[46] Authority comes from Public Law 87-195 which amended the Foreign Assistance Act (FAA). P.L. 87-195, Foreign Assistance Act of 1961, Section 491, September 4, 1961. The FAA of 1961 releases the agency from some of the more stringent requirements for domestic acquisition. The conditions under which exemptions may be invoked are outlined in an addendum specific to each agency. USAID implements the procurement aspects of the FAA under AIDAR provision 48 CFR 701.601. AIDAR, Subpart Level 48, CFR 701.601, October 18, 2007, http://www.usaid.gov/policy/ads/300/aidar.pdf.

[47] Under a pre-authorization letter, contractors proceed "at risk," which means that they will only be reimbursed for expenses later deemed by USAID to have been appropriate given the nature of the pending task.

[48] Bruce N. Crandlemire, USAID Assistant Inspector General for Audit, Memorandum to Wendy Chamberlin and Timothy T. Beans, "USAID's Compliance with Federal Regulations in Awarding the Iraq Education Sector Contract, (AIG/A Memorandum 03-001)," June 6, 2003, http://www.usaid.gov/oig/iraq_doc/memorandum_03-001_6-06-03.pdf. Seven exemptions in the FAR allow contracting officers to hold shorter bid periods, use a pre-selected list of bidders, or award a contract outright without competition. (The latter is known as no-bid or sole-source contracting.) Thorough justification must accompany these awards and the FAR prescribes that they be re-competed as soon as practical. The FAR requires a written, certified justification before any exemption to full and open competition is used. The FAR subpart 6.3 governs the applicability. FAR, Subpart 6.3, "Other Than Full and Open Competition," June 12, 2008, http://www.arnet.gov/far/current/html/Subpart%206_3.html#wp1086841. The AIDAR provides regulations for USAID. AIDAR, Subpart Level 48, CFR 706.302-70, October 18, 2007, http://www.usaid.gov/policy/ads/300/aidar.pdf.

[49] USAID-IG Audit A-000-04-003-P, "Capping Report on the Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Phase I Contracts," May 19, 2004.

[50] SIGIR interview with Bruce Spake, Vice President of DAI, November 2, 2006.

[51] USAID, "Funding Summary #3, Fiscal Year (FY) 2003," April 2, 2003.

[52] USAID memorandum, "USAID Consultations on Iraq Contingency Plans," February 24,2003, http://pdf.dec.org/pdf_docs/PDABY342.pdf.

[53] SIGIR interview with Christopher Milligan, USAID Deputy Director of Iraq, March 27, 2007. On January 24, 2003, USAID issued IRG a request for proposal, giving the organization three days to respond. On February 7, 2003, USAID subsequently issued the firm the Agency's first sole-source contract in the reconstruction effort. USAID Press Release, "USAID Reconstruction Efforts in Iraq," May 1, 20003. See also: IRG Press Release, "IRG will support USAID in the overall planning, monitoring, coordination, management, and reporting on reconstruction and rehabilitation activities across a variety of sectors including health, agriculture, civil society strengthening, and infrastructure." IRG, "IRG Selected to Implement Key Post-War Reconstruction," March 13, 2003. "Only one of the first eight contracts was sole-sourced by USAID, for personnel support, which was awarded to IRG." USAID Fact Sheet, "Contracting by USAID for Reconstruction of Iraq, Questions and Answers," May 2, 2003, http://www.usaid.gov/press/factsheets/2003/fs030508.html.

[54] For examples of USAID's Statements of Work see: RTI, USAID contract EDG-C-00-03-00010-00, Section C, April 11, 2003; Abt Associates, USAID contract RAN-C-00-03-00010-00, Section C, April 30, 2003; and CAI, USAID contract EDG-C-00-03-00011-00, Section C, April 11, 2003.

[55] SIGIR interview with Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, May 3, 2006.

[56] SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, April 5, 2006.

[57] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 29.

[58] For final amounts of USAID contracts, several of which were increased multiple times, see: USAID, "Assistance for Iraq Contracts and Grant," http://www.usaid.gov/iraq/contracts/.

[59] SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, April 5, 2006.

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[60] P.L. 108-11, Emergency Wartime Supplemental Appropriations Act for Fiscal Year 2003, and for other purposes," April 16, 2003; and SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005, 29-30.
[61] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 30; and Bruce N. Crandlemire, USAID Assistant Inspector General for Audit, Memorandum to Gordon West and Timothy T. Beans, "USAID's Compliance with Federal Regulations in Awarding the Iraq Infrastructure Reconstruction Program Phase II Contract (AIG/A Memorandum 04-006)," April 20, 2004, http://www.usaid.gov/oig/iraq_doc/memo04_006.pdf. USAID eventually increased the contract's ceiling to $1.03 billion in September 2003.
[62] USAID Press Release, "USAID Awards Iraq Infrastructure Contract," April 17, 2003.
[63] USAID Bechtel Contract EEE-C-00-03-00018-00, Section C, http://www.usaid.gov/iraq/contracts/pdf/BechtelSecC.pdf.
[64] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 30.
[65] "There's a lot of money to pay for this that doesn't have to be U.S. taxpayer money…the oil revenues of that country could bring between $50 and $100 billion over the course of the of the next two or three years… We're dealing with a country that can really finance its own reconstruction, and relatively soon." Paul Wolfowitz, Deputy Secretary of Defense, in a hearing before the House Appropriations Committee, March 27, 2003.
[66] Iraq contains 115 billions barrels of proven oil reserves, the third largest in the world. Since only 10% of the country has been explored, analysts believe that there is much more to be found. Energy Information Administration, Department of Energy, "Country Analysis Briefs: Iraq," August 2007.
[67] Eliot A. Cohen, Director, "Gulf War Air Power Survey," U.S. Air Force, 1993; and ORHA/CPA Historian interview with Gary Vogler, Senior Advisor to the Ministry of Oil, June 18, 2003.
[68] The resolution authorized expanding sales from $2.1 billion to $5.256 billion in a six-month period. UN Press Release SC/6492, "Security Council Authorizes Sale of Iraq Oil to Offset Shortfall in Revenues Resulting From Delay in Oil Sales, Drop in Oil Prices," March 25, 1998; and United Nations Security Council Resolution 1153, February 20, 1998.
[69] Michael H. Mobbs, "Memorandum for the Record: Potential for Competition in Obtaining Contractor Services Required by the Energy Infrastructure Planning Group (EIPG)," November 8, 2002.
[70] Members included Mike Mackowski, Senaca Johnston from State, Barbara Glotfelty from DoD Contracting, Matt Armitrano, a consultant, and a CIA representative. SIGIR interview with Gary Vogler, CPA Senior Advisor to Oil, May 10, 2006.
[71] Michael H. Mobbs, "Memorandum for the Record: Potential for Competition in Obtaining Contractor Services Required by the Energy Infrastructure Planning Group (EIPG)," November 8, 2002; and SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.
[72] SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.
[73] Donald L. Trautner, "A Personal Account and Perspective of the U.S. Army Logistics Civil Augmentation Program (LOGCAP)," 2004 Conference of Army Historians, July 15, 2004.
[74] Donald L. Trautner, "A Personal Account and Perspective of the U.S. Army Logistics Civil Augmentation Program (LOGCAP)," 2004 Conference of Army Historians, July 15, 2004.
[75] Lt. Col. Steven T. Mitchell, "Targetable Logistics: Contractors in Zones of Conflict-Backbone or Underbelly?" U.S. Army War College Strategy Research Paper, March 18, 2005, 4.
[76] T. Christian Miller, *Blood Money: Wasted Billions, Lost Lives, and Corporate Greed in Iraq* (New York: Little, Brown and Company, 2006), 76.
[77] For a detailed analysis of contractors in the Iraq theater, see: Congressional Budget Office, "Contractors' Support of U.S. Operations in Iraq," August 2008.
[78] Michael H. Mobbs, "Memorandum for the Record: Potential for Competition in Obtaining Contractor Services Required by the Energy Infrastructure Planning Group (EIPG)," November 8, 2002. In this memorandum Mobbs identifies Bechtel and Flour as among other contractors who have the technical capacity but not an existing connection to CENTCOM. See: SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.
[79] SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.
[80] SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.

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[81] John. L Long, Associate General Counsel, Acquisition and Logistics, Memorandum to Barbara Glotfelty, Energy Infrastructure Planning Group, "Legal Position on LOGCAP Scope of Work," November 8, 2002.
[82] SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.
[83] USACE, "Frequently Asked Questions: Engineer Support to Operation Iraqi Freedom," USACE Missions-Oil Fire Suppression and Restoration of Production, updated September 5, 2007.
[84] "The resulting contingency plan was used as justification for subsequently awarding a sole-source contract to Kellogg Brown & Root for restoring the oil infrastructure, for which nearly $1.4 billion was obligated during fiscal year 2003." GAO Report 04-605, "Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges," June 2004, 14, 16, 19-20. The contract was replaced by competitively-procured contracts in January 2004. KBR was awarded a contract capped at $1.2 billion to repair the oil infrastructure of Southern Iraq. Parsons Iraqi Joint Venture was awarded a contract capped at $800,000 to carry out repairs in Northern Iraq. USACE, "Frequently Asked Questions: Engineer Support to Operation Iraqi Freedom. USACE Missions – Oil Fire Suppression and Restoration of Production," updated January 20, 2004, http://www.hq.usace.army mil/cepa/iraq/faq.htm, accessed April 24, 2006.
[85] Although the contingency plan that violated contracting regulations was used as justification for the sole-source contract to Kellogg Brown & Root, GAO found that the award of the contract generally complied with applicable legal standards. GAO Report 04-605, "Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges," June 2004, 19-21.
[86] SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.
[87] ORHA/CPA Historian interview with Brig. Gen. Robert Crear, Commander of Task Force RIO, June 25, 2003.
[88] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the National Security Council, August 19, 2008.
[89] For an overall account of Treasury's activities, see: chapters 7, 8 and 9 in John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton & Company, 2007); and U.S. Treasury, "Contingency Plans for Reconstruction of Iraq's Financial Institutions and Financial markets," April 28, 2003.
[90] Iraqi currency printed before 1990 in Switzerland is referred to as the Swiss dinar, which was still used in the Kurdish region at the time of the 2003 invasion even though the Iraqi Central Bank began printing a new currency, known as the Saddam dinar, in 1991. Iraq, as a result, had two systems of currency, one of which—the Saddam dinar—had been subject to inflation, and another—the Swiss dinar—which had not lost nearly as much of its value, even though it had technically ceased to be legal tender. For a description of how the Treasury team approached this problem, see: chapters 7, 8 and 9 in John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton & Company, 2007).
[91] For supplementary accounts, see: USIP and ORHA/CPA Historian interviews with David Nummy, former Senior Advisor to the Ministry of Finance, October 14, 2004, and June 23 and 27, 2003.
[92] GAO Testimony 04-579T, "Recovering Iraq's Assets: Preliminary Observations on U.S. Efforts and Challenges," March 18, 2004; Roger H. Bezdek, "Using Vested Assets for the Reconstruction of Iraq," *Public Fund Digest* 5, no. 2 (2005); and Executive Order 13290, "Confiscating and Vesting Certain Iraqi Property," March 20, 2003.
[93] SIGIR interview with Christopher Milligan, USAID Deputy Director of Iraq, April 14, 2006.
[94] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, June 26, 2008.
[95] SIGIR interview with Jonathan Dworken, former Director for Humanitarian Assistance and Disaster Response for the NSC, March 29, 2007.

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Chapter 3

THE DEPARTMENT OF DEFENSE TAKES CHARGE

In Iraq, [t]he Department of Defense took responsibility but…was not able to fully mobilize the range of capabilities that were needed. There was no single U.S. government institution or agency that was capable of doing that.

- Dr. Condoleezza Rice,
National Security Advisor (2001-2004)[*]

In the wake of the October 2002 decision to delay establishing a civilian office in the Department of Defense to administer post-invasion Iraq, the agencies independently pressed on with their post-war planning.[1] USAID created a detailed plan for humanitarian relief and reconstruction operations. Teams at the Departments of Defense and Treasury prepared to restore Iraq's oil and financial infrastructures, respectively. An interagency humanitarian planning team, with representatives from across the government, worked with CENTCOM headquarters. But the absence of a coordinating office meant that there was no management locus around which post-war planning could coalesce. "What was lacking," Under Secretary Douglas Feith would later say, "[was] the integration."[2]

The notional postwar structure briefed to the National Security Council in mid-October—a three-star military headquarters and a parallel civilian administration—still existed only as a diagram on a briefing slide. The Administration lacked a consensus policy on key matters, such as the formation of an interim Iraqi authority and a timeframe for transferring power to it. "Liberation" had become the dominant assumption, but whether liberation could be easily achieved and stability secured was viewed differently by defense, diplomatic, and foreign aid officials. All the while, troops and materiel flowed to the Gulf.

At CENTOM headquarters in Tampa, Florida, the small building that housed Iraq war planners was a beehive of activity. Every week seemed to bring a new major event requiring action. First was the President's speech to the UN in September 2002, then the war resolution before the Congress in October. Next came the issue of obtaining basing rights in the region. Periodically, yet another Rumsfeld-directed revision of the war plan would arrive, triggering attendant commanders' conferences, new iterations of deployment schedules, and a blizzard of briefing slides.[3]

[*] Condoleezza Rice, Secretary of State, Testimony before the House Foreign Affairs Committee, February 13, 2008.

Through all of this activity, Phase IV got short shrift—but this did not go without notice. Since late August 2002, the Joint Staff worried that Phases I through III had swamped the CENTCOM staff and that planning for Phase IV had fallen behind.[4] CENTCOM had devoted insufficient resources to integrate government-wide planning fully within Phase IV, and then to coordinate it with Phases I through III.[5] Majors Thomas Fisher and Ray Eiriz, the CENTCOM planners working on Phase IV, had other responsibilities that pulled them from their postwar planning work.[6]

On December 11, 2002, the Phase IV planners started to play catch up. Major Fisher initiated an intense post-war planning session with a 40-person interagency team. Three days later, he briefed the Joint Staff on a draft Phase IV plan. The plan predicted rough going ahead. "We were assuming that there would be no government that moves in, so we were anticipating chaos," Major Fisher said. "We did make the assumption that at some point there would be an international mandate, either of the Coalition or of the United Nations."[7] After Fisher's briefing, the Director of the Joint Staff, Lt. Gen. George Casey, realized that the CENTCOM staff needed immediate augmentation to strengthen Phase IV, so he created a joint task force—designating it JTF-4—to supply 58 extra personnel to help with CENTCOM's post-war planning.[8]

The President Assigns the Defense Department the Lead

On December 18, 2002, the President used the phrase "war is inevitable" at a National Security Council meeting.[9] The remark prompted Secretary Rumsfeld to launch the long-awaited civil administration office to manage post-invasion Iraq. Soon thereafter, the President resolved the question of its chain of command. At Secretary Rumsfeld's request, and with Secretary of State Colin Powell's concurrence, the President placed the Defense Department in charge of all postwar activity.[10] "State does not have the personnel, the capacity, or the size to deal with an immediate post-war situation in a foreign country that's eight thousand miles away from here," Secretary Powell explained.[11] Lodging oversight of both military and civilian functions in the Defense Department, Rumsfeld had argued, would ensure a seamless transition from combat to reconstruction. A unified chain of command, running from the Secretary down through CENTCOM, would prevent the split between war-fighting and stability operations seen in Bosnia and Kosovo.[12]

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The President formalized the decision on January 20, 2003, by issuing National Security Presidential Directive 24 (NSPD 24), which consolidated responsibility for managing postwar Iraq in a new organization, the Office of Reconstruction and Humanitarian Affairs (ORHA), housed within the Defense Department.[13] With a stroke of his pen, the President superseded the existing system for interagency postwar planning inside the National Security Council. This dramatic shift shocked some Iraq planners. "Within a 24-hour period all of a sudden Robin and Elliot go away," USAID Administrator Natsios said, referring to the Humanitarian Working Group led by Robin Cleveland and Elliot Abrams.[14] "We were just stunned," the agency's acting Deputy Administrator James Kunder said. "It was our first insight into the fact that there were big processes going on that we were oblivious to."[15]

The period of adjustment that followed, as Defense officials consolidated control, was turbulent. Some compared the implementation of NSPD 24 to a hostile takeover. "You don't need to worry about the nuts and bolts of basic reconstruction," NSC Senior Director Frank Miller remembers two Defense officials saying. "It's now an [Office of the Secretary of Defense] operation." "Thereafter," Miller said, "it was 'you guys stay out, we don't need your help.'"[16]

NSPD-24's new arrangements directly affected CENTCOM's Phase IV planning. CENTCOM planners had conceived of integrating their plans across the agencies in two steps. "There were two phases to the plan we had developed," Major Eiriz said. First, the humanitarian planning team would ensure that the rest of the government be "in synch" with CENTCOM's plans for humanitarian contingencies. "Then there was going to be the reconstruction planning team," to address the restoration of Iraq's civil institutions and infrastructure. But in January 2003, CENTCOM stood down the humanitarian planning team after ORHA's creation and assigned the reconstruction mission to JTF-4.[17]

Strategy and Force Levels

The standing war plan for Iraq, developed by General Franks's predecessors at CENTCOM, called for half-a-million troops—a number Rumsfeld and his aides thought much too high in light of advances in war-fighting technology and service integration.[18] Relying on a large force would bring more troops into theater than needed, Rumsfeld argued, and it would

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also constrain the President's ability to respond quickly to any provocation by Saddam.[19] "We got told that it was old think, too big, wasn't innovative, and to readdress the planning using a different set of assumptions," said Col. Mike Fitzgerald, CENTCOM's Chief of War Plans.[20]

Rumsfeld pushed Franks to develop a more flexible plan, one that would rely on fewer troops that could be quickly deployed. "It was clear to the planners, over time," Fitzgerald said, "that some of the assumptions we had made were not going to be accepted very well unless they went the way the Office of the Secretary of Defense was thinking."[21] The revised war plan significantly reduced aggregate force levels. The Secretary ultimately recommended to the President that he send only 160,000 combat soldiers, a third of the numbers of combat forces suggested initially by CENTCOM planners.[22] The President questioned how this would affect security after the invasion. **"**In the area of law-and-order, the President and Rice asked Tommy Franks if it was covered," Frank Miller later said. "He said it was—'every village will have a mayor, a lieutenant, captains, a structure.' He was asked again if he was sure—he emphatically answered, 'It's covered.'"[23]

The Coalition ground forces commander, Lt. Gen David McKiernan, "really felt strongly about the inadequacy of the force," said Col. Mike Fitzgerald, CENTCOM's Chief of War Plans.[24] The idea of fewer troops similarly unsettled CENTCOM Phase IV planners, as Major Fisher explained:

> The thing we kept going back to was we've only got so many people. Do you want them on the streets protecting people? Do you want them on the borders keeping WMD from getting away and keeping terrorists from getting in? Do you want them on the oil pipelines to keep the oil flow flowing? Do you want them handing out food to people that need food? Do you want them securing bank vaults and things of that nature? Do you want them conducting [medical programs] to build good will? I would sit there and talk to these people from [the office of the Secretary of Defense] and they'd say, 'You know, we need to improve security on the borders.' And I'd say, 'Do you know when you stretch the border of Iraq out, it's longer than our border with Mexico? How many divisions would you have to put in Arizona, New Mexico, California, Texas to secure our border?'[25]

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Building ORHA

On Thursday, January 9, 2003, Jay Garner, a retired Army Lieutenant General and president of the defense contractor SY Technology, was lunching at a restaurant in New York when a Pentagon aide called his cell phone. Garner had successfully led Operation Provide Comfort, a humanitarian mission in Northern Iraq, after the 1991 Gulf War. "We just got out of the Secretary's office," the aide said, "The Secretary would like for you to consider coming in and helping us put together a postwar organization."[26]

Garner and Rumsfeld had served together on a federal advisory panel, and the Secretary thought it would be easier for a former military man—especially one who knew Iraq—to work with CENTCOM.[27] Garner met with Feith and Rumsfeld the following week. When he agreed to lead ORHA, Lt. General Garner could not have known he was "embarking on mission impossible," as one national security aide described his job.[28] Just 56 days after ORHA moved into an empty Pentagon office, the U.S. would be at war.[29]

The unique organization, created by NSPD-24, started with no staff, was barely integrated into the military command structure, and—from day one—encountered hostility from some of the parties whose activities it was asked to coordinate. Three military commands, two civilian agencies, and the circle of White House officials expecting to oversee postwar administration learned of Garner's appointment after the fact.[30] "Rumsfeld pulled the rug out from under them," Garner recalls. "They never forgave us for that."[31]

The success of ORHA was premised on the idea that Garner would "operationalize" plans that had already been well developed through the interagency process. When Lt.Gen. Garner arrived at the Pentagon, though, no campaign plan was there to greet him. "They hadn't lined up anybody to brief us…we really had to find out what they were doing by word of mouth." Garner later learned about the Office of Special Plans, Feith's Pentagon cadre dedicated to closely-held postwar planning, but its products, Garner said, were "never given to us, we never saw it, didn't know about it." Garner learned of the office's existence just before the war began, when one of his aides happened across it by chance.[32]

The logistical challenges of starting from scratch were overwhelming. "We didn't have a desk, we didn't have an office, we didn't have a telephone, we didn't have anything," Garner recalls. Arabic linguists, regional specialists, and military planners were nowhere in evidence.

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Garner himself started work on a volunteer basis when the Pentagon was unable to process his hiring as a temporary employee.[33]

Lt. Gen. Garner moved quickly to build a team. He brought in retired Lt. Gen. Ron Adams as his deputy and hired retired Lt. Gen. Jerry Bates and Col. Paul Hughes as senior advisors. Col. Thomas Baltazar was assigned by Feith's office, and Chris Milligan came over from USAID. The U.S. Army Corps of Engineers sent Maj. Gen. Carl Strock to be ORHA's seventh member. National Security Advisor Condoleezza Rice meanwhile urged government agencies to provide more personnel to support the fledgling organization.[34]

Garner organized ORHA into three pillars: humanitarian assistance, civil administration, and reconstruction.[35] When Chris Milligan moved into the Pentagon the week of January 20, 2003, he helped Garner and Bates flesh out the pillar structure.[36] The reconstruction and civil administration pillars would oversee Iraq's 22 ministries. To get the ministries back on their feet, an American "senior advisor" assigned to each one would serve as the liaison between ORHA and the new government.

Garner wanted a U.S. government agency in charge of each pillar. "Adams and I sat down," he remembers, "and we put State Department over humanitarian affairs, and we put State Department over civil administration, and we put USAID over reconstruction."[37] It was a division that reflected each agency's expertise, as well as existing interagency plans, but Rumsfeld objected to Garner's decision, demanding that a Defense official control all three pillars. "I had a running gun battle with the Defense Department on who were the leaders of each of these pillars," Garner recalled.[38]

Rumsfeld eventually relented, claiming only the civil administration pillar as Defense's own, but still questioned the appropriateness of several officials selected by State and USAID. "The White House," Rumsfeld later wrote, "believed [they] would not be a good fit within ORHA."[39] Garner named Ambassador George Ward to lead the humanitarian pillar, with Dick Owen, a USAID official, as his deputy. USAID official Lew Lucke took charge of the reconstruction pillar, with Christopher Milligan in the deputy slot.[40]

Finding a lead for civil administration proved difficult.[41] Feith eventually nominated Michael Mobbs, who had overseen the Department's oil-planning cell.[42] The State Department immediately protested the appointment of a lawyer with minor diplomatic experience to such a key position. Under Secretary of State Marc Grossman told Garner that Mobbs was unqualified

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for the job. Garner brokered a compromise in which Ambassador Barbara Bodine, an experienced Arabist who had previously served in Baghdad, would join ORHA to support civil administration and provide experience that Mobbs lacked.[43]

Unable to assemble a large civilian support staff quickly, Garner filled much of the rest of his staff with military personnel. When he asked the Joint Chiefs for 90 military personnel, Lt. Gen. George Casey, Director of the Joint Staff, initially refused. "No, too many people," Casey said, telling Garner that ORHA wouldn't be operating 24 hours a day. "If you think we're not going to have a 24/7 operation over there," Garner thundered, "where the hell have you been in your career?"[44] Only after Garner scheduled a meeting with Secretary Rumsfeld to protest Casey's refusal did he relent.[45]

The staff Garner cobbled together was an ad hoc team—a sign of things to come in post-invasion Iraq—with many of the leadership positions filled by officials pulled from retirement or outside government. Senior State Department officials were conspicuously absent. "There was not a lot of participation or enthusiasm for the mission even at senior levels at the State Department," George Ward said. "It was 'if you don't want us, we're not going to play the game.'"[46]

The Struggle for Resources and Control

As ORHA organized itself at the Pentagon, JTF-4, the Joint Staff's Phase IV task force, was doing the same thing at CENTCOM headquarters in Tampa. In mid-December, Lt. Gen. Casey had tapped Brig. Gen. Steven Hawkins, his subordinate from operations in Bosnia, to command JTF-4. Hawkins arrived at CENTCOM the day Garner was asked by Secretary Rumsfeld to lead ORHA.[47] Phase IV planning was transferred from the CENTCOM planning cell to JTF-4 during the third week of January 2003, just under two months before the invasion.[48]

Although orders in theory prescribed the distinct roles of the separate staffs, the exact relationship between ORHA and JTF-4 was not clear. JTF-4 was seen by its commander as more than just an organization to assume control of CENTCOM Phase IV planning. Casey, who launched JTF-4 before ORHA's formation was announced, originally intended for it to become the command center for postwar operations in Iraq, led by a three-star general.[49] In this formulation, JTF-4—not ORHA—would have the postwar lead after the fall of Saddam's

regime. Dozens of area specialists and the best military planners would help JTF-4 work directly with USAID, the Department of State, the U.S. Army Corps of Engineers, and the Coalition Forces Land Component Command (CFLCC).[50] But ORHA's creation fundamentally altered Casey's vision.

CENTCOM leaders were not happy with either ORHA or JTF-4. Although Feith envisioned ORHA as a "module that fit within the CENTCOM structure," military commanders viewed it as an unwanted interloper. "I was getting phone calls from Jay Garner, even after he deployed," Feith said. "CENTCOM was referring to ORHA as 'they' and ORHA would refer to CENTCOM as 'they.'"[51] JTF-4 received the same arms-length treatment. "I couldn't even get office supplies back in [CENTCOM headquarters in] Tampa," Brig. Gen. Hawkins remembered. "I went to the craft trade show at the Officers' Club and took office supplies off of every display table," he said. "That's how I put the first pads of paper on the desk to put the task force together."[52]

Hawkins's cold reception in part reflected frustration within CENTCOM regarding the ever-shifting management of Phase IV. "What we had asked for was a Corps Commander and staff that was already developed," Col. Fitzgerald said in reference to the three-star command the Joint Staff envisioned for post-war Iraq. "What we got [with JTF-4] was General Hawkins—a one-star general—and 50 great Americans trying to do great work, but with no guidance, no headquarters to accept them, no resources available. They were just orphan children."[53]

Many at CENTCOM viewed ORHA and JTF-4 as the long-promised "interagency cavalry" riding to the post-invasion rescue. ORHA and JTF-4 personnel, however, had an opposite view, seeing CENTCOM as subject to their direction on postwar matters and obligated to furnish the military resources they needed to lead post-invasion Iraq. Each side tried to have its way. CENTCOM Commander General Tommy Franks cited the operational order placing ORHA under his control. In response, Garner invoked his reporting relationship to the Secretary of Defense and the Presidential charter for ORHA to assert his independence. "It was a continual battle on who worked for whom," Fitzgerald said.[54] In a period of three weeks, the Pentagon's military and civilian leadership had unintentionally launched what became competing postwar organizations. It was a significant failure of organizational unity that hobbled the efforts of both ORHA and JTF-4 to mobilize for the mission. This "confusion-of-command" dynamic

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foreshadowed similar problems that would afflict the Iraq reconstruction program in various ways over the next five years.[55]

Lt. Gen. Garner tried to broker a solution. He asked that ORHA and JTF-4 be merged, with Hawkins becoming commander of "ORHA's operational arm." When this was rejected, Garner advocated placing Gen. John Abizaid, deputy CENTCOM commander, in charge of the Iraq theater, with McKiernan and Garner as co-equal subordinates.[56] McKiernan would oversee security and troop movements, while Garner would handle civil administration, reconstruction, and humanitarian relief.[57] It seemed logical to have a "military guy" in charge, Garner reasoned. "I didn't own any helicopters, and I didn't own any fuel, and I didn't own any trucks," he said.[58]

On the eve of war, Rumsfeld backed away from this idea as well. Garner made one last phone call to Rumsfeld from Kuwait. "He finally got so mad at me, he said, 'We're not discussing this anymore,' and hung up."[59] General Franks also opposed a major post-war military command and told his planners he did not see a headquarters commanded by a four-star general—which the military would eventually create in June 2004—as necessary.[60]

Ironically, this level of confusion about the post-war chain of command was exactly what Rumsfeld had hoped to avoid by placing postwar administration under control of the Department of Defense. Yet, by establishing ORHA in parallel to JTF-4, and then not empowering the CENTCOM commander to arbitrate between them, Rumsfeld created the very situation NSPD 24 sought to prevent. "I pointed out to the President and to Dr. Rice," Secretary Powell said, "that they authorized and set up two chains of command." "They said 'no we didn't,'" but then "checked and realized that's what they had done."[61]

ORHA Matures

While Lt. Gen. Garner navigated around colliding chains of command, his staff focused on preparing for postwar Iraq. The humanitarian pillar took charge of the food program and disaster relief that had been planned by the National Security Council's Humanitarian Working Group. Food, water, medicine, and shelter were being positioned in Kuwait and Jordan.[62] The reconstruction pillar began using the new USAID contracts, especially the International

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Resources Group (IRG) contract for technical experts.[63] Tom Wheelock, IRG's chief of party, arrived in the Pentagon in February 2002 to augment ORHA's reconstruction staff, now more than 30 strong. He immediately noted that the reconstruction targets previously established by the National Security Council went well beyond what could be accomplished with the level of funding provided. Based on what he saw, Wheelock believed that the $680 million Bechtel reconstruction contract would be "a drop in the bucket."[64]

The arrival of more U.S. Army Corps of Engineers (USACE) personnel into ORHA reignited earlier debates about what rebuilding was meant to accomplish. USACE saw physical rebuilding as reconstruction's primary goal. "When [USACE] said reconstruction," Maj. General Strock said, "[those at USAID] were not thinking of bricks, and mortar, and concrete. They were thinking of governance, and human rights, and those kinds of softer aspects of reconstruction, which are very important," Strock said. "But at the end of the day, the laws of physics apply and if you're going to get water to people you need to understand Bernoulli's equation."[65]

The civil administration pillar was the least developed.[66] Finding reliable information about Iraq was a challenge. CIA briefings on public services and ministry functions were of limited use. "Nobody could tell how many ministries currently existed in the Iraqi government," an ORHA official said. Garner kept asking, "Where is my list of ministries?"[67]

Ordinarily, a political-military plan would have articulated a detailed strategy for engaging with the leaders of Iraqi factions in the volatile political environment that would follow the invasion. Since Defense officials intended to transfer control rapidly to an interim Iraqi authority, ORHA was told it would not need such a plan. "The expectations derived from policy set in Washington were that the establishment and devolution of authority to an Iraqi entity would proceed quickly," an ORHA planner wrote, obviating the need for a governance strategy.[68] Although Ahmed Chalabi—the prominent exile politician who headed the Iraq National Congress—was never explicitly endorsed as the potential leader of a new Iraq, several senior Defense officials clearly backed installing him as leader of an Iraqi interim government. "We were talking, just the two of us in his office," Garner recalled about Feith, "and he said, 'You know your job would be a lot easier if you just declare Ahmed the president when you get there.'"[69] Feith and Wolfowitz even proposed the Chalabi idea directly to the President at two

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separate meetings of the National Security Council.[70] Although the President rejected the suggestion, Chalabi still preceded Garner to Iraq.[71]

Garner wanted a second opinion on how to approach the politics of Iraq. In late February, one of his staff placed a call to Len Hawley, a former National Security Council staffer with expertise in political-military planning. After evaluating ORHA's staffing structure, Hawley advised Garner that—at a minimum—he needed a political deputy and a political intelligence section.[72] Trying to govern Iraq with the civil-administration staff he had, Hawley said, would be akin to "running Fairfax County [a major suburban area in northern Virginia] with eight people." Failure to move immediately to control the struggle for power would permit powerful criminal constituencies to develop. "In this kind of work," Hawley said, "the clock ticks. Nothing can wait."[73]

Iraq's post-war politics was only one of many worries. At the end of February, just three weeks before the invasion, Garner was still trying to hire enough staff. The President authorized agencies to "detail" personnel temporarily to ORHA, but they were not compelled to do so—and few did.[74] ORHA secured some personnel through defense contractors, but these personnel were limited in what they could do because contractors are prohibited by law from formulating policy or managing government resources.[75] To address its personnel problem, ORHA exploited a temporary-appointment category within U.S. law that is normally used to staff boards and commissions.[76] These "3161 appointments" enabled ORHA and later CPA to bypass the cumbersome hiring procedures required by civil service regulations.[77]

ORHA also needed administrative, logistics, and other operational support. Col. Robert Costello, who was detailed by the Department of Defense to serve as ORHA's logistics chief, arrived on January 27, 2003. With Garner's approval, Costello used the military's LOGCAP contract to provide a variety of support services. The original statement of work envisioned a Baghdad contingent of 200, plus 50 in each of three regional offices in Iraq's north, center, and south.[78] Although the military support staff he requested was forthcoming, Garner would ultimately have to rely on a commercial contract to supply ORHA's communications after his request for a military communications company was denied. It proved to be a consequential decision. Rather than being seamlessly integrated into the secure communications systems used by war planners at CENTCOM and McKiernan's ground command, ORHA had to rely on commercial Internet connections and personal email accounts. Unable to send or receive

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classified information, ORHA staff would effectively be cut off from both war planners in Kuwait and officials in Washington.

Securing resources for postwar relief and reconstruction was yet another battle. In several meetings with National Security Advisor Condoleezza Rice, Garner made known his long list of requests for reconstruction funding.[79] At each successive meeting, he brought Rice an ever-expanding list of requests, but few were granted.[80] "I needed $28 million up front for judicial reform, indigenous media, food, refugees, internally displaced persons, and energy," Garner recalls. "Never did get any of those."[81]

Garner also approached Rumsfeld for reconstruction funding, but the Secretary similarly was not persuaded by Garner's list. Garner presented Rumsfeld with four rebuilding scenarios, from "do what absolutely needs to be done and no more" to "redo the whole country of Iraq."

"What do you think that'll cost?" Rumsfeld asked, regarding the fourth scenario.

"I think it's going to cost billions of dollars," Garner said.

"My friend," Rumsfeld replied, "if you think we're going to spend a billion dollars of our money over there, you are sadly mistaken."[82]

In the five years following that remark, the United States appropriated nearly $50 billion for Iraq's relief and reconstruction.

Pulling Plans Together

One month before combat operations began, representatives from all military and civilian agencies involved in post-war administration met together for the first time. The occasion was a "Rock-Drill," an interagency rehearsal convened by Garner. In a packed conference room at the National Defense University, ORHA's staff joined officials from the National Security Council, the Vice-President's office, the Joint Staff, the Office of the Secretary of Defense, USAID, and the Departments of Treasury, Commerce, and State. Admiral James Robb, head of policy and planning at CENTCOM, flew in. From Kuwait, Lt. Gen. McKiernan dispatched Maj. Gen. Albert Whitley, his British deputy, whom he had put in charge of Phase IV planning. JTF-4's Brig. Gen. Hawkins was also there.[83]

Not everyone made it to the Rock Drill, and some of those who came had orders not to participate fully. Senior State Department officials were conspicuously absent.[84] Officers from

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CENTCOM, the Coalition Forces Land Component Command (CFLCC, CENTCOM's ground combat arm), and JTF-4's Hawkins arrived with instructions that limited the extent of their cooperation with ORHA. These "red lines," an ORHA planner wrote, "related both to the supporting/supported commander issue and to the feelings of inadequate force structure to address post-conflict planning requirements."[85] Most worrying, Gen. Abizaid—who Garner assumed would be named the overall commander in Iraq—was absent.[86]

During the two-day-long conference, key ORHA officials briefed six aspects of their evolving strategy: planning assumptions; requirements; high-impact actions; measures of effectiveness at 30, 90, 180, 270, and 360 days; policy decisions required; and "showstoppers." Security was the number-one showstopper. Official meeting notes state that "current force packages are inadequate for the first step of securing all the major urban areas, let alone for providing an interim police function."[87] Ambassador George Ward, head of ORHA's humanitarian pillar, asked, "How am I going to protect humanitarian convoys, humanitarian staging areas, humanitarian distribution points?" A flag officer who had flown in from CENTCOM said, "Hire war lords." "Wait a minute," Ward thought, "folks don't understand this. There are warlords in Afghanistan, not in Iraq. There were no warlords to rent." "At that point," Ward said, "I thought this was going to fail because no one is paying serious attention to civilian security."[88]

Dick Mayer, a former police officer and deputy director of the Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP), proposed that 5,000 international police advisors be rushed into Iraq to bolster rule of law efforts after the military victory. But no plans were made for such a deployment. "What happens to law and order in the meantime?" the meeting notes say. "We risk letting much of the country descend into civil unrest and chaos whose magnitude may defeat our national strategy of a stable new Iraq."[89]

The lack of adequate reconstruction budgets was the second showstopper. "It seems likely that we will begin military action before we know whether sufficient Phase IV funds will be available," the notes read. Everyone was desperate for skilled interpreters. Participants were told to expect "economic-related violence." "We should expect to see the economically-disadvantaged residents of Saddam City [the Shi'a slum in Baghdad, renamed Sadr City after Saddam's fall] do a bit of Robin Hooding…in short, civil unrest will be the rule, not the exception." The absence of a governance plan also concerned Rock Drill participants. "What

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sort of future Government of Iraq do we have in mind," the summary notes read, "and how do we plan to get there?"[90]

The Rock Drill revealed problems created by disjointed post-war preparations. "It became clear," said one participant, "that not everything was going to be as well organized by the civilians as it was by the military. In part the civilians either weren't fully on board, or didn't take [planning and preparation] seriously, or didn't throw their best people at [the subjects]—but the civilians weren't prepared."[91]

Lt. Gen. Garner noticed a man seated near the front who asked tough, insightful questions. It was Thomas Warrick. When Garner pulled him aside during a break, he learned that Warrick was leading a year-long State Department study on postwar Iraq.[92] Dumbfounded that no one had told him about the Future of Iraq Project, Garner asked Warrick to join ORHA on the spot.

Briefing the President

On March 10, 2003, just over a week before the bombing started, Lt. Gen. Garner briefed President Bush in the White House Situation Room on ORHA's post-war plan. Rice, Rumsfeld, Powell, CIA director George Tenet, and Gen. Franks sat around the table. Vice President Cheney joined by video link. Garner's briefing slides outlined ORHA's pillars, the gaps the Rock Drill revealed, and what remained to be done. He told the President that a tremendous amount of work was necessary to make the interagency post-war plans operational. Garner outlined his major concerns, including some of the "showstoppers" identified at the Rock Drill. Ever the good soldier, Garner did not voice his doubts about force levels in front of the President. He focused on the need to fund Iraq's public servants, police, and army; to rush in international stability forces after Saddam's fall; and to employ the Iraqi army for reconstruction.[93]

Using the Iraqi army on reconstruction projects was a key Garner proposal that the President authorized at the briefing. Envisioning something like the Depression-era Civilian Conservation Corps that used Iraqi army units, Garner hoped to help demobilize the Iraqi army and simultaneously provide a large labor force for reconstruction efforts. The plan, first developed by USACE's Maj. Gen. Strock, anticipated marching the disarmed soldiers into

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camps, forming 200-man construction units, and putting them immediately to work cleaning up trash and fixing broken pipes.[94] Everyone at the table agreed this was an excellent idea. The President was receptive, asked a few questions, and thanked Garner for his service. The meeting was over in less than an hour.[95]

On the same day, Frank Miller presented the President with an overview of postwar political strategy, specifically stating that de-Ba'athification would be undertaken lightly, so as to preserve Iraqi administrative capacity. Two days later, Feith, echoing Garner, briefed the President that the Iraqi Army would not be demobilized.[96] The President concurred with Miller's and Feith's recommendations.

During the March 12, 2003, briefing to the President, Feith presented the plan to transfer governance authority shortly after Saddam's fall to a new entity that would be called the Iraqi Interim Authority. The President previously had decided against forming a provisional government in advance of the invasion, a decision conveyed to the Iraqi opposition by Zalmay Khalilzad, the President's Ambassador to Free Iraqis, in late February at the Salah al-Din political conference in Kurdish Iraq. Feith proposed brokering a formal power-sharing agreement between Iraqi leaders and the U.S.-led military coalition. The leadership committee formed at the Salah al-Din conference—composed of Iraqi exiles and Kurdish leaders—would become the core group of a new Iraqi Interim Authority, which would work in partnership with the U.S. transitional civilian authority.[97] The concept would allow Iraqis to exercise some authority from the outset, while the Coalition controlled the pace at which power was transferred. The President endorsed the proposal. Because it was premised on the notion that Iraqi governmental institutions would emerge from the war reasonably intact, the plan's actual implementation would depend on the course of the war.

The Eve of Departure

Garner's last week before deploying was a tough one. Shortly before his briefing to the President, Rumsfeld asked him to remove two key members of his staff—Thomas Warrick, head of the Future of Iraq Project, and Meghan O'Sullivan, a young State Department employee who worked in the agency's Office of Policy Planning.[98] Rumsfeld eventually permitted O'Sullivan to return, but Warrick was gone for good. A separate "hold" by the Department of Defense was

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placed on Garner's request for seven ambassadorial-level appointments from the State Department, three of whom were Middle East experts. In exasperation, Secretary Powell told Secretary Rumsfeld, "Don, we're trying to help."[99]

The final surprise came on March 14, 2003, two nights before deployment. Late in the evening an aide called to say that Rumsfeld wanted to see Garner at eight the next morning.[100] Rumsfeld told Garner that he was not comfortable with the people selected as ORHA ministerial advisors, and that he would rather make the appointments himself.

"I'm going to give you a new set of ministry officials," Rumsfeld said.[101] Garner was incredulous.

"It's too late. I'm leaving tomorrow. In a month from now we'll be doing this."

"No," Rumsfeld shot back. "I want [Defense] to run all these."

Garner asked, "Is [Defense] going to run Agriculture? [Defense] is going to run Health?"

Rumsfeld requested that Garner send a list of advisors essential to keep. "I never told anybody about this," Garner said, figuring that "if they show up, we'll give them the job."[102]

Garner's frustration led him to reflect on lessons learned just before he deployed. "The Administration started way too late," Garner said. "We've only really been in business six weeks, and we only began to get people three weeks ago." Garner nevertheless was hopeful that ORHA would overcome its late start. "We'll get there," he said. "It will look like hell, but we'll all come together on the objective."[103]

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[1] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008; and Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 316-317.
[2] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008.
[3] SIGIR interview with Col. John Agoglia, former CENTCOM planner, May 22, 2008.
[4] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM J5 Chief of War Plans, May 30, 2008; SIGIR interview with Col. John Agoglia, former CENTCOM planner, May 22, 2008; and Michael R. Gordon and Gen. Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon Books, 2006), 140-46.
[5] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM (J5) Chief of War Plans, May 30, 2008; and SIGIR interview with Col. John Agoglia, former CENTCOM planner, May 22, 2008.
[6] Lt. Col Thomas Fisher, former CENTCOM planner, email to SIGIR, October 20, 2008.
[7] ORHA/CPA Historian interview with Maj. Thomas Fisher, former CENTCOM planner, August 27, 2003.
[8] SIGIR interview with Gen. George Casey, former Director of the Joint Staff and former Commander of MNF-I, July 30, 2008. For an early history of JTF-4, see: chapter 4 of Nora Bensahel et. al., *After Saddam: Prewar Planning and the Occupation of Iraq* (Santa Monica, CA: RAND Corporation, 2008).
[9] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008; and Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 347.
[10]Powell explained his concurrence in the following terms: "People say, "Well it should have been State." State does not have the personnel, the capacity or the size to deal with an immediate post-war situation in a foreign country that's eight thousand miles away from here, so there was never a disagreement about this. It made sense. I point out to people that Douglas MacArthur was not a Foreign Service Officer…neither was Lucius Clay a Foreign Service Officer." SIGIR interview with Colin Powell, former Secretary of State, February 4, 2008.
[11] SIGIR interview with Colin Powell, former Secretary of State, February 4, 2008.
[12] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008; and Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 347-50. Frank Miller disputes that the discussion of the Defense Department's takeover of the reconstruction mission was as clear as Feith characterized it. SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, February 4, 2008.
[13] National Security Archive, "New State Department Releases on the 'Future of Iraq' Project," September 1, 2006, http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB198/index htm. National Security Presidential Directive 24, "Post-War Iraq Reconstruction," January 20, 2003, is not publicly available. Information about NSPD 24 was obtained through: DoD-IG Audit D-2004-057, "Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington," March 18, 2004, 1.
[14] SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[15] SIGIR interview with James Kunder, USAID Acting Deputy Administrator, February 15, 2008.
[16] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, February 4, 2008.
[17] ORHA/CPA Historian interview with Maj. Ray Eiriz, former CENTCOM planner, December 7, 2006.
[18] For an overview of how the war plan developed, see: Michael R. Gordon and Gen. Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon Books, 2006).
[19] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM (J5) Chief of War Plans, May 30, 2008; and Michael R. Gordon and Gen. Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon Books, 2006), 48-51, 52-54, 66-67.
[20] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM (J5) Chief of War Plans, May 30, 2008.
[21] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM (J5) Chief of War Plans, May 30, 2008.
[22] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005. For an overview of how force levels evolved, see: Michael R. Gordon and Gen. Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon Books, 2006), 95-105.
[23] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, December 12, 2005.
[24] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM J5 Chief of War Plans, May 30, 2008.

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[25] ORHA/CPA Historian interview with Maj. Thomas Fisher, former CENTCOM Planner, August 27, 2003.
[26] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005. An account of Lt. Gen. (Ret.) Jay Garner's involvement in ORHA is to be published in 2009 by Gordon Rudd, the ORHA/CPA Historian.
[27] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008.
[28] ORHA/CPA Historian interview with Lt. Col. Jeffrey S. Kojac, NSC military aide, October 19, 2007.
[29] DoD News Transcript, "DoD News Briefing-Secretary Rumsfeld and Gen. Myers," March 20, 2003.
[30] SIGIR interview with Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, April 18, 2007.
[31] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[32] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[33] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[34] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004; and ORHA/CPA Historian interview with Col. (Ret.) Paul Hughes, former ORHA/CPA Director of Strategic Policy, June 29, 2006.
[35] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004; and ORHA, "Contracting Support for ORHA, Office of Reconstruction and Humanitarian Assistance (ORHA) Operational Structure," March 28, 2003.
[36] SIGIR interview with Christopher Milligan, USAID Deputy Director of Iraq, February 9, 2006.
[37] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[38] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[39] Secretary Rumsfeld characterizes this exchange differently. "As I recall, the issue with General Garner was not whether Defense should staff every position at ORHA, but over several individuals whom the White House believed would not be a good fit with ORHA." Donald Rumsfeld, former Secretary of Defense, written comments to SIGIR, November 5, 2008.
[40] USAID Assistant Administrator Wendy Chamberlin had called Lucke—formerly AID's mission director in Jordan, the agency's second largest mission—out of retirement in October when she learned he spoke some Arabic. SIGIR interview with Wendy Chamberlin, former USAID Asst Administrator, Near East Bureau, April 18, 2007.
[41] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[42] Mobbs was not Feith's first choice. Feith's first candidate was ineligible to serve. His second, David Kay, was appointed to ORHA, but resigned after two days. Kay would eventually lead the Iraq Survey Group, a task force that searched for weapons of mass destruction at the war's end. Although Mobbs had served in the U.S. Arms Control and Disarmament Agency in the 1980s, much of his professional experience was as a lawyer specializing in corporate and commercial matters in Russia and Eastern Europe. Fox News, "Bio: Michael H. Mobbs," provided by ORHA, April 23, 2003.
[43] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[44] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005; and ORHA/CPA Historian interview with Col. Thomas Baltazar, C3 Operations Officer for ORHA, June 10, 2003.
[45] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[46] ORHA/CPA Historian interview with George F. Ward, former Head of Humanitarian Pillar of ORHA, June 29, 2006.
[47] ORHA/CPA Historian interview with Brig. Gen. Steven Hawkins, former Commander, JTF-4, June 23, 2003.
[48] ORHA/CPA Historian interview with Maj. Thomas Fisher, former CENTCOM Planner, August 27, 2003.
[49] ORHA/CPA Historian interview with Brig. Gen. Steven Hawkins, former Commander, JTF-4, June 23, 2003; and SIGIR interview with Brig. Gen. Mike Jones, Director of J-5 Middle East Affairs, April 13, 2007.
[50] ORHA/CPA Historian interview with Brig. Gen. Steven Hawkins, former Commander, JTF-4, June 23, 2003.
[51] SIGIR interview with Douglas Feith, Under Secretary of Defense for Policy, December 17, 2004.
[52] ORHA/CPA Historian interview with Brig. Gen. Steven Hawkins, former Commander, JTF-4, June 23, 2003.
[53] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM J5 Chief of War Plans, May 30, 2008.
[54] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM J5 Chief of War Plans, May 30, 2008.

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[55] SIGIR interview with Brig. Gen. Mike Jones, Director of J-5 Middle East Affairs, April 13, 2007. Title X of the U.S. Code obliges the Joint Chiefs to provide military advice to the President. A staff larger than that working for the Secretary of Defense backs the Joint Chiefs. These different echelons of planning—the Joint Staff in Washington, combatant commanders in the field, and civilian staff in the Office of the Secretary of Defense—are collaborative, at least in theory. Some analysts note that Rumsfeld's tenure strained this system of civil-military cooperation. Michael C. Desch, "Bush and the Generals," *Foreign Affairs* 86, no. 3 (May/June 2007). Secretary Rumsfeld himself, however, disputes this characterization. "Relationships with the Joint Chiefs during my tenure were professional. As is their statutory obligation, they provided useful and constructive advice to the President and to me." Donald Rumsfeld, former Secretary of Defense, written comments to SIGIR, November 5, 2008. Rumsfeld notes that Chairman of the Joint Chiefs of Staff Richard Meyers and Richard H. Kohn wrote a rebuttal to Desch's article. See: Richard B. Myers and Richard H. Kohn, "The Military's Place," *Foreign Affairs* 86, no. 5 (September/October 2007).
[56] ORHA/CPA Historian interview with Brig. Gen. Steven Hawkins, former Commander, JTF-4, June 23, 2003.
[57] ORHA/CPA Historian interviews with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, April 5, 2006, and September 14-15, 2005.
[58] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[59] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[60] SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM J5 Chief of War Plans, May 30, 2008.
[61] SIGIR interview with Gen. (Ret.) Colin Powell, former Secretary of State, February 4, 2008.
[62] SIGIR interview with Bob Gersony, former Advisor to the USAID Administrator, January 16, 2007; and ORHA/CPA Historian interview with Lt. Gen. (Ret.) Ronald E. Adams, former Deputy Director of ORHA, September 29, 2006.
[63] Milligan sent a memorandum to Lt. Gen. (Ret.) Garner summarizing progress across eleven sectors and highlighting outstanding issues for his action. Christopher Milligan, Reconstruction and Humanitarian Assistance Group, memorandum to Lt. Gen. (Ret.) Jay Garner, Director of ORHA, "Status of Reconstruction and Humanitarian Assistance Preparations," January 26, 2003.
[64] SIGIR interview with Thomas Wheelock, former Chief of Party for USAID's contractor International Resources Group, January 5, 2006.
[65] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Carl A. Strock, former Commanding General of USACE, October 30, 2006. Bernoulli's equation is used by engineers to describe the relationship between air pressure and velocity in fluid dynamics.
[66] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[67] ORHA/CPA Historian interview with Col. Robert D. Costello, Jr., ORHA Chief of Logistics, June 15, 2003.
[68] Dayton Maxwell, "Deliberate and Development Post-Conflict Planning in Iraq: The Office of Policy, Planning, and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 9.
[69] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[70] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, August 19, 2008.
[71] Michael R. Gordon and Gen. Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon Books, 2006), 315-317.
[72] Leonard Hawley, "Urgent Policy Issues and Capability Needs: U.S. Interim Civilian Transitional Administration (ICTA) in Iraq," written analysis to Lt. Gen. (Ret.) Jay Garner, March 10, 2003.
[73] SIGIR interview with Leonard Hawley, former Deputy Assistant Secretary of State for Peacekeeping, February 12, 2008.
[74] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 7-9.
[75] An inherently governmental activity involves: (1) Binding the United States to take or not to take some action by contract, policy, regulation, authorization, order, or otherwise; (2) Determining, protecting, and advancing economic, political, territorial, property, or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management, or otherwise; (3) Significantly affecting the life, liberty, or property of private persons; or (4) Exerting ultimate control over the acquisition, use, or disposition of United States property (real or personal, tangible or intangible), including establishing policies or procedures for the collection, control, or disbursement of appropriated and other federal funds. White House Office of Management and Budget Circular A-

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76 (Revised), "Performance of Commercial Activities," May 29, 2003; and FAR, Subpart 7.5, "Inherently Governmental Functions," http://www.acquisition.gov/far/current/html/Subpart%207_5.html.
[76] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 10.
[77] The statutory provision used was Title 5, Section 3161 of the U.S. Code, under 5 CFR 213.3199.
[78] ORHA, "Staffing for the Office of Reconstruction and Humanitarian Assistance (ORHA)," Attachment to email from Larry Hanauer, Special Assistant to the Director of ORHA, to Gretchen Anderson, Office of the Under Secretary of Defense (Comptroller), "ORHA personnel growth," April 18, 2003.
[79] ORHA/CPA Historian interview with Col. Thomas Baltazar, C3 Operations Officer for ORHA, June 10, 2003.
[80] Gen. Garner dictated notes for the record on February 28, March 3, and March 10, 2003 about the general status of ORHA preparations and his meetings with Secretary Condoleezza Rice, President Bush, and the United Nations. ORHA/CPA Historian and SIGIR interviews with Lt. Gen. (Ret.) Jay Garner.
[81] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[82] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, April 5, 2006.
[83] A spreadsheet of Rock Drill attendees was maintained by ORHA staff. ORHA, "Rock Drill," undated. During military operations undertaken with other countries, officers from the coalition countries typically join the headquarters staff in various capacities.
[84] The Political-Military and Near East Affairs bureaus did not dispatch their senior officers handling the Iraq portfolio. ORHA, "Interagency Rehearsal and Planning Conference: Summary and Analysis," February 21-22, 2003.
[85] Dayton Maxwell, "Deliberate and Development Post Conflict Planning in Iraq: The Office of Policy, Planning, and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 23-24; and ORHA, "Interagency Rehearsal and Planning Conference: Summary and Analysis," February 21-22, 2003.
[86] ORHA, "Interagency Rehearsal and Planning Conference: Summary and Analysis," February 21-22, 2003.
[87] ORHA, "Interagency Rehearsal and Planning Conference: Summary and Analysis," February 21-22, 2003.
[88] ORHA/CPA Historian interview with George F. Ward, former Head of Humanitarian Pillar of ORHA, June 29, 2006.
[89] ORHA, "Interagency Rehearsal and Planning Conference: Summary and Analysis," February 21-22, 2003.
[90] ORHA, "Interagency Rehearsal and Planning Conference: Summary and Analysis," February 21-22, 2003.
[91] SIGIR interview with Ross Wherry, former USAID Director of the Office of Iraq Affairs, April 5, 2006.
[92] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[93] Lt. Gen. (Ret.) Jay Garner, follow-up interview notes to ORHA/CPA Historian, March 10, 2003; and SIGIR and ORHA/CPA Historian interviews with Lt. Gen. Garner.
[94] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Carl A. Strock, former Commanding General of USACE, October 30, 2006.
[95] Lt. Gen. (Ret.) Jay Garner, follow-up interview notes to ORHA/CPA Historian, March 3, 2003; and SIGIR and ORHA/CPA Historian interviews with Lt. Gen. Garner.
[96] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, December 12, 2005; and Michael R. Gordon and Gen. Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (Pantheon Books, 2006), 160-63.
[97] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008; and Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 402-11.
[98] Lt. Gen. (Ret.) Jay Garner, follow up interview notes to ORHA/CPA Historian, March 10, 2003.
[99] SIGIR interview with Gen. (Ret.) Colin Powell, former Secretary of State, February 4, 2008; and ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[100] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[101] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[102] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, March 30, 2004.
[103] Lt. Gen. (Ret.) Jay Garner, follow-up interview notes to ORHA/CPA Historian, March 10, 2003.

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Chapter 4

ORHA STAGES IN KUWAIT

History will judge the war against Iraq not by the brilliance of its military execution, but by the effectiveness of the post-hostilities activities.

- Lt. Gen. Jay Garner,
Director of ORHA (2003)*

In the weeks since Jay Garner started work as coordinator of postwar relief and reconstruction, 167 military and civilian personnel had joined the Office of Reconstruction and Humanitarian Assistance (ORHA). On the morning of March 16, 2003, they gathered in a parking lot at the Pentagon to begin their journey to Baghdad. Secretary Rumsfeld stepped outside the building and wished the men and women of ORHA well. They then took buses to Andrews Air Force Base, where they boarded a chartered plane bound for Kuwait.[1] In less than a week, the invasion would begin.

Jay Garner had barely arrived in Kuwait before a second round of sparring broke out over senior advisors. Now Feith's office called Garner to say the new candidates Rumsfeld was in the process of selecting had been superseded by White House nominees. The 23 senior advisors on board the flight—Garner's original picks—would arrive in Kuwait unaware there had been two attempts to strip them of their positions. As he had done with Rumsfeld's candidates, Garner decided he would ignore the White House appointments until they arrived—if they did.[2]

The start-up of ORHA had turned into a tug of war between cabinet secretaries. Ten of thirteen USAID contracts had yet to be signed. ORHA had no directive authority over military resources. Only about a dozen passengers on the flight knew any Arabic.[3] So much of Garner's time had been spent arguing over who was to deploy that he had only just begun to develop plans for managing postwar Iraq.

Camp Villa

General Franks placed ORHA under the operational control of Lt. Gen. McKiernan's ground command in Kuwait. Garner was anxious to co-locate with McKiernan's headquarters at

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Camp Doha, one of several U.S. military bases outside Kuwait City, but the advance party he dispatched found there was no room left.[4] ORHA would have to find its own place to stay.

Garner turned to the defense contractor Kellogg Brown and Root (KBR), which arranged quarters for ORHA at the Kuwaiti Hilton Resort. Lodging the Coalition's postwar headquarters in a four-star hotel seemed extravagant at first, but few alternatives existed, and the Hilton's perimeter walls gave a measure of security. McKiernan's soldiers, who slept in tents and portable trailers, dubbed it "Camp Villa."[5]

ORHA's staff members from USAID did not remain at the Hilton long, moving instead to the Radisson, some 30 miles away, where the NGOs they worked with were staying. Garner's logistics chief argued with USAID's mission director, Lew Lucke, urging that it was important for all of ORHA's staff to stay together; but Lucke saw advantages to the Radisson. Garner sided with Lucke, deciding that it was acceptable for USAID to co-locate with its implementing partners.[6]

This left ORHA, JTF-4, and CENTCOM's post-war planners scattered among five places: on three sides of Kuwait City, at CENTCOM rear in Tampa, and CENTCOM forward in Qatar. Sophisticated military networks are set up to allow "real-time" communication of classified material, but without a supporting military communications unit, ORHA was unable to tap into these networks. Passing classified plans through the hotel's Internet network would have been a criminal offense. Nor could the plans be discussed on unsecure phones. When Rumsfeld could not reach Garner on a protected line his first night in Kuwait, two aides brought a secure satellite phone on the next flight.[7] The rest of the staff bought phone cards at the poolside gift store and did what they could with their personal email accounts.

Garner soon found he could not buy much, either. The Army contracting command serving as ORHA's purchasing department refused to "warrant" the officers sent to Kuwait with letters authorizing them to sign contracts on the government's behalf.[8] Without this crucial authority, ORHA could not buy what it needed. The Defense Contract Management Agency stepped into the breach, but by the time Lt. Col. Steve Elliot arrived in late March 2003 with a staff of eight, a long list was waiting.[9] The $146 million ORHA had in its account, hardly enough for staff and supplies, was supposed to pay for interpreters, translators, start-up funds for a new Iraqi media, seed money for demobilizing the Iraqi military, and Iraqi expatriates to serve as subject-matter experts.[10]

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Attempts to Coordinate

ORHA had barely unpacked its bags in Kuwait before war was unleashed in Iraq. Operation Iraqi Freedom began on March 20, 2003. [The war started on March 20 in Iraq, late evening on March 19 in the United States. The date of the event in the country in which it occurred is used for this report.] Shortly thereafter, Garner's deputy, Lt. Gen. Ron Adams, flew to Qatar to meet with Gen. Abizaid only to discover a large parallel universe of planners and plans at the CENTCOM forward command. "I felt frustrated, betrayed," Adams said, "that we were having access to this kind of material and this kind of energy so late in the game." "Why," Adams wondered, "weren't they co-located with us in February?"[11]

McKiernan's staff at Camp Doha had its hands full. To the great displeasure of its commander, Brig. Gen. Hawkins, JTF-4 had been subsumed at Doha into the staff of Maj. Gen. Albert Whitley, the British two-star general McKiernan had deputized to lead Phase IV planning.[12] By the end of March, little of JTF-4 remained intact. Whitley and McKiernan supported Garner, at least rhetorically, but in the end did not meet ORHA's needs—not the least of which was the integration of a unified Phase IV effort. CENTCOM treated ORHA's requests as low priority, setting many of its incoming communications in a pile that remained untouched until April 19.[13]

Garner was one of the few go-betweens among the four factions—ORHA, JTF-4, McKiernan's ground command, and CENTCOM. He demanded that everyone meet.[14] On March 27 and 28, representatives from each staff convened at the Hilton, but no "Unified Mission Plan" emerged, as Garner had hoped. With the war underway, all that could be done was "de-conflict" the separate plans in places where the execution of one would have interfered with another. By the time two ORHA staffers managed to produce a unified plan, it had largely been overcome by events.[15]

As Garner made last-ditch efforts to coordinate plans on the ground in Kuwait, the infighting continued in Washington. Determined to keep as many of his senior advisors as possible, Garner wrote Rumsfeld by commercial email from the Hilton. "Sir, on Saturday you questioned the Agency leads for 12 of the 23 Iraq Ministries…We might not agree with State's nominees, but they did step up to the plate a month ago and began nominating people," Garner

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wrote. An enclosed chart outlined who among his senior advisors should stay and whom he could permit to go. "Of greater concern," Garner noted, were vacancies in ministries for which the Defense Department assumed responsibility. Five of them still had no assigned senior advisor.[16]

Two days later, a briefing slide from Under Secretary Douglas Feith's office arrived. It listed a star-studded mix of former cabinet members, senators, and governors, both Republican and Democrat, as ministerial advisor candidates. Harvard President Larry Summers was listed for Finance; the former head of General Electric, Jack Welch, for Electricity; Bill Bennett for Education; and Senator Rick Santorum (R-PA) for Trade.[17] Few had ever worked in developing countries. None spoke Arabic.

An obviously-perturbed Secretary of State Colin Powell responded immediately. "We have identified qualified people to fill all eight positions that Garner assigned us. All have regional, functional management experience, several of them speak Arabic," Powell wrote Rumsfeld. "We have frozen these assignments until you and I deal with this at an early opportunity."[18] Powell's intervention helped, and Garner was able to keep his State Department senior advisors.

Despite the hold on these critical positions, ORHA's staff was beginning to come together. A March 23 briefing noted that 89 members of the expected 94 military support staff were on hand.[19] Stars were used to denote vacant positions. The reconstruction pillar had five stars; humanitarian pillar, three; and civil administration, nine. The center, south, and north regional units each had four. The time at the Hilton was useful for gaining more information about what lay ahead. While waiting out the war, senior advisors learned all they could about their ministries. Ambassador Timothy Carney, the designate for Industry and Minerals, was particularly interested in Ba'ath Party structure, but found that there was no U.S. database of party members. The most up-to-date information the government had was "two or three paragraphs in Phebe Marr's book," he said, referring to an authoritative academic analysis of Iraqi politics written in the 1980s.[20] Accurate maps, including those generated by the military, were also hard to come by.[21]

An attempt was also made to address staff shortages. A remedy was in the works for the lack of Arabic speakers. Deputy Secretary Wolfowitz had assembled a cadre of Iraqi exiles who would eventually deploy to Baghdad—the Iraqi Reconstruction Development Council, funded by

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a $24.8 million contract and launched while Garner and his staff were still at the Pentagon.[22] Its members were recruited in part through the Iraqi National Congress, the Iraqi opposition group headed by Ahmed Chalabi. The hope was that they would be fluent in English and technologically literate.

USAID Moves Ahead

As the invasion got underway, USAID accelerated its humanitarian assistance preparations. Dozens of NGOs and hundreds of workers were in position. Tens of thousands of hygiene kits, plastic sheeting, and blankets were at the ready.[23] The UN World Food Program mounted the largest relief operation in its history, filling warehouses in Kuwait, Jordan, and Turkey with food, water, and medicine.[24]

In an attempt to coordinate its army of relief workers, USAID set up a Humanitarian Operations Center. The meeting place for USAID and NGOs was housed about ten miles away from the Radisson in a compound donated by the Kuwaiti government.[25] Maps, communications equipment, and computers were spread among the buildings. After USAID entered Iraq, it established more humanitarian centers across the country. Together with their military equivalent—Civil-Military Operation Centers—these centers coordinated delivery of aid in each of Iraq's regions.[26]

Behind the army of soldiers and the army of relief workers came a third organized force—the army of contractors. They were the last to arrive. Because the order to begin the long and complicated contracting process did not arrive until December 2002, most reconstruction contracts were not awarded until late April 2003. The compressed timetable meant that at the war's start many companies had yet to receive word on their bids.[27]

The gap was the inevitable result of a contracting cycle begun only ten weeks before the war started—a consequence of excluding USAID from the planning process for an entire year. As soon as USAID and ORHA awarded contracts, the firms who won them began mobilizing. This usually entailed an extended process of activating staff and recruiting the "muddy boots" operators who know how to get things done.[28] USAID did not award its major infrastructure contract to Bechtel until April 17 and the company did not deploy personnel into Iraq in any strength until May. Contractors who worked for the USAID's Office of Transition Initiatives

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(OTI) arrived sooner. OTI used its IDIQ contract, called SWIFT I, to mobilize contractors immediately, including Development Alternatives, Inc., which had established its Kuwait office more than two weeks before ORHA arrived.[29]

The Question of Governance

How military units would administer Iraqi territory under their control remained an open question as late as mid-March 2003. With no political-military plan formulated in Washington, CENTCOM moved ahead with an ad hoc one of its own, deciding to establish "Governorate Support Teams (GSTs)" primarily from civil affairs units, whose reservist soldiers bring civilian skills in many aspects of public administration. The GSTs would follow closely behind the invasion force and then "take charge" of towns once they came under Coalition control. They would be the point of contact with town mayors and municipal governments, and help bring order by standing up town councils in places where none existed. The eventual transition to civilian control under ORHA and then to the Iraqi Interim Authority would open the door for the military's exit.[30] CENTCOM officers presented a rough version of the GST plan at Garner's March 27-28 meeting at the Kuwait Hilton.[31]

CENTCOM's GST plan was essentially compatible with USAID local governance efforts. USAID's plan assumed that a national political process, overseen by the Department of State, would quickly shift the deposed regime's centralized authority to local, democratic entities. USAID proposed a "transfer" of central-government civil servants to the local level, paring back national ministries to their essential functions.[32] Teams of experts funded by USAID's Local Governance Program would arrive shortly after the invasion to help the newly-elected town councils improve education, health, water, markets, and town roads. By devolving power directly to local officials, and empowering them to spend U.S. reconstruction money, planners hoped that Iraq could be freed from the centralized authoritarianism that had gripped the country for decades.[33]

USAID and CENTCOM's governance plans unfolded side by side, but they were not linked to each other or part of a detailed plan for national governance. How the efforts of USAID's Local Governance Program and CENTCOM's GSTs could coalesce and actually foster a new national government was left unresolved. White House officials had explicitly prohibited

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USAID from planning for national governance. Unlike the GSTs, which reported through their brigade chains of command, USAID teams would report through ORHA's regional offices, to be established in the center, south, and north.[34]

The loosely-coordinated local governance plans had a number of unanticipated consequences. Saddam's regime had been like a giant octopus with tentacles reaching down into every village in Iraq. Powerful national ministries controlled the disbursal of local resources through centrally-appointed directors general in each Iraqi province. But under Coalition plans, these ministerial employees would be suddenly superseded by town councils created by GSTs or USAID teams.[35] The radical restructuring was to affect reconstruction, and debates about Iraqi federalism, for years to come.

Governance plans at the national level were equally loose. Garner planned to use the "Big Tent" method to bring Iraqi leaders together to form an interim government at the national level.[36] This approach worked reasonably well with Afghanistan's *loya jirga* process that named Hamid Karzai president of the Afghan Transitional Administration. It also would take advantage of Garner's good relations with the Kurds and was in keeping with the Iraqi Interim Authority framework approved by the President on March 10, 2003.

Paying Iraqi Civil Servants

Along with coordinating the governance initiative at the national and local level, ORHA had to help determine how payments authorized by the Treasury Department for Iraq's civil servants would be distributed. Iraq had two million public employees and a half-million pensioners.[37] Keeping the peace would depend in part upon paying them expeditiously. By the time the invasion wound to its conclusion, six weeks had already passed during which no salaries were paid to any of these Iraqis. Like so many other decisions, this one also fell to ORHA's staff in Kuwait to resolve. Lt. Gen. Ron Adams reserved a conference room for ORHA's experts on the subject, but the space became unavailable, and the meeting was moved outside.[38] The decision about emergency payments to Iraqi civil servants took place around a concrete pillar in the parking lot of the Kuwait Hilton. "Having read various background papers, we started talking about if we could do it at five bucks, or we could do it at 50 bucks," David Nummy

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remembers. "We decided that a good midpoint was 20 bucks. And that's how we established $20 emergency payments."[39]

The logistics of getting cash into the hands of Iraqis was the hard part. The Treasury Department had already made arrangements for the Air Force to transport large amounts of currency into theater. The funds were flown into Kuwait and then stored temporarily at Camp Arifjan, but the manpower required to operate central pay stations was far beyond what ORHA could muster.[40] ORHA settled on using certified officials and a "trusted Iraqi" to disburse the cash, using accountability mechanisms similar to, but not as rigorous as, controls on U.S. funds. For the first time, ORHA's staff had to deal with a flood of practical details about working with Iraqi government officials.

Staffing ORHA

In April 2003, as ORHA continued planning at the Hilton, its staffing needs kept growing. By April 18, the Office of the Secretary of Defense estimated the staff of ORHA might reach 1,268, plus a 600-person military police battalion provided for security.[41] From the time ORHA arrived in Baghdad on April 21 until late May, its staff rose to 2,223 and finally reached 2,500—an eight-fold increase above its original estimate of 350.[42] Back at the Pentagon, the comptroller's office was asked why there was such a huge increase in staffing." Dov Zakheim, the Defense Department Comptroller, responded: "ORHA projected staffing levels and budget requirements will vary greatly as they get a better grip on the requirements of their mission."[43]

ORHA's rapid expansion unsettled the contracting staff. Col. Steven Elliot, ORHA's contracting officer from the Defense Contract Management Agency, had three officers on staff with warrants to write contracts.[44] With needs mounting rapidly and the details of contracts often left unspecified, Elliot found he was forced to make policy decisions. "I'm making the decision as to what's prudent. And that shouldn't be my job. That should be the customer's job," Elliot said. From his perspective, "There [was] no planning"—it was all reaction.[45]

Back in Washington

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As ORHA struggled to carry out its mission, several Administration officials gave hopeful briefings. During an interview with ABC's Ted Koppel on April 23, USAID Administrator Natsios predicted that the cost of reconstruction to American taxpayers would be minimal. "The American part of this will be $1.7 billion. The rest of the rebuilding of Iraq will be done by other countries…and Iraqi oil revenues."[46] But National Security Advisor Condoleezza Rice offered a more cautious assessment in an April 4 press briefing. "Our goals are clear," she said. "We will help Iraqis build an Iraq that is whole, free and at peace with itself and with its neighbors; an Iraq that is disarmed of all WMD; that no longer supports or harbors terror; that respects the rights of Iraqi people and the rule of law; and that is on the path to democracy."[47]

Rice was circumspect about the details of Administration plans. "Specific means of achieving these goals are being worked out now. Many can only be developed once Saddam's regime is gone. To a large extent, the means to these goals will depend on things outside our current control." She further noted that the Administration did not know what conditions it would find inside Iraq. "We do not know, for instance, what damage Saddam Hussein's regime may inflict on the Iraqi people in the regime's last gasps. We do not know what we'll find on the ground once the regime is gone—for instance, the condition of Iraqi natural resources or its infrastructure." Rice pointedly observed that a long-term occupation was far from the minds of the President's advisors. "ORHA is not a provisional government for Iraq, civilian or military. The goal is to transition responsibilities to the Iraqi people as soon as possible," she said.[48] Within weeks, this approach would be superseded when the Coalition Provisional Authority was installed to rule Iraq.

Saddam's regime fell the week after Rice's briefing. Soon looting and chaos began to engulf Baghdad and many provincial capitals. As ORHA's senior advisors watched their ministries burn on CNN, a fatalistic mood took hold at the Hilton. Garner had been so hopeful that things would all come together, but he now had growing doubts. Garner and his team were about to face a far greater challenge than harnessing the interagency system. They were about to cross the berm into Iraq.

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[1] SIGIR interview with Col. (Ret.) Paul Hughes, former ORHA/CPA Director, Strategic Policy Office, May 2, 2007.
[2] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[3] Gordon Rudd, ORHA/CPA Historian, compiled a list of language skills of ORHA personnel. SIGIR conversations with Gordon Rudd, ORHA/CPA Historian, Summer 2007.
[4] ORHA/CPA Historian interview with Col. Robert D. Costello, Jr., ORHA Chief of Logistics, June 15, 2003.
[5] SIGIR interview with Col. (Ret.) Paul Hughes, former ORHA/CPA Director, Strategic Policy Office, May 2, 2007.
[6] ORHA/CPA Historian interview with Col. Robert D. Costello, Jr., ORHA Chief of Logistics, June 15, 2003; and SIGIR and ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, October 27, 2008.
[7] SIGIR interview with Col. (Ret.) Paul Hughes, former ORHA/CPA Director, Strategic Policy Office, May 2, 2007.
[8] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 21.
[9] ORHA/CPA Historian interview with Lt. Col. Stephen M. Elliott, Contracting Officer for ORHA as part of DCMA's Contingency Contracting Administration Services Mission, July 12, 2003.
[10] Some question remains about the purpose of this funding. Some say it was strictly for the ORHA staff and translators; the ORHA/CPA comptroller says the purpose was more expansive. Gary Minor, "Financing the Fight-From the Front," *Air Force Comptroller* (January 2004).
[11] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Ronald E. Adams, Deputy Director of ORHA, September 29, 2006.
[12] SIGIR interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, April 5, 2006. For a chronology of JTF-4's dissolution, see: Nora Bensahel et al., *After Saddam: Prewar Planning and the Occupation of Iraq* (Santa Monica, CA, RAND Corporation, 2008), 51-52.
[13] Dayton Maxwell, "Deliberate and Development Post Conflict Planning in Iraq: The Office of Policy, Planning, and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 24.
[14] ORHA's leaders did not give it credence, and it was never formally issued. ORHA/CPA Historian interview with Lt. Gen. (Ret.) Ronald E. Adams, Deputy Director of ORHA, September 29, 2006.
[15] Dayton Maxwell, "Deliberate and Development Post Conflict Planning in Iraq: The Office of Policy, Planning, and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 23-24.
[16] Lt. Gen. (Ret.) Jay Garner, Director of ORHA, memorandum to Secretary of Defense Donald Rumsfeld, passed through Larry Hanauer, Special Assistant to the Director of ORHA, March 21, 2003.
[17] OSD, "Policy, Governance & External Relations in Post War Iraq, Ministry Candidates," March 25, 2003.
[18] Colin Powell, Secretary of State, memorandum to Donald Rumsfeld, Secretary of Defense, untitled, March 26, 2003.
[19] ORHA, "Current Manning and Personnel Gaps," briefing slides, March 23, 2003.
[20] ORHA/CPA Historian interview with Timothy Carney, Senior Advisor to the Ministry of Industry and Minerals, June 12, 2003.
[21] SIGIR interview with Barbara Bodine, former Department of State Official, May 21, 2006.
[22] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 21-23; and DoD-IG Audit D-2004-057, "Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington," March 18, 2004, 17.
[23] USAID Press Release, "Food and Non-Food Relief Supplies to Iraq," April 10, 2003.
[24] SIGIR interview with Sloan Mann, USAID/OTI DART team member, August 10, 2007; and USAID, "A Year in Iraq," May 2004, 4.
[25] For background on the Humanitarian Operations Center (HOC) and for an articulation of NGO reticence, see: Refugees International, "Humanitarian Coordination for Iraq: A Job for the United Nations," April 9, 2003. The article notes that, "Even as they rely on the HOC for access, the view of most aid agencies is that close association with the military forces of a belligerent compromises the impartiality that lies at the core of their mission. The aid agencies provide humanitarian assistance based on need, not politics; the idea of using aid strategically to win "hearts and minds" is anathema to the humanitarian community. Yet while the principles espoused by most aid organizations would seem to dictate distance from the HOC, pragmatism seems to have dictated association."
[26] Dayton Maxwell, "Deliberate and Development Post Conflict Planning in Iraq: The Office of Policy, Planning, and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 18.

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[27] USIP interview with Thomas Wheelock, Chief of Party for USAID's contractor International Resources Group, September 8, 2004.
[28] ORHA/CPA Historian interview with Brig. Gen. Steven Hawkins, former Commander, JTF-4, June 23, 2003.
[29] SIGIR interview with Bruce Spake, Vice President of DAI, and Steve Connolly, Task Order Manager, DAI, November 2, 2006.
[30] Dayton Maxwell, "Deliberate and Development Post Conflict Planning in Iraq: The Office of Policy, Planning, and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 40.
[31] CENTCOM, "Governorate Support Team (GST) Concept," briefing slides; and Lt. Col. Thomas Fisher, former CENTCOM planner, email to SIGIR, October 20, 2008.
[32] Christopher Milligan, "Bottom Up Governance: For A Democratic Iraq," briefing slides, April 2, 2003, 11, 14.
[33] Jon Wegge and T. Christopher Milligan, "Regime Change and Local Government: A Strategy for a Stable Iraq, With Lessons from Indonesia," November 2002.
[34] USAID, "Request for Proposal (RFP) Number M/OP-03-LGA1-IRAQ Sub-National Governance and Civic Institution Support Program, issued March 3, 2003; and SIGIR interview with Dayton Maxwell, USAID official assigned to the CPA Office of Policy, Planning and Analysis, March 28, 2007.
[35] SIGIR interview with Christopher Milligan, USAID Deputy Director of Iraq, March 27, 2007, and Christopher Milligan, "Bottom Up Governance: For A Democratic Iraq," briefing slides, April 2, 2003.
[36] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[37] Gary Minor, "Financing the Fight-From the Front," *Air Force Comptroller* (January 2004).
[38] Present were David Nummy, Sherri Kraham, Van Jorstad, and Ron Adams. ORHA/CPA Historian interview with David Nummy, Senior Advisor to the Ministry of Finance, June 23, 2003.
[39] ORHA/CPA Historian interview with David Nummy, Senior Advisor to the Ministry of Finance, June 23, 2003.
[40] John B. Taylor, Under Secretary of the Treasury for International Affairs, Testimony before the Senate Banking, Housing, and Urban Affairs Committee, September 16, 2003.
[41] Larry Hanauer, Special Assistant to the Director of ORHA, email to Gretchen Anderson, Office of the Under Secretary of Defense (Comptroller), "ORHA personnel growth," April 18, 2003.
[42] Some of that staff included personnel who provided security but were not assigned specifically to ORHA. ORHA/CPA Historian interview with Lt. Col. Stephen M. Elliot, Contracting Officer for ORHA as part of DCMA's Contingency Contracting Administration Services Mission, July 12, 2003; and Director for Operations & Personnel memorandum to Under Secretary of Defense (Comptroller), "Questions from Jaymie Durnan-Why the huge increase in [ORHA] staff?" attachment to email from Larry Hanauer, Special Assistant to the Director of ORHA, to Gretchen Anderson, of the Under Secretary of Defense (Comptroller), "ORHA personnel growth," April 18, 2003.
[43] Dov S. Zakheim, Under Secretary of Defense and Comptroller, memorandum to Special Assistant to the Deputy Secretary of Defense, "Response to Your Question on Increased Staffing Level for the Office of Reconstruction and Humanitarian Assistance," April 14, 2003.
[44] Two could write them for up to $5 million; the other could write contracts for up to $1 million. SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 21; and ORHA/CPA Historian interview with Lt. Col. Stephen M. Elliot, Contracting Officer for ORHA as part of DCMA's Contingency Contracting Administration Services Mission, July 12, 2003.
[45] ORHA/CPA Historian interview with Lt. Col. Stephen M. Elliot, Contracting Officer for ORHA as part of DCMA's Contingency Contracting Administration Services Mission, July 12, 2003.
[46] ABC News, "Project Iraq," *Nightline*, April 23, 2003.
[47] Dr. Condoleezza Rice, National Security Advisor, "Dr. Condoleezza Rice Discusses Iraq Reconstruction," White House Press Release, April 4, 2003.
[48] Dr. Condoleezza Rice, National Security Advisor, "Dr. Condoleezza Rice Discusses Iraq Reconstruction," White House Press Release, April 4, 2003.

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Chapter 5

ORHA IN BAGHDAD

Guys, in a nutshell, it's not that we didn't plan. The problem is that we planned for the wrong contingency.

- Ambassador L. Paul Bremer III,
CPA Administrator (2003-2004)[*]

As the Coalition prepared for war, so did Saddam Hussein. In the fall of 2002, he declared a general amnesty, freeing thousands of violent criminals.[1] As U.S. troops massed along the Iraqi border in the spring of 2003, Saddam deployed Iraqi military units both to defend against the invasion and to prevent a coup in the rebellious Shi'a south. Ministers made contingency plans, just as they had in 1991, to weather the conflict and repair damage once hostilities ceased.[2] Saddam sent a memorandum instructing state agencies to sabotage infrastructure, shoot dissident Shi'a clerics, and burn the regime's records in the event that U.S. troops entered Baghdad.[3]

As the country braced for impending attack, Saddam's minions moved furniture out of his main palace, storing it in a nearby warehouse. Workers even removed the palace doors to minimize damage caused by the concussion of bombing.[4] Bank managers personally safe-guarded the financial data of customers at 170 branches across Iraq.[5] The director of computer services at the Ministry of Trade secured in his home the list of every Iraqi household eligible for food rations.[6] After the official Oil-for-Food ration list vanished amid looting, this copy was later used as a basis for registering voters in Iraq's first democratic election.[7]

The Iraqi people also prepared.[8] Shopkeepers boarded up their stores.[9] Women stockpiled food and water. Men headed to gun shops. Tens of thousands of families fled Baghdad and its suburbs for safety in the countryside.

The reckoning began on March 17, 2003. In an Oval Office address, President George W. Bush gave Saddam and his sons an ultimatum to leave the country within 48 hours. Bombing started on March 20, and U.S. ground units rolled into Iraq the next day.

Invasion

[*] L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 26.

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The experience of the invasion force differed by region. In the north, a small number of U.S. Special Forces troops linked with Kurdish Peshmerga, the armed force of Iraq's autonomous northern region, which opposed Saddam. Together they pushed south against Iraqi Army units dug into defensive positions. In Baghdad, Iraqis had such confidence in the accuracy of American "smart weapons" that many watched the bombing from their rooftops, but even precision targeting had second-order effects. Telephone service ceased. Explosions broke pipes all over the city, causing sewage to contaminate what water still flowed out of the tap. Then, on April 4, power surges shorted out most of Baghdad's electrical infrastructure; much of the city went dark.[10]

Since Turkey and Saudi Arabia had denied U.S. troops passage, the main invasion force came through Kuwait. Special operations units captured oil fields and dams almost immediately, and oil engineers from Halliburton extinguished the few oil-well fires that had been set. Thousands of troops with the Third Infantry Division and First Marine Expeditionary Force then pushed north. Rather than advancing methodically, to capture and hold territory, the war plan called for a daring sprint to the capital.[11] The idea was to put the regime down before it could deploy chemical weapons. Lt. Gen. McKiernan's troops sped by most population centers, avoiding combat in favor of pushing onwards to Baghdad.

The fast-moving U.S. invasion force meant that troops engaged Saddam's forces only briefly in many towns. Some cities were occupied quickly, while in the west and north, U.S. troops didn't arrive until weeks after Baghdad fell. Many Iraqis were left listening to conflicting accounts of the invasion's outcome on regime and foreign radio broadcasts, never seeing troops from either side.[12] The uniformed Iraqi military largely abandoned their posts after little or no fight, but sustained resistance materialized in many southern towns. Sandal-clad fighters in civilian garb, both foreign and Iraqi, used rocket-propelled grenades and pick-up trucks to organize ambushes that frequently turned deadly for the attackers as they encountered first-hand the lethal power of the invading force.[13]

"The enemy we're fighting is different from the one we'd war-gamed against," said Lt. Gen. William S. Wallace, commander of V Corps, one of the main ground units.[14] To Gen. John Abizaid, the only Arabic-speaking senior commander in theater, the signs were ominous. "Listen," Garner remembers Abizaid telling him the first week in April. "I've been listening to

everything they're saying on the radio. I've been reading Al Jazeera, and I'm looking at what's happening. I'm telling you. We're going to have a guerrilla war on our hands."[15]

Initial Assessments

Sixty-two people from USAID's Disaster Assistance Response Team (DART)—the largest ever fielded—followed quickly upon the heels of the invading force.[16] On March 27, DART members crossed into Iraq to assess the humanitarian situation in the port town of Umm Qasr, a major supply route into Iraq where 60 percent of Iraq's Oil-For-Food imports were unloaded. British commandos seized the port after sustained fighting. Elements from the U.S. Army's 354th Civil Affairs brigade began repair work as soon as British troops had taken control.[17]

USAID's DART team found the port in poor—but working—condition. Team members identified two back-up generators that with minor repairs could power the entire facility. Three functioning grain vacuums were on hand to pull cargo from container vessels, and the port's twenty-four silos were swept of explosives and available for storage. A day later, the *Sir Galahad*, a British relief ship carrying more than 230 metric tons of food, medicine, and blankets, was scheduled to dock.[18]

All seemed to be going reasonably well. There were no major signs of humanitarian crisis, and no chemical weapons had been used. Worrisome news soon arrived from the U.S. Army Corps of Engineers (USACE), which had embedded Forward Engineering Support Teams (FESTs) in combat brigades.[19] Traveling in Humvees equipped with a satellite link to their headquarters, these military and civilian engineers quickly assessed the state of the power plants and other civil infrastructure they came across during their advance into Iraq.[20] The dilapidated infrastructure seen everywhere by the FEST personnel confirmed USACE's pre-war assessment that a major reconstruction effort would be necessary.[21]

To augment information in the FEST reports he was receiving, Lt. Gen. Garner asked USAID's DART team to shift its role and to begin conducting infrastructure assessments. They at first refused.[22] Team members were reluctant to take on activities that fell outside the mandate of a normal DART mission, which is to assess humanitarian conditions—such as food supply availability and likelihood of disease outbreak—in the aftermath of a natural disaster. Their

leadership in Washington, at USAID's Office of Foreign Disaster Assistance, was also reluctant to allow the unarmed teams to remain in an environment where residual fighting continued.[23] By the first week in April, the DART team's failure to carry out Garner's request threatened to unravel the fragile cooperation between the military and humanitarian communities inside ORHA.[24]

Garner was seething. "They refused to come in," Garner said, "because it wasn't permissive." "You know, I have this civilian organization," he told the DART commander, "in this not-permissive environment in Suburbans, which are not hardened. Yet you have $350,000 hard Mercedes. You have body armor, which these people don't have, and your people refuse to come in here, and they're staying in very expensive hotels."[25]

Ambiguity about lines of authority aggravated the situation. Did a USAID asset, the DART team, report to its agency headquarters in Washington, or was the team now under operational control of ORHA, an office of the Department of Defense? Instead of appealing to the National Security Council for arbitration, Secretaries Donald Rumsfeld and Colin Powell had a "war of memos" trying to settle the issue.[26] The paper trail of increasingly-tense communication illustrates how strained relations between the Department and State and Defense had become.[27] Only when Garner phoned Powell and threatened to oust the DART teams from theater did they agree to comply with Garner's direction.[28]

ORHA personnel first crossed into hostile territory on April 1 at the port of Umm Qasr, where the situation had deteriorated rapidly since the DART team's first visit four days before. Coalition soldiers, who cautioned that they did not have enough troops to stop the looting, reported that on April 2, 2003, more than 200 residents carried off every useful piece of equipment at the port. Looters took desks and chairs, electrical generators, conveyor belts, even a forklift. "Anything not nailed down" was gone, the DART team reported on its second visit.[29] Work to rehabilitate the port was set back by weeks. The looting itself—the first major episode reported in Iraq—presaged a key challenge that the Coalition would face in the weeks ahead.

ORHA used Umm Qasr as a testing ground to help calibrate its approach to the post-invasion environment. "We thought of Umm Qasr as a laboratory where we could see what worked and what didn't," an ORHA official explained. "It gave us a chance to get some real work done as opposed to just theorizing and writing position papers."[30]

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Restoring Umm Qasr presented three significant challenges. First was the brute physical work of reconstruction. The port was badly in need of dredging. Sunken obstacles and unexploded ordnance posed a danger to approaching ships.[31] The second was luring Iraqis back to work. Port workers who encountered Coalition soldiers were understandably skittish.[32] The third challenge was coordination between civil and military authorities, a precursor to similar conflicts that would burden the U.S. relief and reconstruction endeavor in Iraq for years to come.[33]

It was at Umm Qasr that Lt. Gen. Garner crossed into Iraq on April 11, 2003. He visited the port, delivered a speech before a newly-formed town council, inspected a school, and was briefed by his staff.[34] He and his team then began making plans to move to Baghdad, which had fallen four days before.

Baghdad Falls

British troops took control of Basra on April 6. Baghdad began to capitulate the next day, after armored columns made "thunder runs" into the city center. As U.S. troops took over Saddam's presidential palace on the Tigris River's west bank, jubilant Iraqis toppled the statue of Saddam Hussein in Firdos Square, with the help of U.S. Marines. Looting on a wide scale began that day, first on the fringe of the fighting and then later in plain view of American military patrols.[35] In response, protective Iraqi militias sprang up in neighborhoods across the city, putting men with AK-47s atop makeshift barricades. Gunfire could be heard throughout the night as robberies and revenge killings took place.[36]

Deteriorating conditions on the ground were beginning to eclipse Coalition plans. The rush to the capital meant that fewer than two divisions—about 25,000 soldiers—occupied a city of nearly six million, an approximate ratio of one U.S. soldier for every 250 residents. "That's not enough to control a city of 6 million people," Lt. Gen. David McKiernan said.[37] With few troops scattered across Baghdad, looting seemed almost impossible to prevent. Patrols had no appetite or mandate to stop it, and McKiernan had orders to continue pushing troops north to carry out the search for weapons of mass destruction that were assumed to be in central Iraq. One option was to impose martial law and shoot looters on sight, but McKiernan could not bring himself to issue the order. "This is not just the Saddam Feyadeen that are in there looting the

stores, it's the population," McKiernan explained. "It's children and women. What are you going to do? What's a soldier on the street going to do? Fire warning shots around them? The answer is, and I'll accept full responsibility, I said 'we are not going to shoot to kill. We're not going to do that.'"[38]

Laith Kubba, the prominent Iraqi exile who helped found the Iraqi National Congress, later observed that the lack of an effective media organization from day one hamstrung the Coalition, which might have been able to calm the public had it been able to communicate a clear message. "Iraqis are used to military coups. When they take place, they tune in to their radios," Kubba said. "They wait for an announcement, number one, to tell them, 'All important personnel working in electricity and water, report back to work, and you'll be given access. Everybody else is under curfew from so-and-so hours.' Instead there was a day, two days and three days of no authority."[39]

The interactions between occupier and occupied were made harder by the way troops got assigned to patrol zones. "We had divided the city up into target areas that didn't have any relevance to political boundaries," Lt. Gen. Strock said of Baghdad. Some brigade commanders were spread across four neighborhoods. To Strock, the arrangement was far from ideal. "I remember saying, you know, it would be really nice if we could align up our security zones with our political boundaries and then you would have much more synergy."[40]

The frequent movement of units from one zone to the next further undermined personal relationships being built between commanding officers and community leaders. Yet another complication arose when civilians entered the mix. The military used a specialized system of grid coordinates to plot patrol zones, while civilians in ORHA and the NGOs with whom they worked normally used longitude and latitude to mark locations.[41] The Coalition was literally not working off the same maps, adding unnecessarily to the confusion on the ground.

Garner was eager to get to Baghdad, but the military leadership had a different view of when ORHA should deploy. "Tommy Franks didn't want us to be there for 60 to 90 days," Garner recalled.[42] The CENTCOM Phase IV plan called for the military to secure Iraq for six to eight weeks before beginning the transition to civil administration. It was all part of the three stages of Phase IV. Phase IV-Alpha was to be predominantly military; in Phase IV-Bravo, civilian leadership would dominate; in Phase-IV Charlie, Iraqis would take the reins. Garner

believed conditions were right for ORHA to start its operations, even if the timing was in advance of what military planners had expected.[43]

On April 17, Garner flew to meet Franks in Qatar. "I got in a big argument, pretty tense argument," Garner said. "Look, Jay," Franks told him, "there's still fighting going on in Baghdad. The last thing I need is a bunch of damn civilians running around there and me having to worry about taking care of them. Dave McKiernan doesn't have the force to do that." "I realize that," Garner replied, "but what's happening is vacuums are being created and they're being filled up with what you and I don't want them filled up with, and the only way to prevent that is to get us in there."[44]

"He was exasperated with me," Garner remembered. "He finally just, kind of, shook his head and shrugged his shoulders." The next day, Franks called to say that ORHA could go in. "We don't have the force in there to give you the proper amount of security," Franks said. "God bless you and good luck."[45]

Garner immediately dispatched a small advance party. He followed two days later, on April 21, flying with his senior staff on a C-130 to Baghdad International Airport, and traveling from there to the Republican Palace, where ORHA would make its offices in one of Saddam's grand edifices on the banks of the Tigris.[46] Most of the rest of ORHA's staff drove up in several convoys over the next week.

In ORHA's first days in Baghdad, communications was one of the most pressing logistical challenges. Some ORHA officials had Thuraya commercial satellite phones, but these phones were unable to receive calls inside the palace without an antenna being placed outside. A phone system could not be immediately established, forcing staff to spend time in walking from office to office to find people for discussions or to pass notes by hand.[47] With the Baghdad telephone exchange down, it was also impossible to reach Iraqis. Commercial communications equipment acquired by ORHA had also failed, leaving the Baghdad team out of touch with ORHA's regional headquarters in Erbil, Hillah, and Basrah.[48]

After an urgent call from Garner, Lt. Gen. McKiernan dispatched a communications unit to the Republican Palace to connect ORHA to SIPRNET, the military's classified network. Even with this network functioning, bottlenecks persisted. Civil-Military Operations Centers (CMOCs) had been established across Iraq as focal points for coordination with non-governmental organizations (NGOs). However, the civil affairs units that ran them had to rely

heavily for support on the combat commands to which they were attached.[49] At times, this pitted their need to push information to ORHA against other military priorities. The result, an ORHA planner observed, was that "the information [CMOCs] gathered themselves and from NGOs" rarely made it to Baghdad. Security classifications were also a barrier. Because the fusion cell briefly set up to collect and disseminate information at Camp Doha only operated in a classified mode, its reports were not circulated among the vast majority of civilian and NGO personnel who lacked security clearances.[50] "We were not mission ready," said Col. Glenn Collins, the Deputy Chief of Staff for ORHA.[51]

Looting and its Consequences

Two weeks had passed since Saddam's regime had fallen. Outside the gates of the Republican Palace where ORHA was trying to set up shop, anarchy reigned. "We found the city in utter chaos," said Richard Miller, one of six police advisors sent by the Justice Department. In some places, "corpses littered the streets, AK-47 fire was near constant, and looters operated with impunity."[52] Many government buildings had been destroyed.

"A lot of the ministries turned out to be blasted cinders," noted Ambassador Tim Carney.[53] "They not only took everything out of there, but they stripped the electrical wires out of the wall, and they stripped most of the plumbing out and then they set the buildings on fire," Garner said.[54] Fires burned so hot that concrete in many buildings exploded.[55] ORHA advisor Christopher Spear waded into ransacked rooms filled three-feet-deep with paper debris. Clean-up crews hauled away six tons of scattered documents from the Ministry of Health alone. "We would say they took everything but the kitchen sink, [but] they took that, too," Spear said.[56]

The expected looting quickly changed into organized theft by gangs of Iraqi criminals and potential insurgents trying to destabilize the country. In a military compound under nominal guard by U.S. soldiers, one of these gangs smashed through a rear wall and used a crane to remove valuable precision-milling equipment used to manufacture Scud missiles. "They knew exactly what they were going for," Spear said.[57] Millions of dollars in cash stored in Rafidain and Rasheed bank branches and at the Central Bank were looted or destroyed, as were the contents of safety deposit boxes.[58] "Organized crime found its golden opportunity," the Iraqi politician Samir Sumaidaie said.[59] Some government officials joined in the melée. In Mosul, a

prison guard sold all the prison beds for scrap.[60] In time, ORHA's senior advisors would learn that the theft of Iraq's assets had, in truth, started years before, when corrupt government officials began regularly selling ministry property "to pad their own pockets."[61]

The looting went on for several weeks. "In a lot of cases," Garner said, "after we began to try to reoccupy buildings, they still got set on fire. The Health Ministry got set on fire two or three times after we occupied it, because there just wasn't enough force to provide security on everything."[62] The Oil Ministry was the only ministry to escape major damage. It was protected by Coalition troops as soon as they entered Baghdad, minimizing but not preventing looting. The ministry was reopened on May 2, in advance of others.[63] To ORHA senior advisors, it stood as a symbol of what could have been.

The oil infrastructure seemed to have emerged largely intact; fewer than ten oil well fires were set. However, USACE concluded that looting in the oil sector went on for ten weeks, from March 20, 2003, through the end of May.[64] Of the oil sector damage the Coalition had to repair, only one-third resulted from the war. The remaining two-thirds—$943 million—was from looting.[65]

The contours of post-Saddam political life could be seen taking shape in the patterns of destruction. Eleven of Baghdad's 33 hospitals were protected by a Shi'ite militia. These hospitals survived completely intact, while others left unprotected were stripped clean.[66] Shi'ite militias also took control of the city of Amara, preventing looting before it could get started.[67] In isolated cases, loyal staff at public institutions held looters at bay. Thirty engineers secured the Basra refinery by using heavy equipment to block the gates.[68]

The looting had three major effects. The first was the cost. Estimates vary, but total looting damage was clearly in the billions of dollars, which greatly added to the costs of relief and reconstruction.[69] The second—the looting of conventional munitions depots—had severe long-term consequences for U.S. forces in Iraq. The war plan assumed that some elements of Iraq's security forces would be used to "provide internal security," including guard duty at the hundreds of arms caches across the country.[70] This assumption did not hold. Thousands of tons of munitions were looted in the weeks after Baghdad fell and some of it was later used to build improvised explosive devices that would be used against U.S. personnel.[71]

An audit performed by the Government Accountability Office found that the war plan "did not document risk-mitigation strategies—such as branch plans as recommended by joint

planning doctrine—in case planning assumptions were proven wrong," and that a centrally-managed program to secure and dispose of munitions was not instituted until August 2003.[72] By 2005, improvised explosive devices (IEDs), undoubtedly drawn at least partially from this stock of munitions, would prove responsible for half of all U.S. combat fatalities.[73] The Department of Defense would go on to spend more than $11 billion attempting to defeat IEDs by technical and intelligence means.[74]

The third effect—the lost opportunity to restore government services quickly—had serious long-term consequences. With public institutions and critical infrastructure reduced, in some cases, to smoldering rubble, the mission of ORHA senior advisors turned from restarting essential services to rebuilding from scratch the ministries and public works that provided them. The unexpected extent of the destruction dealt a critical setback to Administration plans for a rapid transfer of power.

Troop Strength

On April 21, the day Jay Garner arrived in Baghdad, Secretary Rumsfeld—following the advice of CENTCOM commander Gen. Tommy Franks—canceled the deployment of 50,000 additional combat troops scheduled to arrive in country.[75] The decision overrode commanders on the ground, including Lt. Gen. McKiernan, who was counting on the additional manpower to provide a secure environment for post-conflict stabilization. The reversal dumbfounded McKiernan's staff, who had just sat through two video conferences with senior Pentagon officials that affirmed the decision to continue deploying forces.[76] Garner called Rumsfeld and said, "You've got to stop this. You can't pull troops out. In fact, we probably need more right now."[77]

Paying for Reconstruction

The widespread looting and the damage it wrought meant that the reconstruction funds the Congress had just appropriated would be inadequate. On April 16, 2003, President Bush had signed Public Law 108-11, creating the Iraq Relief and Reconstruction Fund, which became known as IRRF 1.[78] The $2.475 billion congressional appropriation funded the program of humanitarian relief and reconstruction planned by the National Security Council, which assumed

an extensive reconstruction would not be needed because Iraq's infrastructure would remain largely intact after the war and that Iraqi oil would fund reconstruction in the longer term. On the same day, General Franks issued his "Freedom Message," declaring the Coalition's intention to "exercise powers of government temporarily, and as necessary." Franks's message first identified the Coalition Provisional Authority as ORHA's eventual successor.[79]

USAID was the largest recipient of IRRF 1 money, eventually receiving just over 70 percent of the appropriation. A separate provision of the bill established an $800 million Natural Resources Risk Remediation Fund (NRRRF) to support emergency fire fighting, repair damage to oil facilities and related infrastructure, and preserve oil distribution capability. NRRRF funds were used to help pay part of the costs of Task Force Restore Iraqi Oil (RIO), administered by USACE.[80]

Iraqi Politics

Chaos on the ground threw the plan for a rapid political transfer into confusion. On April 15, Garner and Presidential Envoy Zalmay Khalilzad assembled well over a hundred key Iraqi leaders in the southern city of Nassriya.[81] To encourage leaders within Iraq itself to step forward, the U.S. did not invite the heads of exile opposition groups, who together formed the Leadership Committee from the Salah al-Din conference. None of the leaders of those groups came, but many sent representatives. Although the Nassriya meeting was boycotted by several clerics and the Supreme Council for the Islamic Revolution in Iraq, a larger follow-on gathering was planned for Baghdad later in April.[82]

On April 22, Garner flew to meet with Kurdish leaders he knew from the humanitarian operation he led in 1991. He undertook the trip and other meetings with Iraqi politicians to help along the process of forming an Interim Iraqi Authority, in accord with the National Security Council plan. "He was really pushing them both pretty hard," Lt. Gen. Strock said of Garner's interaction with Ahmed Chalabi and Jalal Talabani. "He was playing hardball with them, saying, 'Look, you guys got to stand up and come together and set aside your differences,'" Strock said.[83]

In Washington, officials were concerned that conditions were not right for naming the interim authority. Secretary of State Colin Powell had dispatched Khalilzad and Ambassador Ryan Crocker to southern Iraq, but there were intense disagreements over how to proceed.[84]

Garner himself was acting with no scripting from the National Security Council. He was trying as best he knew how to carry through standing plans for a rapid transfer, despite all the chaos.[85] The next step would come on April 28, when over 250 Iraqi leaders would convene a second political conference in Baghdad

ORHA's Goals

On April 24, 2003, Garner briefed Lt. Gen. McKiernan on a list of eleven goals he wanted ORHA to help accomplish. McKiernan and Garner both assigned a member of their senior staff to the leadership of each task. The goals were:

1. Security
2. Salaries Paid Nationwide
3. Return Police to Work and Train Them
4. Return Ministries to a Functional Level
5. Restore Basic Services to Baghdad
6. Prevent a Fuel Crisis
7. Purchase Crops
8. Solve Food Distribution Challenges
9. Install Town Councils Nationwide.
10. Deploy and Integrate Government Support Teams With Local Government
11. Prevent Cholera and Dysentery[86]

The goals Garner had set for himself were enormous, as were the obstacles to accomplishing them. For example, adequate, reliable power was unavailable. "It is a Catch-22," senior oil advisor Gary Vogler explained.[87] Without fuel oil, electric plants can't produce electricity, yet without a steady supply of electricity, crude can't be refined into fuel oil. In Basra, Coalition personnel trying to restart essential services faced a similar conundrum. "The circle was amazing," JTF-4's Lt. Col. Joseph Morgan said. "Just in that one area, just looking at how we could turn on power, so we could turn on water, so we could turn on electricity."[88] Many of Garner's other goals fell under the purview of the civil administration pillar, where plans were

less developed and leadership weakest.[89] The part of the mission that Feith and Rumsfeld told Garner would be least essential was now crucial, and ORHA was not well staffed to carry it out.

In the last week of April 2003, Baghdad was still descending into disorder. Gathering ministerial staff who had fled, reconstituting records, and scrambling to find alternative work space for almost the entire central government consumed enormous resources. Garner was not able to secure enough military escorts for his staff to move unfettered around the insecure city. As for the rest of the country, ORHA had not established formal mechanisms of coordination with the military units occupying towns and villages across Iraq, much less with Iraqi leadership at the provincial level. Coordination was in short supply everywhere: between ORHA and Washington, ORHA and the military, and ORHA and Iraqis.[90] Suddenly Iraq seemed very large, and ORHA's staff very small.

It was in this confused atmosphere that more than 200 Iraqi leaders arrived in Baghdad for a "big tent" meeting on April 28, 2003. Garner presided over the meeting, with Ambassadors Khalilzad and Crocker in support. The political conference was attended by all the key players, including representatives from the major Shi'a political party, the Supreme Council for the Islamic Revolution in Iraq. Under Garner's leadership, Iraqis at the conference resolved to create an interim government at their next meeting in four weeks time. Garner announced this decision to both the Iraqi and the U.S. public. It appeared to some in Washington that the concept of an Iraqi Interim Authority might soon be realized.[91]

However, on May 6, just fifteen days after Jay Garner arrived in Baghdad, President Bush announced that L. Paul Bremer III, a former ambassador, would become Iraq's new civil administrator. Bremer was to head the "Coalition Provisional Authority," a civil authority under CENTCOM that General Franks had mentioned in his April 16 freedom message.[92] Ambassador Bremer had been approached less than two weeks before by senior officials in the Defense Department and the Office of the Vice-President.[93] Although Garner had been told when first tapped to head ORHA that he would eventually be followed by a person of greater national stature, he did not learn of Bremer's appointment until Rumsfeld phoned him with the news on the evening of April 21, Garner's first night in Baghdad. "I never saw CPA coming," Garner said.[94] He did not immediately tell his staff of the impending change.

Bremer's arrival would reflect a sea change in U.S. policy. ORHA had been designed as a short-term holding mechanism, to be followed by a rapid shift to an Interim Iraqi Authority,

mirroring the swift transition that occurred in Afghanistan. The deteriorating situation in Iraq now required a more-robust U.S. presence—the Coalition Provisional Authority—and a change in strategy. During the summer of 2003, the U.S. role in Iraq rapidly expanded, far eclipsing the minimalist "liberation" vision that had set planning for war and reconstruction in motion a year-and-a-half before, and superseding the quick transfer to an Interim Iraqi Authority that the President had approved on March 10, 2003.

~ *Essential Services: The Effects of Invasion* ~

Outputs[95]

Service	Pre-invasion	Post-invasion
Electricity Production	4,075 megawatts	711 megawatts
Oil Production	2.58 million barrels per day	.30 million barrels per day
Access to Potable Water	12.9 million citizens	4.0 million citizens
Iraqi Security Forces	1,300,000 soldiers and police	7,000-9,000 police[96]
Telecommunications		
landline subscribers	833,000	0
mobile subscribers	80,000	0
Human Toll		
U.S Troop Fatalities	-	139
Civilian contractors[97]	-	1
U.S. civilians	-	~9
Iraqi civilians	-	7,413
Financial Cost **(in billions)**		
U.S funding	-	$3.45
Iraqi funding	-	$0
International funding	-	$0
Total funding	-	$3.45

Production of electricity came to a near-complete halt during the 2003 invasion, and, by mid-April 2003, an average of just 711 MW of electricity was being produced each day.[98] Post-war looting and sabotage destroyed nearly 1,000 electrical towers and the loss of numerous electrical control systems caused frequent blackouts in Baghdad.

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Without electricity, oil production also came to a standstill. Many oil facilities were safely shut down, but some oil stocks were destroyed by fire. Although production restarted fairly quickly, it averaged only 300,000 barrels per day—about one-eighth of prewar levels—in May 2003.[99]

The lack of electricity led to a shutdown of water-pumping stations, with Baghdad suffering more than a 50 percent drop in the availability of potable water. Across Iraq, water was available to just four million people, down from 12.9 million before the invasion.[100]

Already in a state of severe disrepair, Iraq's essential services declined precipitously after the invasion and ensuing looting. The CPA took on the responsibility for restoring essential services and distributing them more fairly among all Iraqis.

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[1] Kathleen T. Rhem, "Security Still Most Serious Concern for U.S. Forces in Iraq," *American Forces Press Service*, May 15, 2003; and ORHA/CPA Historian interview with Michael Kelly, Australian Army Colonel, June 12, 2004.
[2] SIGIR interview with Sinan al-Najaar, former senior manager in an Iraqi ministry, November 30, 2006.
[3] The Saddam memorandum was published in Arabic by *Al-Hayat* (London) on July 12, 2003. For a translated version, see: Middle East Media Research Institute, Special Dispatch Series no. 538, "A Top Secret Document Dated January 23, 2003 from Iraqi Intelligence: A Plan for Action in the Event of a Regime Downfall," July 17, 2003.
[4] ORHA/CPA Historian interview with Col. Glenn Collins, ORHA/CPA Facility Manager, July 17, 2003.
[5] SIGIR conversations with Barbara Lewis, former Senior Advisor to the Rafidain Bank, Summer 2007.
[6] Robin Raphel, former Senior Advisor to the Ministry of Trade, email to SIGIR, April 11, 2007.
[7] The Independent High Electoral Commission, "Fact Sheet: Voter Registration Update in the International Zone," June 25, 2008.
[8] For a description of ordinary life in Iraq in the weeks preceding the invasion, see: Anthony Shadid, *Night Draws Near: Iraq's People in the Shadow of America's War* (New York: Henry Holt, 2005), Part One: Before.
[9] ORHA/CPA Historian interview with Brig. Gen. Steven Hawkins, former Commander, JTF-4, June 23, 2004.
[10] CNN, "Ground Troops Clash Over Baghdad Airport," April 4, 2003.
[11] For an account of the war plan, see: Michael R. Gordon and Gen. Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon Books, 2006).
[12] Anthony Shadid, *Night Draws Near: Iraq's People in the Shadow of America's War* (New York: Henry Holt, 2005), 67, 96-97.
[13] For a representative account of a clash between coalition and irregular forces, see: Michael R. Gordon and Gen. Bernard E. Trainor, *Cobra II: The Inside Story of the Invasion and Occupation of Iraq* (New York: Pantheon Books, 2006), 217-221.
[14] Colin H. Kahl, "COIN of the Realm: Is There a Future for Counterinsurgency?" *Foreign Affairs* 86, no.6 (November/December 2007); and Bernard Weinraub and Thom Shanker, "A Nation at War: Under Fire; Rumsfeld's Design for War Criticized on the Battlefield," *New York Times*, April 1, 2003.
[15] SIGIR interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, April 1, 2006.
[16] USAID, "A Year in Iraq," May 2004, 4.
[17] ORHA/CPA Historian interview with Brig. Gen. David Blackledge, Commander of the 354th Civil Affairs Brigade, January 2, 2004; ORHA/CPA Historian interview with Mike Gfoeller, former Deputy Director of ORHA Region-South, August 10, 2003; and USAID, "Assistance for Iraq: DART Assessment of Umm Qasr and Relief Efforts," March 27, 2003, http://www.usaid.gov/iraq/dartrep_032703 html.
[18] USAID, "Assistance for Iraq: DART Assessment of Umm Qasr and Relief Efforts," March 27, 2003, http://www.usaid.gov/iraq/dartrep_032703.html. A month later, on April 26, another DART team based in Jordan crossed into al-Anbar province to monitor conditions in western Iraq. USAID, "Assistance for Iraq: DART Ar Rutbah Assessment," April 26, 2003, http://www.usaid.gov/iraq/dartrep_042603 html.
[19] ORHA/CPA Historian interview with Lt. Col. (Ret.) Schappi Marsh, FEST team member, July 30, 2003.
[20] During the invasion's initial phase, FEST teams helped shut down a hydroelectric dam that would have impacted the operations of the Third Infantry Division if it had failed. The FEST teams also ensured bridges over the Euphrates River could support M-1 tanks waiting to cross. Tele-engineering kits enabled them to relay real-time images to the reach-back center in the United States, where Farsi and Arabic-speaking engineers stood ready to translate diagrams and control panel labels. This capacity to draw on reach-back expertise brought new levels of engineering know-how to the battlefield. Once combat needs were met, the FEST teams moved on to assessing oil, water and electricity infrastructure. Two fully outfitted FEST-Main teams, larger units augmented with more engineers, worked with Task Force Restore Iraqi Oil. As the restoration of power became a major need, FEST teams later assisted Task Force Restore Iraq Electricity. By the end of May, 18 teams were in country working for ORHA through a USAID-USACE agreement. SIGIR interview with William Fritz, USACE Assistant Deputy G-3 (Operations), Chief, Concepts, Plan and Doctrine Branch, March 6, 2006.

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[21] The USACE operations center and Infrastructure Assessment Team completed the assessment in the fall of 2002. Estimates for three scenarios were drawn: no damage, middle-range damage, extensive damage. $35B was the middle-range scenario. SIGIR interview with William Fritz, USACE Assistant Deputy G-3 (Operations), Chief, Concepts, Plans and Doctrine Branch, March 6, 2006.
[22] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, April 22, 2004.
[23] Only a two-man contingent from the DART team remained in Umm Qasr after March 27, 2003. The rest of the team made follow-up trips from Kuwait on April 2 and April 5, 2003. USAID, "Assistance for Iraq: DART Assessment of Umm Qasr and Relief Efforts," April 7, 2003, http://www.usaid.gov/iraq/dartrep_040703.html.
[24] SIGIR interview with Bob Gersony, former Advisor to the USAID Administrator, January 16, 2007.
[25] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, April 22, 2004.
[26] SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[27] In a letter to Secretary Rumsfeld on the relationship between DART and ORHA, Secretary Powell wrote, "if operational disagreements arise between DART and ORHA and cannot be resolved…the final resolution of the matter will come to us." Later that day, Powell wrote another letter regarding the selection of ORHA staff, claiming "these individuals may not be acceptable to you and that you have your own list of candidates to fill theses positions. We have frozen these assignments until you and I deal with this." Colin Powell, Secretary of State, letters to Donald Rumsfeld, Secretary of Defense, March 26, 2003. In response Rumsfeld wrote, "If you agree to this common sense approach, our involvement in subsequent disputes will be kept to a minimum." Donald Rumsfeld, Secretary of Defense, letter to Colin Powell, Secretary of State, "Disaster Assistance Response Team and the Garner Group," March 31, 2003.
[28] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, April 22, 2004.
[29] USAID, "Assistance for Iraq: DART Assessment of Umm Qasr and Relief Efforts," April 4, 2007, http://www.usaid.gov/iraq/dartrep_040403.html.
[30] ORHA/CPA Historian interview with Mike Gfoeller, former Deputy Director of ORHA Region-South, August 10, 2003.
[31] DoD News Transcript, **"**DoD News Briefing-ASD PA Clarke and Maj. Gen. McChrystal," April 10, 2003.
[32] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[33] ORHA/CPA Historian interview with Brig. Gen. David Blackledge, Commander of the 354th Civil Affairs Brigade, January 2, 2004.
[34] For contemporaneous accounts of Garner's visits to Umm Qasr and developments there, see: CNN, "U.S. Interim Administrator Visits Iraq," April 12, 2003.
[35] DoD News Transcript, "DoD News Briefing-Secretary Rumsfeld and Gen. Myers," April 7, 2003; and David L. Phillips, *Losing Iraq: Inside the Postwar Reconstruction Fiasco* (New York: Basic Books, 2005), 8.
[36] Anthony Shadid, *Night Draws Near: Iraq's People in the Shadow of America's War* (New York: Henry Holt, 2005), 378-380.
[37] SIGIR interview with Lt. Gen. David McKiernan, former Commander of Coalition Forces Land Component Command, December 5, 2006.
[38] SIGIR interview with Lt. Gen. David McKiernan, former Commander of Coalition Forces Land Component Command, December 5, 2006.
[39] Public Broadcasting Service, "Interview with Laith Kubba," *FRONTLINE*, September 11, 2003.
[40] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Carl A. Strock, former Commanding General of USACE, October 30, 2006.
[41] The military grid used by NATO militaries is based on the Universal Transverse Mercator coordinate system, not longitude and latitude. SIGIR interview with Dustin Felix, Civil Affairs Officer in the 5th Brigade, 1st Cavalry Division, December 21, 2005.
[42] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.

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[43] SIGIR interview with Col. John Agoglia, former CENTCOM planner, May 22, 2008; and SIGIR interview with Col. (Ret.) Michael Fitzgerald, former CENTCOM (J5) Chief of War Plans, May 30, 2008.
[44] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[45] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[46] Lt. Gen. Garner recalls that Col. Colin Boag, a UK Colonel, informed him of two possible locations to house ORHA: the Rashid hotel or the Republican Palace. Since the media was already in the hotel, and Garner was concerned about the security risks of a vertical structure, he elected to house ORHA in the palace. SIGIR and ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, October 27, 2008.
[47] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[48] ORHA/CPA Historian interview with Col. Glenn Collins, ORHA/CPA Facility Manager, July 17, 2003.
[49] Dayton Maxwell, "Deliberate and Development Post Conflict Planning in Iraq: The Office of Policy, Planning, and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 10-17.
[50] Dayton Maxwell, "Deliberate and Development Post Conflict Planning in Iraq: The Office of Policy, Planning, and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 14.
[51] ORHA/CPA Historian interview with Col. Glenn Collins, ORHA/CPA Facility Manager, July 17, 2003.
[52] Richard Miller, "A Brief History of CPATT," May 15, 2005, unpublished manuscript, 1. CPATT stands for the Coalition Police Assistance Training Team. Chapter 10 explains the creation of CPATT and other Iraqi security forces, both police and military.
[53] ORHA/CPA Historian interview with Timothy Carney, Senior Advisor to the Ministry of Industry and Minerals, June 12, 2003.
[54] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[55] SIGIR interview with Bruce Spake, Vice President of DAI, and Steve Connolly, QRF Coordinator, DAI, November 2, 2006.
[56] ORHA/CPA Historian interview with Christopher Spear, Senior Advisor to the Ministry of Labor and Social Affairs, July 15, 2003; and SIGIR interview with James Haveman, former Senior Advisor to the Ministry of Health, and Robert Goodwin, former Chief of Staff, Ministry of Health, December 22, 2005.
[57] ORHA/CPA Historian interview with Christopher Spear, Senior Advisor to the Ministry of Labor and Social Affairs, July 15, 2003.
[58] SIGIR conversations with Barbara Lewis, former Senior Advisor to the Rafidain Bank, Summer 2007.
[59] SIGIR interview with Samir Sumaida'ie, Iraqi Ambassador to the United States, March 11, 2008.
[60] ORHA/CPA Historian interview with Maj. Gen. Donald F. Campbell, Senior Advisor to the Ministry of Justice, July 14, 2003.
[61] ORHA/CPA Historian interview with Maj. Lyn S. Brown, Advisor to the Ministry of Youth and Sport, June 22, 2004.
[62] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[63] ORHA/CPA Historian interview with Gary Vogler, Senior Advisor to the Ministry of Oil, June 18, 2003.
[64] USACE, "Iraqi Oil Infrastructure Restoration Strategic Plan: Rough Order of Magnitude," June 3, 2003; and ORHA/CPA Historian interview with Gary Vogler, Senior Advisor to the Ministry of Oil, June 18, 2003.
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[66] ORHA/CPA Historian and SIGIR interviews with Steven Browning, Task Force RIO Advisor, June 21, 2003 and April 26, 2006.
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[72] GAO Report 07-444, "Operation Iraqi Freedom: DoD Should Apply Lessons Learned Concerning the Need for Security over Conventional Munitions Storage Sites to Future Operations Planning," March 2007.
[73] Clay Wilson, Congressional Research Service Report RS22330, "Improvised Explosive Devices in Iraq: Effects and Countermeasures," November 23, 2005.
[74] From fiscal year 2004 through the end of fiscal year 2007, $11.25 billion has been provided to various DoD organizations to address the IED threat. GAO Report 08-342, "Defense Management: More Transparency Needed over the Financial and Human Capital Operations of the Joint Improvised Explosive Device Defeat Organization," March 6, 2008.
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[76] ORHA/CPA Historian interview with Col. John Agoglia, former CENTCOM planner, September 22, 2006.
[77] SIGIR interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, April 1, 2006.
[78] P.L. 108-11, Emergency Wartime Supplemental Appropriations Act, 2003, April 16, 2003.
[79] Gen. Tommy R. Franks, "Freedom Message to the Iraqi People," April 16, 2003.
[80] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 27.
[81] For an account of the Nassriya conference and early political events, see: Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 416-26; and Kenneth Katzman, Congressional Research Services Report RL31339, "Iraq: U.S. Regime Change Efforts and Post-Saddam Governance," January 7, 2004, 22-23.
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[83] SIGIR interview with Lt. Gen. (Ret.) Carl Strock, former Commanding General of USACE, May 13, 2008.
[84] Karen DeYoung, *Soldier: The Life of Colin Powell* (New York: Alfred A. Knopf, 1995), 463.
[85] SIGIR and ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, October 27, 2008.
[86] Different iterations of this list exist. See: annotated briefing slide, "ORHA's Key Tasks (Complete by 15 Jun 03)," undated; and another annotated slide by the same title, also undated.
[87] ORHA/CPA Historian interview with Gary Vogler, Senior Advisor to the Ministry of Oil, June 18, 2003.
[88] ORHA/CPA Historian interview with Lt. Col. Joseph Morgan, JTF-4 Chief of Public Works, August 12, 2003.
[89] Michael Mobbs left ORHA shortly after its arrival in Baghdad. SIGIR conversations with Gordon Rudd, ORHA/CPA Historian, Summer 2007.
[90] Lt. Gen. Garner notes that Iraqis and the military were cooperative, and that the coordination between Washington and ORHA was most problematic. SIGIR and ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, October 27, 2008.
[91] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008; and Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008), 421.
[92] Gen. Tommy R. Franks, "Freedom Message to the Iraqi People," April 16, 2003.

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[93] Feith claims to be the originator of the term CPA. SIGIR interview with Douglas Feith, Under Secretary of Defense for Policy, December 17, 2004. For Bremer's own account of his selection, see: L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006).
[94] Garner notes that he asked Rumsfeld to consider delaying Bremer's arrival until July 1, 2003, by which time he felt he could prepare for a transition. Rumsfeld disagreed. SIGIR interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, April 1, 2006; and SIGIR and ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, October 27, 2008.

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[96] CPA Orders 1 and 2 greatly impacted the security forces as the Army was disbanded and many others loyal to Saddam deserted. The Iraqi Army post-invasion did not exist. The numbers available for the Iraq Security Force only includes the Iraqi Police. CPA Order Number 1, "De-Ba'athification of Iraqi Society," May 16, 2003; and CPA Order Number 2, "Dissolution of Entities," May 16, 2003.
[97] The exact number of civilian contractor deaths are unknown and only include those which have been reported to the Department of Labor and the Iraq Coalition Casualty Count. This probably underestimates civilian casualties.
[98] International Monetary Fund, "Iraq: Statistical Appendix," August 2007
[99] DoD, *Iraq Status Update*, August 28, 2003, 14.
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Chapter 6

THE SUDDEN ADVENT OF THE CPA

But the President's instructions to me…when I had lunch with him alone on May 6th, were that we're going to take our time to get it right…The President had effectively, though perhaps not formally, changed his position on the question of a short or long occupation, having before the war been in favor of a short occupation. By the time I came in, that was gone.

- Ambassador L. Paul Bremer III,
CPA Administrator (2003-2004)[*]

Ambassador L. Paul Bremer III landed in Baghdad on May 12, 2003, less than two weeks after President Bush appointed him Presidential Envoy to Iraq and designated him to lead the newly-created Coalition Provisional Authority (CPA). Just under a month had passed since the first members of ORHA had settled into Saddam's Republican Palace. Bremer's arrival marked a major change in U.S. policy on Iraq.

The new envoy, then 62 years old, possessed a reputation as a diligent, intelligent public servant, having had a long career in the State Department, followed by distinguished service in the private and public sectors.[1] But the choice of Bremer raised some eyebrows, for neither his Foreign Service background nor his private-sector work included experience in post-conflict peacekeeping, contingency operations, or reconstruction. He had never participated in a joint civilian-military operation, had little experience in international development, had never served in the Middle East, and did not speak Arabic.[2]

Ambassador Bremer was first contacted about leading the CPA in early April 2003, before Jay Garner had even arrived in Baghdad. The Vice President's Chief of Staff, Lewis "Scooter" Libby, called Bremer, asking whether he would consider leaving the private sector to serve in Iraq.[3] Meetings at the Pentagon soon followed, and, by mid-April 2003, Bremer was already preparing to become the Administrator of the newly-created CPA. All of this occurred just as Jay Garner was beginning to establish ORHA in Baghdad.[4]

When the President appointed Ambassador Bremer, he directed him to "oversee Coalition reconstruction efforts and the process by which the Iraqi people build the institutions and governing structures that will guide their future."[5] Subsequently, in a May 13, 2003, memo, Secretary Rumsfeld told Bremer that he, as Administrator of the CPA, would be "responsible for

[*] SIGIR interview with L. Paul Bremer III, former CPA Administrator, March 18, 2008.

the temporary governance of Iraq." Rumsfeld's memo directed Ambassador Bremer to "oversee, direct and coordinate all executive, legislative, and judicial functions necessary to carry out this responsibility, including humanitarian relief and reconstruction and assisting in the formation of an Iraqi interim authority."[6]

Bremer was more than an envoy—he was now effectively the viceroy of a country slipping quickly into chaos. He took charge of a country in political and economic crisis: no government, no electricity, and no functioning security forces. Not a single drop of oil flowed to export spigots in May 2003. He and his staff struggled to restart virtually every aspect of Iraqi life, from reopening ministries to paying government salaries, from restoring essential services to providing health care, collecting garbage, and cleaning sewage from the streets.

Soon after its creation, CPA subsumed ORHA, with CPA continuing under the authority of the Department of Defense and Ambassador Bremer reporting to the President through Secretary Rumsfeld. Rumsfeld ordered CENTCOM to "directly support the Coalition Provisional Authority by deterring hostilities; maintaining Iraq's territorial integrity and security; searching for, securing and destroying weapons of mass destruction; and assisting in carrying out U.S. policy generally."[7] Despite this order, unity of effort proved elusive because Bremer and Franks reported separately and directly to Rumsfeld, short-circuiting any effort to provide unity of command in Iraq.

Armed with the President's policy guidance to "take the time necessary" to set Iraq on the path to democracy, Bremer began to implement a course change that he believed reflected the guidance he had received. This change would lead to a more-extended occupation under CPA than the Pentagon wanted as well as a much more ambitious relief and reconstruction program than pre-war policymakers had anticipated.[8]

The original strategy for Iraq—approved by the President on March 10, 2003—assumed that Iraq's governing institutions would survive the invasion and remain sufficiently intact to continue administering the country and providing essential services. Bremer's assessment when he arrived in Baghdad was that the government had no capacity to run the country. Nevertheless, at that moment, Garner and Presidential Envoy Zalmay Khalilzad, in accord with the Afghan model, continued to pursue the approved March 10 plan to transfer power rapidly to an interim Iraqi authority. Bremer stopped that initiative shortly after his arrival in Iraq.

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CENTCOM slowly grasped the change of policy revealed by the creation and empowerment of the CPA as an occupation authority. As Bremer strengthened his grip and grew the reconstruction mission, the U.S. military began to review its plans for a rapid withdrawal of troops. General Franks had issued orders in April—pursuant to approved prewar plans—to move much of the initial invasion force out of Iraq by July 2003. His plans anticipated a U.S. military presence in Iraq of "fewer than 30,000 troops by the first of August."[9] Forces withdrawn that late spring and early summer included U.S. Army Engineer units that could have played significant roles in Bremer's budding reconstruction mission. The loss of these units, caused by policy disconnects and command shortcomings, hampered the Coalition's capacity to carry out quick-impact reconstruction projects.[10]

By May 1, 2003, CENTCOM had dismantled its forward command-and-control center in Qatar. Lt. Gen. David McKiernan, until then the commander of only the ground forces in Iraq, became the overall commander of all Coalition forces in the country. Two weeks later, the Defense Department announced that McKiernan's organization would leave Iraq and that his large headquarters would be replaced by a much-smaller Combined Joint Task Force 7 (CJTF-7), led by newly-promoted Lt. Gen. Ricardo Sanchez.[11]

Within days of his arrival in Baghdad, Ambassador Bremer issued three directives that would have profound short- and long-term effects on the reconstruction effort. Most notably, these directives had the unintentional consequence of alienating certain segments of the Iraqi population—civilian and security leadership—and depriving the CPA of Iraqi technical and military expertise that could have helped to stabilize and rebuild the country. The first directive established the CPA as an occupying authority. The second banned certain Ba'ath Party members from public service. The third dissolved Iraq's military and other security forces.

From Liberation to Occupation: CPA Regulation Number 1

On May 16, 2003, Ambassador Bremer signed CPA Regulation Number 1, establishing CPA's responsibilities under international law, effectively making it the occupying authority of Iraq.[12] Regulation 1 provided that the CPA "shall exercise powers of government temporarily in order to provide for the effective administration of Iraq" for a transitional period:

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> to restore conditions of security and stability, to create conditions in which the Iraqi people can freely determine their own political future, including by advancing efforts to restore and establish national and local institutions for representative governance and facilitating economic recovery and sustainable reconstruction and development.[13]

The order further vested the CPA with "all executive, legislative and judicial authority necessary to achieve its objectives, to be exercised under relevant U.N. Security Council Resolutions…and the laws and usages of war." Iraqi law would be maintained unless it was "suspended or replaced by the CPA."[14]

This new regulation provided no timeline for transferring sovereignty to the Iraqis; and no one in the U.S. government publicly stated how long the CPA would govern Iraq. In congressional testimony on May 15, 2003, Under Secretary of Defense Douglas Feith said that, in addition to eliminating Iraq's weapons of mass destruction and its terrorist infrastructure, the U.S. intended to "reconstruct the economic and political systems" and put Iraq "on a path to become a prosperous and free country." He paradoxically observed: "[w]e are pursuing these goals with a two-part determination: a commitment to stay and a commitment to leave."[15]

According to Ambassador Bremer, the decision not to return sovereignty immediately to Iraqis was made before he was hired. Following what he perceived as accepted policy, Bremer developed a process for political transition that diverged significantly from Garner's and Khalilzad's.[16] Bremer determined that a rapid transfer of power was impossible because there were "no Iraqi political leaders inside the country commanding a significant following to whom we could hand over power."[17] But some in the Pentagon found Bremer's new course unexpected, although Bremer maintains he was in daily contact with Secretary Rumsfeld and made no major CPA decisions without approval from Washington.[18] Secretary Rumsfeld says that he expected Bremer to execute the Presidentially-approved March 10 plan to transfer power to an Interim Iraqi Authority as soon as possible. Rumsfeld understood that the Interim Iraqi Authority "would evolve over a period of months, as sovereign control over some of the various ministries in Iraq was to be passed from the Coalition to the Iraqis."[19]

The significant shift in U.S. policy that Bremer implemented—from a quick transition to an occupation—surprised many Iraqis, who, according to senior exile leader Ali Allawi, were "completely flabbergasted." Allawi, who would later serve as both Minister of Trade and

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Minister of Defense in Iraq, was shocked that "within the space of a few days, the entire process that was to lead to a provisional Iraqi government had been abruptly stopped, and then upended."[20] The change raised suspicions among Iraq's indigenous tribal, political, and religious leadership, who chafed at the idea of an occupation by foreigners, after suffering under Saddam's dictatorship for nearly four decades.

On May 22, 2003, the United Nations approved UN Security Council Resolution 1483, effectively blessing the CPA as the occupation authority of Iraq. The new resolution, introduced by the United States, recognized the CPA's authority to rule Iraq, directed it to work to "promote the welfare of the Iraqi people through the effective administration of the territory," and advised it to "comply fully" with its obligations under international law.[21]

De-Ba'athification of Iraqi Society: CPA Order Number 1

On May 16, 2003—the same day he signed CPA Regulation Number 1—Bremer issued an order designed to strip certain former members of Saddam's Ba'ath Party of any present or future political influence in Iraq. General Franks had already done away with the Ba'ath Party in his "Freedom Message" on April 16, declaring it "disestablished."[22] CPA Order Number One, conceived in Washington and promulgated with little Iraqi involvement or Coalition consultation, formally eliminated all Ba'ath Party structures and banned "Senior Party Members"—those in the top four ranks of the party—from serving in the Iraqi public sector. All were to be evaluated for criminal conduct and, where appropriate, investigated, detained, or arrested.[23] The order further provided for the immediate dismissal of anyone in the top three layers of management in any government institution (including ministries, state-owned enterprises, universities, and hospitals) if found to be a "full member" of the Ba'ath party. [24] Given the fact that the vast majority of senior officials in Saddam Hussein's regime were Ba'ath party members, the order effectively removed most senior leaders in Iraq's government. Moreover, the order's implementation severely depleted the lower levels of the bureaucracy—from engineers and physicians to school teachers.

Estimates of membership in the Ba'ath Party, which was organized in a multi-tiered hierarchy, ranged up to two million.[25] Before the war began, Pentagon planners debated the delicate trade-off between the need to eliminate the Ba'ath Party and the need to retain an

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effective administrative bureaucracy in post-war Iraq. The consensus favored removing the most senior members of the Ba'ath party from government office, but no one defined what exactly constituted the most senior ranks.[26] Ambassador Bremer viewed party members down to the fourth rung of the party ladder as "loyalists who, by virtue of their positions of power in the regime, had been active instruments of Saddam's repression."[27] The intelligence community estimated the order would affect "only about one percent of all party members or approximately 20,000 people, overwhelmingly Sunni Arabs."[28]

On May 25, 2003, Bremer signed CPA Order Number 5, creating an Iraqi De-Ba'athification Council to "investigate, and gather information" on "the extent, nature, location and current status of all Iraqi Ba'ath Party property and assets" as well as "the identity and whereabouts of Iraqi Ba'ath Party officials and members involved in human rights violations and exploitation of the Iraqi people." This council, composed entirely of Iraqis, was to advise the CPA Administrator on ways to identify and classify Ba'ath Party members, eliminate Ba'ath Party Structures, and reclaim Ba'ath Party assets. Importantly, it also was to advise Bremer about those who should be exempted from the de-Ba'athification order.[29] The CPA gave the council responsibility for de-Ba'athification, but "did not provide enough authority, resources, or oversight for them to manage the process."[30] The CPA turned the de-Ba'athification process over to the Iraqi Governing Council in November 2003.[31] The Supreme National De-Ba'athification Commission replaced the Iraqi De-Ba'athification Council, with Ahmed Chalabi, the Shi'a expatriate politician, as chairman.[32]

Although most Iraqis agree that some de-Ba'athification was necessary, many argue that Bremer's order went too far. Nazar Janabi, the Director General for Defense Policy and Requirements in Iraq's Ministry of Defense from 2004 to 2006, believes only the top three levels of the Ba'ath party enjoyed significant financial and political benefits. He said the order would have had a far "less disenfranchising impact" if it had been restricted to just the top three echelons (rather than down to the fourth rung).[33]

The de-Ba'athification order went beyond what President Bush had approved on March 10, 2003, when the National Security Council's Frank Miller had briefed him on the de-Ba'athification policy. The President had then determined that "we ought to remove what we understood to be the top layer" of the Ba'ath party (although no further definition was given to what "the top layer" comprised). Miller believed that "the Ba'athist regime ought to [have been]

dealt with in truth and reconciliation panels. Membership in the Ba'ath Party ought not to [have been] an immediate disqualification for office."[34]

Some senior U.S. officials opposed the de-Ba'athification order at the time it was issued, arguing that it would strip Iraq's governance institutions of senior management and thus jeopardize the Coalition's primary goal to stabilize the country. Jay Garner and the CIA station chief in Baghdad urged Bremer to modify the order, believing the policy would needlessly create enemies for the Coalition in the short term and undercut national reconciliation in the longer term.[35] Bremer refused, saying he had his instructions from Washington.[36]

The consequences of the de-Ba'athification order quickly became clear as it decimated the ranks of Iraq's bureaucracy and limited the capacity of Iraqi ministries to contribute to the reconstruction of their own country. "The impact of this de-Ba'athification order was devastating," said Lt. Gen. Sanchez, Commander of Coalition forces in Iraq at the time. "Essentially, it eliminated the entire government and civic capacity of the nation. Organizations involving justice, defense, interior, communications, schools, universities, and hospitals were all either completely shut down or severely crippled, because anybody with any experience was now out of a job."[37]

Some of Iraq's Sunnis equated the order with a "de-Sunnification" of the government. Samir Sumaidaie, a Sunni who became a member of the Iraqi Governing Council and Iraq's first Minister of Interior, criticized it for focusing on removing people rather than getting rid of an outmoded ideology. "The whole thing was applied in a very negative way," he said. "It was far too wide-ranging, and as a result, created a backlash. There were a lot of people who were just ordinary people who [joined the party simply because they] wanted to survive."[38]

Disbanding the Army: CPA Order Number 2

One week after issuing the de-Ba'athification order, Ambassador Bremer handed down another momentous and equally troubling order that also had unanticipated negative consequences. CPA Order Number 2, titled "Dissolution of Entities," abolished seven institutions: the Ministry of Defense, the Ministry of Information, the Ministry of State for Military Affairs, the Iraqi Intelligence Service, the National Security Bureau, the Directorate of National Security, and the Special Security Organization.

The order put every member of Iraq's Army, Air Force, Navy, and Air Defense Force, as well as the Republican Guard, the Special Republican Guard, the Directorate of Military Intelligence, and the Emergency Forces—some 500,000 men—immediately out of work. Although troops in the lower ranks could receive a termination payment decided by the CPA administrator, no soldier with the rank of colonel or above could receive a pension or termination payment.[39] The genesis of this order, which led to disorder and significant long-term problems, has been the subject of dispute.Bremer's order surprised some interagency policymakers in Washington. The National Security Council had not vetted the decision and the NSC's Iraq Coordinator, Frank Miller, said that the President had expected the army to remain because the Coalition could not "afford to put 300,000 men with guns in their hands on the street."[40] Neither National Security Advisor Condoleezza Rice nor Secretary Powell had been fully briefed on the order before its issuance. Secretary Powell first learned of it at a May 22, 2003, NSC principals' meeting at which Bremer, via secure video-teleconference from Iraq, announced his intent to issue the order the following day.[41] Ambassador Bremer maintains that the order was drafted by the Office of the Secretary of Defense and circulated to senior military leaders, including the Chairman of the Joint Chiefs of Staff.[42] Under Secretary Feith later acknowledged that it was an error in judgment not to have discussed disbanding the army with senior-level officials of other agencies before formally approving the issuance of the order. But he maintains that it was the right decision because the Iraqi army, which was top heavy with generals, had been an instrument of oppression in Iraq, and thus was not widely respected.[43]

Bremer's senior advisor for the Ministry of Defense, Walt Slocombe, stated that the order merely reflected facts on the ground, because the Iraqi military forces had essentially disbanded themselves in the wake of the invasion. Moreover, the Kurdish and Shi'a leaders made it clear they would not accept a reconstituted version of Saddam's army.[44]

Key U.S. generals on the ground in Iraq strongly opposed Bremer's order. CENTCOM's Phase IV plans—reflecting the President's March 10, 2003 decision—anticipated using the Iraqi army to help stabilize the country and start the reconstruction process. Before the invasion, the military had dropped leaflets across Iraq urging soldiers not to fight and promising no reprisals against those who laid down their arms. Many U.S. commanders disagreed with the CPA's assertion that the army had "dissolved." The Iraqi soldiers had gone home, but had not

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disappeared. In each region across the country, U.S. brigade commanders had contacted Iraqi military leaders and, through them, had begun reconstituting units.[45]

To replace the disbanded force, Bremer and Slocombe proposed creating a small Iraqi Army of volunteers.[46] The CPA would train about 40,000 Iraqi soldiers, divided into three light infantry divisions, over the next two-and-a-half years. The first division would be ready for deployment in the fall of 2004, the second division in the fall of 2005 and the third in early 2006.[47] While the "New Iraqi Army," as it was to be called, could draw on carefully-vetted officers from Saddam Hussein's old force, it would exclude the top ranks of the Ba'ath Party and the inner circle of the old security forces.[48]

At the time that Ambassador Bremer ordered the dissolution of the Iraqi military, neither he nor anyone else had made plans or committed resources for developing the new army. CENTCOM and Lt. Gen. Sanchez soon concluded that the process outlined by Slocombe was too slow and would not produce a viable army because it did not provide an integrated program to train senior leadership or develop organizational structures above the battalion level.[49] Ironically, five years later, facing a military leadership shortage, the U.S. engineered an aggressive program to recruit former non-commissioned officers from the old Iraqi army.[50]

Leading Iraqis disagreed with the CPA's assessment of Iraq's army. Ali Allawi said Iraqi attitudes toward the army were far more complicated than Americans understood and varied from region to region. While the police and other internal security forces were "detested," the armed forces "generated considerable sympathy and respect throughout Iraq." According to Allawi, the public at large saw the army "as an integral part of the identity of the state of Iraq," and it was difficult "even for the Shi'a to accept a wholesale dissolution of the armed forces and to leave the country bereft of an army."[51]

Laith Kubba—one of the founding members of the Iraqi National Congress, an advisor to the Future of Iraq Project, and later a spokesman for the Iraqi government—said Bremer's early orders made it much more difficult to promote reconciliation and rebuild the country. "The measure to dissolve the Iraqi army was not a smart one," he said. "I thought the measure suddenly to announce that all Ba'ath Party members are suspects and have no future in Iraq was a bad one." According to Kubba, the goal should not have been to "settle scores," but rather to help Iraq make a transition from the oppressive rule of Saddam Hussein to democratic governance. "Now if that means you need to utilize some of the people who were in the

bureaucracy, in the army, in the regime, and if they're vital and crucial to make that transition, then you take them on board." He added, "Alienating large numbers of people…was not a smart move."[52]

Within days of the announcement of the "Dissolution of Entities," crowds of former soldiers gathered at the CPA's gates in Baghdad and outside U.S. military compounds across the country, demanding the restoration of their salaries and pensions. In Mosul, where Major General David H. Petraeus was commanding the 101st Airborne Division, disbanded military members demonstrated for several days in front of the city hall. Iraqi policemen shot and killed one of the protestors and wounded three others, sparking a riot. Over the next two days, eighteen of Petraeus's soldiers were wounded and two Humvees were burned. Riots in Baghdad and elsewhere claimed American and Iraqi lives. Ten days later, Bremer abruptly modified the policy, announcing that the CPA would pay salaries and pensions to members of the disbanded army.[53]

General Petraeus later said that the order to disband the army sparked an anti-coalition sentiment that fueled the nascent insurgency in Iraq, igniting nationalist impulses against "the occupiers" and creating "tens of thousands, if not hundreds of thousands, of additional enemies of the Coalition."[54]

Bremer's orders to purge the Ba'ath party from government institutions and to disband the military severely impeded all of the CPA's efforts. Although both the government and the military needed reform, Bremer failed to anticipate the enormous negative consequences of the orders. Restarting ministries and other government institutions became more difficult as CPA advisors pushed to implement plans with few senior Iraqi civil servants to help them. The disappearance of Iraq's security forces created a vacuum that looters, criminal gangs, and saboteurs filled with virtual impunity. The rule of law evaporated in the heat of unbridled chaos.Because the U.S. government had not adequately planned for so large a mission, the CPA lacked the organizational structure, the personnel, and the money needed to administer and rebuild a completely broken Iraq. Bremer needed a professional cadre of administrators, engineers, subject-matter experts, and program managers to help him—but he had none. Iraqis might have assisted—and some did—but Bremer's de-Ba'athification policy and the dissolution of the army reduced the pool of potential Iraqis that could have helped him. Ambassador Bremer could issue orders, but he had neither the people nor the money to translate them into action.

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[1] CPA, "Biography: Ambassador L. Paul Bremer," undated; and L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon and Schuster, 2006), 3-5, About the Authors.
[2] Peter W. Galbraith, *The End of Iraq: How American Incompetence Created a War Without End,* (New York: Simon and Schuster, 2007), 118.
[3] L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon and Schuster, 2006), 6.
[4] L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon and Schuster, 2006), 11-12.
[5] White House Press Release, "President Names Envoy to Iraq," May 6, 2003.
[6] Donald Rumsfeld, Secretary of Defense, memorandum to L. Paul Bremer, Presidential Envoy to Iraq, "Designation as Administrator of the Coalition Provisional Authority," May 13, 2003.
[7] Donald Rumsfeld, Secretary of Defense, memorandum to L. Paul Bremer, Presidential Envoy to Iraq, "Designation as Administrator of the Coalition Provisional Authority," May 13, 2003.
[8] The President's statement to "take the time necessary" comes from Ambassador L. Paul Bremer, written comments to SIGIR, October 21, 2008. Other points in the paragraph come from SIGIR interview with L. Paul Bremer III, former CPA Administrator, July 11, 2008; and L. Paul Bremer III, "Facts for Feith: CPA History," *National Review*, March 19, 2008.
[9] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 168.
[10] SIGIR interview with Maj. Gen. William H. McCoy, former Commander of USACE-GRD, June 5, 2008.
[11] Maj. Gen. Sanchez had been nominated for appointment to the grade of Lieutenant General on May 5, 2003. His appointment was for the command of V Corps in Europe. DoD Press Release, "Flag and General Officer Announcements," May 5, 2003. A Corps headquarters, which would be the basis for CJTF-7, is much smaller and more tactically oriented than an Army headquarters, which was the basis for CFLCC.
[12] Two international laws—The 1907 Hague Regulation and the Geneva Conventions of 1949—pertain to occupations. Article 42 of the 1907 Hague Regulations states that a "territory is considered occupied when it is actually placed under the authority of the hostile army. The occupation extends only to the territory where such authority has been established and can be exercised." According to their common Article 2, the four Geneva Conventions of 1949 apply to any territory occupied during international hostilities. They also apply in situations where the occupation of state territory meets with no armed resistance.
[13] CPA Regulation Number 1, "The Coalition Provisional Authority," May 16, 2003.
[14] CPA Regulation Number 1, May 16, 2003.
[15] Douglas Feith, Under Secretary of Defense for Policy, Testimony before the House Committee on International Relations, May 15, 2003.
[16] SIGIR interview with L. Paul Bremer III, former CPA Administrator, July 11, 2008; and L. Paul Bremer III, "Facts for Feith: CPA History," *National Review*, March 19, 2008. For a discussion of how the Pentagon viewed Ambassador Bremer's communications, see: Douglas Feith, *War and Decision: Inside the Pentagon at the Dawn of the War on Terror* (New York: HarperCollins, 2008); and SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008.
[17] L. Paul Bremer III, "Facts for Feith: CPA History," *National Review*, March 19, 2008. For Ambassador Bremer's views before coming to Iraq, see: L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 12.
[18] SIGIR interview with L. Paul Bremer III, former CPA Administrator, July 11, 2008.
[19] Donald Rumsfeld, former Secretary of Defense, written comments to SIGIR, November 5, 2008.
[20] Ali A. Allawi, *The Occupation of Iraq: Winning the War, Losing the Peace* (New Haven, CT: Yale University Press, 2007), 105.
[21] United Nations Security Council Resolution 1483, May 22, 2003; and L. Elaine Halchin, Congressional Research Service Report RL32370, "The Coalition Provisional Authority (CPA): Origin, Characteristics, and Institutional Authorities," updated September 21, 2006.
[22] Gen. Tommy R. Franks, "Freedom Message to the Iraqi People," April 16, 2003.
[23] "Senior Party Members" were Regional Command Members, Branch Members, Section Members, and Group Members. CPA Order Number 1, "De-Ba'athification of Iraqi Society," May 16, 2003.
[24] More junior ranks included Member and Active Member. CPA Order Number 1, May 16, 2003.
[25] Sharon Otterman, "IRAQ: De-ba'athification," *Council on Foreign Relations*, April 7, 2005.

[26] ORHA/CPA Historian interview with J. Scott Carpenter, Governance Director of the CPA, June 18, 2004.
[27] L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 40.
[28] L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 40.
[29] CPA Order Number 5, "Establishment of the Iraqi De-Ba'athification Council," May 25, 2003.
[30] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 185.
[31] CPA Memorandum Number 7, "Delegation of Authority Under De-Ba'athification Order No. 1," November 4, 2003.
[32] Sharon Otterman, "IRAQ: De-Ba'athification," *Council on Foreign Relations*, April 7, 2005.
[33] SIGIR interview with Nazar Janabi, former Director General, Ministry of Defense, July 2, 2008.
[34] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, February 4, 2008.
[35] ORHA/CPA Historian interviews with Lt. Gen. (Ret.) Jay Garner, Director of ORHA; Robin Raphel, Coordinator for Civil Administration; David Nummy, Senior Advisor to the Ministry of Finance; Gary Vogler, Senior Advisor to the Ministry of Oil; and Maj. Gen. David Petraeus, Commander of the 101st Airborne Division .
[36] ORHA/CPA Historian interview with Lt. Gen. (Ret.) Jay Garner, former Director of ORHA, September 14-15, 2005.
[37] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 184.
[38] SIGIR interview with Samir Sumaida'ie, Iraqi Ambassador to the United States, March 11, 2008.
[39] CPA Order Number 2, "Dissolution of Entities," May 23, 2003.
[40] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, February 4, 2008.
[41] SIGIR interview with Gen. (Ret.) Colin Powell, former Secretary of State, February 4, 2008.
[42] SIGIR interview with L. Paul Bremer III, former CPA Administrator, March 18, 2008.
[43] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 21, 2008.
[44] ORHA/CPA Historian interview with Meghan O'Sullivan, CPA Governance Team Member, December 29, 2003.
[45] SIGIR interview with Lt. Gen. David McKiernan, former Commander of Coalition Forces Land Component Command, December 5, 2006; SIGIR interview with Lt. Gen. (Ret.) Ricardo Sanchez, former CJTF-7 Commander, October 26, 2007; and ORHA/CPA Historian interview with Maj. Gen. David Petraeus, Commander of the 101st Airborne Division, July 28, 2003.
[46] L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 55.
[47] Lt. General Ricardo Sanchez, former CJTF-7 Commander, written comments to SIGIR, October 26, 2008.
[48] ORHA/CPA Historian interview with Walter B. Slocombe, Senior Advisor for Defense and Security Affairs, July 18, 2003.
[49] Lt. General Ricardo Sanchez, former CJTF-7 Commander, written comments to SIGIR, October 26, 2008.
[50] Spc. Emily J. Wilsoncroft, "Marne Soldiers Gear Up to Build Iraqi Army's 'Backbone,'" DoD Press Release, January 4, 2008; and DoD, *Measuring Security and Stability in Iraq*, September 2008, 49-50.
[51] Ali A. Allawi, *The Occupation of Iraq: Winning the War, Losing the Peace* (New Haven, CT: Yale University Press, 2007), 157.
[52] Public Broadcasting Service, "Interview with Laith Kubba," *FRONTLINE*, September 11, 2003.
[53] Kirsten Lundberg, "The Accidental Statesman: General Petraeus and the City of Mosul, Iraq," *Kennedy School of Government Case Program*, 2006, 41.
[54] ORHA/CPA Historian interview with Maj. Gen. David Petraeus, Commander of the 101st Airborne Division, July 28, 2003.

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Chapter 7

CPA's RESOURCE SHORTFALLS

Guys, in a nutshell, it's not that we didn't plan. The problem is that we planned for the wrong contingency.

- Ambassador L. Paul Bremer III,
CPA Administrator (2003-2004)[1*]

The U.S. government was not prepared to provide the personnel and money necessary for supporting the CPA's extensive occupation and major rebuilding effort in Iraq. Thus, throughout its fourteen-month tenure, the CPA struggled to develop and retain the capabilities and capacities needed to achieve evolving U.S. policy objectives.[1]

Funding for Iraq reconstruction came from an initial tranche of supplemental U.S. appropriations and from Iraqi money. In April 2003, the Congress approved $2.4 billion for the newly-created Iraq Relief and Reconstruction Fund (IRRF 1). The Office of Management and Budget (OMB) apportioned this money among five implementing agencies, with USAID receiving over 70 percent.[2] Ambassador Bremer ultimately had little influence over how IRRF 1 was spent because—by the time Bremer arrived in Baghdad—USAID had already obligated most of the funds through major contracts.[3]

By contrast, Bremer had far more control over Iraqi money, which came from three sources: vested Iraqi funds that had been frozen by executive order in U.S. bank accounts; seized funds, comprising money recovered in Iraq by Coalition forces; and Iraq oil and gas revenues, previously controlled by the UN under the Oil-for-Food program. Taken together, this money would total more than $20 billion by the end of the CPA's tenure.[4]

U.S. Funding Challenges

The Congress in April 2003 directed that IRRF 1 be used to pay for "necessary expenses for humanitarian assistance" and for "rehabilitation and reconstruction in Iraq," identifying twelve humanitarian and reconstruction sectors for fund use.[5] The Office of Management and Budget apportioned the money as follows.[6]

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[*] L. Paul Bremer III, *My Year in Iraq, The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 26.

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Table 7.1 Breakdown of IRRF Funds by Agency
U.S. Millions $

Source	Agency	Apportioned
IRRF	USAID	$1,820.3
	Department of Defense	$518.3
	Department of State	$125.4
	Department of the Treasury	$6.0
	US Trade &Development Agency	$5.0
	total	$2,475.0

Source: Data as of September 30, 2004. CPA-IG, *Quarterly Report to the United States Congress*, October 2004, 55.

USAID received $1.8 billion or nearly three-fourths of IRRF 1.[7] The agency had initiated contracting with IRRF 1 funds in early 2003, and by the first part of May, USAID had awarded twelve IRRF 1 contracts, obligating about $1.5 billion, and dividing contract focus between "hard" projects to restore infrastructure and "soft" programs to support health, education, agriculture, and economic reform initiatives. Bechtel received the largest single contract—amounting to $680 million—chiefly for hard projects.[8]

After the March 2003 invasion, USAID established offices across Iraq and by mid-summer the agency had 30 open, staffed by over 400 people, in fifteen of Iraq's eighteen provinces. Reflecting USAID's transformation over the previous fifteen years into an agency reliant on contractors, only about a dozen of the agency's government personnel were part of this contingent.[9]

Iraqi Funds

In May 2003, the U.S. government, the Coalition, and the United Nations took steps to give CPA access to Iraqi funds. Thanks to an executive order issued on the eve of the invasion of Iraq, Ambassador Bremer could draw on $1.7 billion in "vested" Iraqi assets held in U.S. banks for relief and reconstruction projects.[10] During the invasion, the U.S. seized about $900 million from various locations across Iraq, finding much of it in Saddam's palaces. Bremer used these funds to support relief projects carried out by military units—an innovation that would later

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be designated the Commander's Emergency Response Program. Vested and seized Iraqi funds could not cover the mounting costs of administering and rebuilding Iraq. For that, the CPA depended on proceeds from Iraqi oil sales, which were then still held in trust by the United Nations under the Oil-for-Food Program.

The Development Fund for Iraq

On May 22, 2003, the United Nations Security Council authorized the CPA to use Iraq's oil and gas income to govern and rebuild Iraq. UN Security Council Resolution 1483 (UNSCR 1483) created the Development Fund for Iraq (DFI) as the new repository for revenues from Iraq's oil and gas sales (see Appendix A).[11] UNSCR 1483 required the deposit of 95 percent of oil and gas proceeds into a DFI account at the Federal Reserve Bank of New York. The CPA could draw from this account to pay for "the economic reconstruction and repair of Iraq's infrastructure, for the continued disarmament of Iraq, for the costs of Iraqi civilian administration, and for other purposes benefiting the people of Iraq." The remaining five percent of the revenues went into the UN's Compensation Fund for the victims of Saddam Hussein's 1990 invasion of Kuwait.[12]

UNSCR 1483 also created the International Advisory and Monitoring Board (IAMB) to provide oversight of the DFI and to ensure that the CPA used Iraqi revenues for the benefit of Iraqis. The IAMB membership included representatives from the United Nations, the World Bank, the International Monetary Fund, and the Arab Fund for Social and Economic Development. Notwithstanding the importance of the IAMB's mission, the UN failed to appoint its members until October 24, 2003, and the board did not have its first meeting until December 5, 2003, over six months after the CPA started using the DFI to pay for projects in Iraq.[13]

At the end of May 2003, the UN transferred the first billion dollars into the DFI account "to provide for immediate reconstruction needs" and the CPA started using it to pay Iraqi governmental salaries and pensions and to finance initial reconstruction projects.[14] The CPA established a Requirement Review Board (RRB) to manage the DFI, and the RRB quickly started approving projects. The first Iraq reconstruction projects ranged from a $600 water pump to a $4 million radio system for the railroads.[15] "For lack of a better [term]," noted Ambassador James Warlick, the CPA's point man on the Oil-for-Food Program, the DFI became CPA's "bank account" for Iraq.[16]

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On June 15, 2003, the CPA issued two regulations governing the DFI.[17] CPA Regulation Number 2 gave Ambassador Bremer complete control of the "administration and use of the Fund for and on behalf of the Iraqi people" and provided that he alone could direct its disbursement "for those purposes he determines to be for the benefit of the people of Iraq."[18] CPA Regulation Number 3 replaced the RRB with the Program Review Board (PRB), ordering it to use the DFI in a transparent manner to meet Iraq's humanitarian needs, support the economic reconstruction, fund projects to repair Iraq's infrastructure, continue disarmament programs, and pay for the costs of the country's civilian administration.[19]

The Program Review Board

Bremer named his new director of economic policy, Peter McPherson, as chairman of the PRB.[20] Under McPherson's guidance, the PRB reviewed reconstruction project proposals and made recommendations to Bremer.[21] Bremer instructed McPherson to "promote the CPA's objective of actively involving Iraqis in the financial planning process, and transferring to the Iraqi interim administration the responsibility for budgeting Iraq's financial resources," but only one Iraqi representative was on the board.[22] The PRB was also supposed to develop a comprehensive funding plan for the "relief and reconstruction of Iraq," but it never produced such a plan.[23]

Because the CPA was deemed an "international organization," Iraqi funds under its control were not subject to the strict contracting regulations contained in the U.S. Federal Acquisition Regulation (FAR). The CPA thus developed its own rules for the expenditure of the DFI in CPA Memorandum Number 4, which detailed lengthy contracting procedures for the use of the DFI. Among other things, Memo 4 outlined the process for appointing contracting officers, described various kinds of contracts, defined the documents required for inclusion in each contract file, and established conditions for all CPA contracts. Notably, it put the CPA's Head of Contracting Activity (HCA) in charge of executing CPA contracts using the DFI.[24]

The HCA was to manage all ministerial contracting unless the CPA Administrator had certified that a ministry had established capable contracting systems "adequate to ensure the transparent use and management of Iraqi funds."[25] By the end of the CPA's tenure, only two ministries were so certified. Nonetheless, Iraqi ministries regularly engaged in contracting throughout CPA's duration, in open violation of Memo 4. U.S. and international auditors later

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raised serious questions about CPA's weak oversight of the DFI, and CPA's failure to follow its own contracting procedures.[26]

The Commander's Emergency Response Program

On June 16, 2003, Ambassador Bremer authorized the use of DFI funds for an important new program: the Commander's Emergency Response Program (CERP). CERP enabled U.S. military combat units to use Iraqi funds for small-scale reconstruction projects at the local level to meet Iraqi needs. Three days later, Lt. Gen. Ricardo Sanchez, Commander of CJTF-7, issued Fragmentary Order (FRAGO) 89 outlining the regulations governing CERP. FRAGO 89 defined eligible projects as those for "the building, repair, reconstitution, and reestablishment of the social and material infrastructure in Iraq."[27] CERP grew into a key U.S.-funded reconstruction program in Iraq, ultimately receiving over $3.5 billion in U.S. appropriations by the end of 2008.[28]

The CPA quickly expanded CERP's project spending limits and strengthened its regulations, requiring commanders to appoint trained purchasing agents to document how they expended CERP funds. The CPA's guidance permitted general officers in charge of regional commands to receive $500,000 and brigade commanders to receive $200,000. The PRB could approve additional tranches upon the depletion of these allotments.[29] CERP enabled brigade commanders to improve life in local Iraqi communities by repairing roads and bridges, rebuilding schools, providing clean water, and removing trash.[30]

Staffing Challenges

After his arrival in early May 2003, Ambassador Bremer had replaced ORHA's pillar structure, organizing CPA into political, economic, administrative, budgeting, and planning sections, which may have reflected his previous experience as an ambassador. The CPA inherited 600 ORHA staff members, far short of what it needed to manage its burgeoning relief and reconstruction program.[31]

On May 21, 2003, the Deputy Secretary of Defense moved to address one of the CPA's most serious staffing shortages. He directed the Department of the Army immediately to provide the CPA with the administrative, logistical, and contracting support required "for the

humanitarian relief and reconstruction for the people of Iraq."[32] The Army promptly opened a contracting office in the Republican Palace in Baghdad, appointing Army Colonel Anthony Bell as CPA's Head of Contracting Activity. When he arrived at the end of June 2003, Col. Bell had just three contracting officers to manage all of CPA's contracting work.[33] Although the Army initially intended for the HCA to support only the contracting for CPA headquarters, it soon became responsible for all of CPA's contracting activity across Iraq.[34]

Under pressure from Bremer to get projects launched, the HCA awarded contracts worth more than $250 million during its first two months of operation. The office—swamped by CPA's demands—needed more staff to produce effective statements of work and more lawyers to review contracting documents. Throughout the CPA's tenure, the HCA office was understaffed.[35]

At the end of 2003, the Secretary of Defense sent a team to assess the CPA's personnel situation. The team concluded that the CPA was "a pick-up organization [seeking] to design and execute the most demanding transformation in recent U.S. history."[36] A CPA Inspector General audit of the organization's personnel management system found that "CPA staffing needs changed constantly in terms of the number of required personnel," and that the CPA could not keep an accurate count of the personnel it did have.[37] Throughout its tenure, the CPA operated with about one-third fewer people than required.[38]

With no formal recruiting process in place, the CPA resorted to a "pull system" in which senior advisors determined their staffing needs on an ad hoc basis and then sent requests for personnel to the CPA's Human Resources Office in Baghdad.[39] The procedure was so slow that CPA officials in Iraq began recruiting staff directly from federal agencies and presenting them for immediate processing.[40] The CPA also suffered from high turnover in personnel. In the summer of 2003, most people came for 90-day tours, expecting the mission to end within a few months.[41] Retired Lt. Gen. Jeffrey Oster, who served as the CPA's Deputy Administrator and Chief Operating Officer during 2004, observed: "If you couldn't get somebody for 90 days, you'd take somebody for 60 days." When the CPA dissolved on June 28, 2004, there were only seven people on the staff who had served for the CPA's fourteen-month duration.[42]

In light of the prodigious personnel problems confronting CPA, the White House sent Katja Bullock, Special Assistant to the President for Presidential Personnel, to assist in developing a Joint Manning Document (JMD). Bullock promptly produced a JMD that included

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personnel needs from federal agencies, contractors, and Coalition partners. Submitted to the Joint Staff in July, the JMD called for a CPA staff of around 1200 people, which would double its size.[43] The Joint Staff filled the military slots, but ignored the civilian ones because it had no mechanism in place for forwarding personnel requests to the civilian agencies.[44] Col. Dennis DeGraff, CPA's personnel director, said that "the civilian [personnel] piece…just sat on somebody's desk in [the Office of the Secretary of Defense]."[45]

The 3161 Provision

During the latter half of the summer of 2003, it became apparent that the CPA would occupy Iraq longer than the few months the Pentagon's leadership had hoped. Meeting the personnel needs to support the occupation thus became paramount. U.S. civilian agencies failed to provide enough human resources, so the Pentagon established a new recruiting group within its White House Liaison Office to find and employ personnel for the CPA. The group used a special federal law for temporary organizations—Section 3161 in Title 5 of the United States Code—to fill CPA positions quickly. The "3161 provision" permitted the hiring of personnel without using federally-mandated position classifications and competition requirements.[46]

The recruiting group had found an efficient and effective hiring mechanism, but it did not have a pool from which candidates with the appropriate skills and experience could be drawn. Thus, many of the "3161s" they recruited had limited experience or capabilities poorly-matched to the requirements of their jobs.[47] Complicating matters, the use of the Pentagon's White House Liaison Office as the locus for senior official recruitment exposed the effort to charges of politicization. By the spring of 2004, the CPA had hired over twenty percent of its staff under the 3161 provision. Coalition partners contributed about thirteen percent and around five percent of the CPA staff was contractors. Only 149 of the CPA's 1,196 staff were detailed from the civilian agencies, with most of these from the State Department, USAID, and the U.S. Treasury. The Defense Department drew on its military assets to provide most of the rest.[48]

The civilian (non-Defense) agencies in the federal bureaucracy failed to muster more staff for Iraq because they had neither money nor the extra staff to provide surge support for a contingency operation.[49] The worsening security situation in Iraq certainly served also as a disincentive.

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Matching Skills to Jobs

The CPA's haphazard recruitment practices yielded too few people qualified for the jobs to which they were assigned. The CPA's Office of Management and Budget staff provides a case study. Retired Rear Admiral David Oliver, the first Director of CPA's Office of Management and Budget, served from June to November 2003. He requested 31 people to meet his enormous mission. When he left Baghdad in November, just four positions were filled.[50] Rodney Bent, who worked for OMB in Washington, replaced Oliver, finding that none of the staff had ever worked on a budget before being deployed to Iraq. "I had relatively young staff that was completely inexperienced and had no particular training either in the Middle East or on budget matters," said Bent. "I would think, if we're ever in this kind of situation again, that we'd want to draw on some of the professional staff that does exist" in Washington.[51]

The CPA's Office of National Security Affairs suffered similar problems. It was charged with creating a new Iraqi Ministry of Defense, setting up a stipend program for former Iraqi soldiers, demobilizing dangerous militias, and advising on national security issues. But two of the three people assigned to establish the new Ministry of Defense were missile-defense experts with no relevant experience. And the person tasked to negotiate agreements to demobilize militias was a U.S. homeland-security expert, while the Director for National Security was a former professional tennis player with very little national security experience.[52]

The Iraq Reconstruction and Development Council

To bolster its cultural awareness and outreach, the Pentagon created the Iraq Reconstruction and Development Council (IRDC) before the war started. First ORHA and then the CPA embedded 150 IRDC members as technical advisors to Iraq's ministries and provincial offices. These Iraqi exiles—most of whom were American citizens—had an ambiguous status that set them apart from their CPA colleagues as well as from Iraqi nationals.[53] Some CPA officials had concerns that certain IRDC members brought potentially troublesome political baggage with them, including ties to factions controlled by certain exile politicians.[54]

Despite many challenges, some IRDC members chalked up notable records of success. One example was Dr. Sinan Al-Shabibi, who later became the governor of the Central Bank of Iraq.[55] But the IRDC program was far from a success. There was a great deal of attrition, and, in the waning days of the CPA, only 27 IRDC members remained on CPA's roster.[56]

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A post-mortem of the IRDC effort—which cost $33 million—found that it suffered from poor planning and inadequate management.[57] The IRDC experience underscores the need for a pre-planned, well-prepared cadre of experts who grasp the culture, history, and economic foundations of a country undergoing a major relief and reconstruction operation.[58] The ad hoc creation of the IRDC proved to be no substitute for a standing corps of U.S. government employees who know the region and speak the language.

Although the United States was generally unprepared to occupy and rebuild Iraq, one agency distinguished itself. Before the invasion of Iraq, the U.S. Treasury dispatched a team that had extensive experience in international finance and reconstruction to work first with ORHA and then the CPA. Their efforts prevented the complete collapse of Iraq's economy.

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[1] Douglas Feith listed five main U.S. policy goals in his May 15, 2003, congressional testimony: (1) demonstrate the desire to liberate – not occupy – Iraq, (2) eliminate Iraq's weapons of mass destruction, (3) eliminate terrorist infrastructure, (4) safeguard Iraq's territorial integrity, and (5) reconstruct the economic and political systems to put Iraq on the path to prosperity and freedom. Douglas Feith, Under Secretary of Defense for Policy, Testimony before the House Committee on International Relations, May 15, 2003.
[2] P.L. 108-11, Emergency Wartime Supplemental Appropriations Act for Fiscal Year 2003, April 16, 2003.
[3] Most contracts were indefinite delivery-indefinite quantity (IDIQ) contracts. U.S. government agencies use IDIQ contracts when exact quantities of supplies and/or services to be obtained through the contract cannot be precisely determined. Task orders are then issued as more detail becomes available. FAR, Subpart 16.5, "Indefinite-Delivery Contracts," June 12, 2008, http://www.arnet.gov/far/current/html/Subpart%2016_5 html.
[4] This estimate includes cumulative deposits to fund Iraqi government operations and reconstruction programs. CPA-IG, *Quarterly Report to the United States Congress*, July 2004, 59-60. A smaller portion of these funds, approximately $7 billion, was allocated for relief and reconstruction projects. GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 2.
[5] P.L. 108-11, Emergency Wartime Supplemental Appropriations Act for Fiscal Year 2003, April 16, 2003.
[6] The humanitarian and reconstruction sectors established by the legislation were: (1) Water/sanitation infrastructure; (2) feeding and food distribution; (3) supporting relief efforts related to refugees, internally displaced persons, and vulnerable individuals, including assistance for families of innocent Iraqi civilians who suffer losses as a result of military operations; (4) electricity; (5) health care; (6) telecommunications; (7) economic and financial policy; (8) education; (9) transportation; (10) rule of law and governance; (11) humanitarian demining; (12) agriculture. P.L. 108-11, Emergency Wartime Supplemental Appropriations Act for Fiscal Year 2003, April 16, 2003. The Department of Health and Human Services never received any IRRF 1 funding.
[7] As a result of subsequent program guidance, USAID would ultimately have $1.62 billion of IRRF 1. Almost all of it was expended by March 2008. SIGIR, *Quarterly Report to the United States Congress*, April 2008, 42.
[8] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 32.
[9] SIGIR interview with Christopher Milligan, Deputy Director of USAID in Iraq, February 9, 2006; and ORHA/CPA Historian interview with Christopher Milligan, Deputy Director of USAID in Iraq, August 13, 2003.
[10] Joshua B. Bolten, Director of the Office of Management and Budget, Testimony before the Senate Foreign Relations Committee, July 29, 2003; and Executive Order 13290, "Confiscating and Vesting Certain Iraqi Property," March 20, 2003.
[11] United Nations Security Council Resolution 1483, May 22, 2003.
[12] United Nations Security Council Resolution 1483, May 22, 2003.
[13] United Nations Security Council Resolution 1483, May 22, 2003; International Advisory and Monitoring Board (IAMB), Press Release, "Establishment of the International Advisory and Monitoring Board," October 24, 2003; and IAMB, "Minutes of the organizational meeting held at the United Nations Headquarters, New York," December 5, 2003.
[14] United Nations Press Release, "Oil-for-Food Programme: Status of Funds 19 November 2003," November 19, 2003; DoS Fact Sheet, "UN Security Council Resolution 1483 Lifts Sanctions on Iraq; International Community Pledges Assistance for People of Iraq," May 22, 2003; and Timothy Carney, "We're Getting in Our Own Way," *Washington Post*, Op-Ed, June 22, 2003.
[15] CPA, Program Review Board Minutes, June 7, 2003.
[16] ORHA/CPA Historian interview with James D. Warlick, Consular for Oil-for-Food Program, June 13, 2004.
[17] CPA Regulation Number 2, "The Development Fund for Iraq," June 10, 2003.
[18] CPA Regulation Number 2, June 10, 2003.
[19] CPA Regulation Number 3, "Program Review Board," June 18, 2003.
[20] McPherson had taken leave from his job as president of Michigan State University to serve with the CPA. He chaired the PRB for the first two months and then turned over chairmanship to Oliver. Dave Oliver, "Restarting the Economy in Iraq," November 2003, 9.
[21] CPA Regulation Number 3, June 18, 2003.
[22] CPA Public Notice, "Managing Financial Resources for Iraq," June 18, 2003; and KPMG, "Development Fund for Iraq: Report of Factual Findings in Connection with Disbursements: For the Period from 1 January 2004 to 28 June 2004," October 14, 2004, 2.

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[23] CPA Regulation Number 3, June 18, 2003.
[24] CPA Memorandum Number 4, "Contract and Grant Procedures Applicable to Vested and Seized Iraqi Property and the Development Fund for Iraq: Implementation of Regulation Number 3, Program Review Board," August 19, 2003.
[25] CPA Memorandum Number 4, August 19, 2003.
[26] SIGIR Audit 05-004, "Oversight of Funds Provided to Iraqi Ministries through the National Budget Process," January 30, 2005, 18; KPMG, "Development Fund for Iraq Appendix: Matters Noted Involving Internal Controls and Other Operations Issues During the Audit of the Fund: For the Period to 31 December 2003," June 2004; and IAMB, Report of the International Advisory and Monitoring Board of the Development Fund for Iraq, "Covering the Period from the Establishment of the DFI on May 22, 2003 until the Dissolution of the CPA on June 28, 2004," December 14, 2004, 4.
[27] Mark S. Martins, "The Commander's Emergency Response Program," *Joint Force Quarterly* 37 (2nd Quarter 2005). Martins was deputy legal counsel to the Chairman of the Joint Chiefs of Staff at the time he wrote this article. A Fragmentary Order (FRAGO) is a change or amendment to a previous operational order.
[28] SIGIR, *Quarterly Report to the United States Congress*, October 2008, 16.
[29] Mark S. Martins, "The Commander's Emergency Response Program," *Joint Force Quarterly* 37 (2nd Quarter 2005), 48.
[30] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 88.
[31] SIGIR Lessons Learned Forum: Human Capital Management, Washington, DC, September 20, 2005, 56.
[32] ORHA was mentioned in the memorandum, but had already been subsumed by CPA by this time. The executive agency for ORHA was transferred seamlessly to CPA until ORHA officially dissolved in mid-June. SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 24.
[33] SIGIR refers to HCA as the "HCA office" when speaking of HCA as an organization and "HCA" when referring to the person in charge of the HCA office. The HCA office acted as the contracting organization for the CPA, and later for the CPA's Project Management Office (PMO) after the PMO was created in the fall of 2003. When the CPA dissolved, the HCA office continued its contracting support for the Project and Contracting Office (PCO), which took over many of the PMO's responsibilities. This distinction is noted in: SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 119.
[34] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 25.
[35] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 25-26, 48-51.
[36] DoD Personnel Assessment Team, "Report to the Secretary of Defense," February 11, 2004, 3.
[37] CPA-IG Audit 04-002, "Management of Personnel Assigned to CPA in Baghdad," June 25, 2004, 1, 3.
[38] GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 37. Other analysis suggests the CPA never had more than 55 percent of its staffing requirement. Terrence K. Kelly, Ellen E. Tunstall, Thomas S. Szayna, and Deanna Weber Prine, *Stabilization and Reconstruction Staffing: Developing U.S. Civilian Personnel Capabilities* (Santa Monica, CA: RAND Corporation, 2008).
[39] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 13-14.
[40] CPA-IG Audit 04-002, "Management of Personnel Assigned to CPA in Baghdad," June 25, 2004, 1, 4.
[41] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 29; and DoS, comments to SIGIR, October 28, 2008.
[42] SIGIR Lessons Learned Forum: Human Capital Management, Washington, DC, September 20, 2005, 73-74.
[43] SIGIR Lessons Learned Forum: Human Capital Management, Washington, DC, September 20, 2005; and ORHA/CPA Historian interview with Col. Dennis J. DeGraff, CPA Director of Personnel, June 25, 2004.
[44] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 14.
[45] ORHA/CPA Historian interview with Col. Dennis J. DeGraff, CPA Director of Personnel, June 25, 2004.
[46] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 10. According to Col. DeGraff, the U.S. government relied on the 3161 special hiring authority because most federal agencies did not respond to repeated requests for personnel. The Secretary of Defense sent letters to his cabinet-level counterparts asking them to help staff the CPA, but by late fall 2003, few had provided adequate numbers of personnel. In November 2003, the National Security Council appealed to the federal agencies for assistance, but this plea was similarly ineffective. ORHA/CPA Historian interview with Col. Dennis J. DeGraff, CPA Director of Personnel, June 25, 2004.
[47] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 21.

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[48] GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 39. The number of military and civilian staff provided to the CPA by the Defense Department varied from month to month. For example, in March 2004, the Defense Department provided 293 military and 168 civilian personnel, or 461 of the 1,196 on the CPA personnel roster. When the CPA ended, 384 of the CPA's 1,050 staff were either members of the U.S. military or civilians from the Defense Department.
[49] ORHA/CPA Historian interview with Col. Dennis J. DeGraff, CPA Director of Personnel, June 25, 2004.
[50] SIGIR Lessons Learned Forum: Human Capital Management, Washington, DC, September 20, 2005, 132.
[51] USIP interview with Rodney Bent, former OMB Director, September 14, 2004.
[52] Terrence K. Kelly, Ellen E. Tunstall, Thomas S. Szayna, and Deanna Weber Prine, *Stabilization and Reconstruction Staffing: Developing U.S. Civilian Personnel Capabilities* (Santa Monica, CA: RAND Corporation, 2008), 14.
[53] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 22; and Nora Bensahel et al., "After Saddam: Prewar Planning and the Occupation of Iraq," (Santa Monica, CA: RAND Corporation, 2008), 118, 184.
[54] Ali A. Allawi, *The Occupation of Iraq: Winning the War, Losing the Peace* (New Haven, CT: Yale University Press, 2007), 100.
[55] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 22.
[56] GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 39.
[57] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006, 22; and DoD-IG Audit D-2004-057, "Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington," March 18, 2004, 10-11, 28-29. The costs of the contract soon rose. For example, one third of the subject-matter experts demanded life insurance, and SAIC requested the use of higher labor rates than originally negotiated "because the subject matter experts required higher compensation." The value of the contract grew from $7.7 million when it was awarded on March 5, 2003, to $24.8 million by the end of November.
[58] DoS, comments to SIGIR, October 28, 2008.

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Chapter 8

TREASURY'S ECONOMIC TRIAGE

The banking system [in Iraq] was in shambles. Electronic transfer of funds, widely made to people in developed countries, was virtually non-existent, making Iraq's payment system the equivalent of a Model-T Ford.

- John B. Taylor,
Under Secretary, Treasury for International Affairs (2001-2005)[*]

When the first group of U.S. Treasury experts arrived in Baghdad in April 2003, they found Iraq's financial system and economy in ruins. Looters had ransacked the Rafidain and Rasheed banking chains and pillaged safe-deposit boxes. Just two of the 170 branches of Rafidain bank, the largest in the country, were open.[1] The Central Bank of Iraq's vault contained only $350 million in gold and waterlogged bank notes.[2] Before the war, nearly a billion dollars in foreign currency had been withdrawn from the Central Bank. Coalition forces later recovered most of this money—the "seized funds"—and used it to pay for relief and reconstruction.[3] In early May, Iraq's ministries were bankrupt, unable to pay salaries and pensions, and the country's currency was dangerously unstable.

The U.S. Treasury team worked through the spring and summer of 2003 to battle these devastating problems, shoring up Iraq's banking system, resuming civil servants payments, stabilizing the currency, and securing a moratorium on repayment of Iraq's international debts. These efforts, among the most successful and most important during the early CPA period, prevented the country's immediate financial and economic collapse. But the larger goal of transforming Iraq's statist economy into one powered by the free market would prove much more difficult.

Paying Salaries

In May 2003, the CPA began paying Iraqi salaries and pensions. To end the inequities of Saddam's pay scale system, Ambassador Bremer approved—within a week of his arrival in Baghdad—a four-tier monthly pay scale that permitted civil servants, based on their grade, to

[*] John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 200.

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receive $50, $100, $150, or $250 per month.[4] U.S. Treasury officials in Baghdad worked with the Iraqi Ministry of Finance to develop a roster of civil servants and pensioners eligible for payments. Ministry officials, who had secured payroll records when the war started, turned them over to the CPA, and the CPA's senior advisors used them to determine the employees in each ministry.[5] They then requested budgets to pay their salaries based on the new payroll grades. Some professions received instant pay raises. Teachers, for example, received $50 per month under the new system, a tenfold increase.[6]

To pay salaries, the CPA initially used part of the $1.7 billion of vested Iraqi funds that the U.S. government had frozen in the New York Federal Reserve Bank.[7] The cash was packaged, put on pallets, and flown to Baghdad for distribution. This was the first in a series of airlifts that over the next year transferred $12 billion of cash from the U.S. to Baghdad to fund the CPA's governance of Iraq.[8]

Ged Smith, the director of Treasury's Office of Technical Assistance, remembered calling the New York Federal Reserve Bank to order the first shipment of $80 million in small bills: "The guy just laughed and asked, 'How many planes do you have?'" Although smaller bills were needed to make commerce easier, Smith changed his order to $20 and $50 bills to reduce the number of pallets and planeloads necessary to transport the bulky cash.[9] CPA's senior advisors loaded bricks of cash into trucks and Chevy Suburbans, and delivered them personally to their respective ministries to pay salaries and other costs. Senior Iraqi officials distributed the money to ministry employees.[10] Over the next twelve months, the U.S. Treasury successfully air freighted 237.3 tons of cash to Iraq to pay for Iraqi government operations.[11]

Although the initial payroll system lacked the controls necessary for proper accountability, it met the urgent need to pay people, inject money into the economy, and prevent a political crisis. Treasury advisors to Iraq's Ministry of Finance and the Central Bank moved quickly to establish a more controlled payroll system. By late June 2003, they had procedures in place to pay government salaries through the Rafidain Bank, using branches that were quickly reopening across the country. By the third week in August, Rafidain Bank had 46 branches operating in Baghdad and 85 branches open outside of Baghdad.

More than 90 percent of the salary payments during the CPA period—all paid with either vested or DFI funds flown from the U.S.—went from the CPA Comptroller to the Central Bank and then out to recipients through the Rafidain Bank chain.[12] John Taylor, the Undersecretary of

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the Treasury, testifying before the Senate Foreign Relations Committee during the first week in June 2003, reported that more than 1.5 million workers and pensioners had already started receiving regular salary and emergency payments. He described the payments as an "initial financial life-line to the Iraqi people."[13]

The new pay-scale provided a life-line for many Iraqis, but it also nearly caused a revolt in some parts of the civil service, particularly at the Ministries of Oil and Electricity. "In the one-product economy that Saddam's disastrous economic policies had developed for Iraq," said Admiral Dave Oliver, CPA Director, Office of Management and Budget, "the oil workers were accustomed to being specially pampered and not reluctant to express their displeasure." Oliver came up with a new salary scale by mid-August, which "kept the oil and electrical ministries working without significant protest."[14]

The CPA's economic office worked through the summer of 2003 to devise a new government-wide equitable pay scale. In September, Bremer took a step toward rebuilding Iraq's civil service system, announcing a reform package through CPA Order Number 30. The order suspended "all existing laws, regulations, orders, or other enactments establishing salaries, Special Pay, or other monetary incentives for Public Service Employees," and created thirteen civil-service classifications, each divided into ten steps on a career ladder that mirrored the U.S. civil service. The order specified hiring and firing practices and conditions of employment, including hiring public servants without "regard to race, religion, tribal membership, gender, or regional origin." It instructed all the ministers, directors of the state-owned enterprises, and other heads of public agencies to implement the new system.[15]

~ *DFI: Flying Billions to Baghdad* ~

The Coalition Provisional Authority relied on the Development Fund for Iraq (DFI) to fund the operations of Iraq's ministries and to fund projects. Held in the Federal Reserve Bank in New York, DFI cash was flown to Baghdad in very large sums whenever CPA requested it. These shipments of DFI funds—the largest airborne transfer of currency in history—proved an enormous logistical challenge. A pallet of DFI cash had 640 bundles, with a thousand bills in each bundle. Each loaded pallet weighed about 1,500 pounds. The pallets were flown into Baghdad Airport at night and were driven to the Central Bank of Iraq for deposit.[16]

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The first emergency air-lift of money to Iraq was for $20 million in small bills: ones, fives, and twenties. The shipments rapidly grew in size. In December 2003, U.S. officials in Iraq requested and received $1.5 billion, described in an email message at the time as the largest single payout of U.S. currency in Fed history.[17] That record would be broken when more than $4 billion was flown to Iraq in June 2004 just before the transfer of sovereignty to the Interim Iraqi Government.

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Replacing the Currency

Before the war, U. S. Treasury officials had been concerned about the two different currencies in circulation in Iraq. In northern Iraq, the Kurds used the old Iraqi currency, known as the "Swiss" dinar, so named because the currency's original plates were made in Switzerland. In the south, Iraqis used the "Saddam" dinar, which bore Saddam Hussein's picture. This dinar had problems, aside from being emblazoned with the dictator's portrait. It was easy to counterfeit and had only two denominations in circulation: the 10,000-dinar note and the 250-dinar note. The Saddam dinar had plunged in value since the 1991 Gulf War, when one dinar would buy three U.S. dollars.

By June 2003, the dinar-to-dollar exchange rate was 1,200 to one. Treasury official John Taylor feared a currency collapse that could lead to "hyperinflation," which could cause "havoc and distress among the Iraqi people."[18] The CPA staved off hyperinflation by making public announcements that all Iraqi dinars would continue to be legal tender and printing additional 250-dinar notes to accommodate the need for small change. The decision to pay salaries and pensions in U.S. dollars also helped.[19]

Treasury officials recognized that a stable, unified currency system was essential to Iraq's long-term economic health and thus included a currency exchange program in its prewar planning.[20] In July 2003, Ambassador Bremer announced that the CPA would print and distribute new Iraqi banknotes and make them available to the Iraqi public on October 15.[21] The CPA directed the Central Bank of Iraq to manage the currency exchange and spelled out the conversion process.[22] The "New Iraqi Dinar" would replace both the Swiss and Saddam dinars. "Currently everyone in Iraq carries a reminder of Saddam in their pockets—on the banknotes they're using," Bremer said. "Shortly after October 15, the first batch of Saddam notes will go

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into the incinerator. At close of business January 15, 2004, Saddam notes will no longer be legal tender."[23]

DFI money paid the estimated $200 million bill for the currency conversion, including the costs for printing and distributing the new notes. A British firm produced the new Iraqi dinars in six denominations, each depicting scenes from Iraq's history, economic life, or culture. Retired Brigadier General Hugh Tant, who oversaw the currency-exchange program, said all the currency, which was printed in several countries, was flown to England and from there air-freighted on Boeing cargo 747s to Baghdad in 27 shipments, each weighing about 90 tons.[24]

Between October 2003 and January 2004, the CPA, supported by the troops and private contractors, carried out the currency exchange. Armed convoys, which included 700 private security guards, delivered the new Iraqi dinars to 243 banks across Iraq. Insurgents attacked fifteen of the convoys, wounding eleven during the course of the operation.[25] Iraqis surrendered their old dinars in exchange for the new currency at banks across the country. The old notes were collected, shipped to Baghdad, and destroyed.[26]

President Bush hailed the exchange program as an important achievement, telling reporters: "A stable currency, a new currency, a currency without the picture of the dictator or tyrant, or the torturer, however you want to define him, is important for the future."[27] Although inflation would continue to plague the Iraqi economy, the new dinar was stable enough by the end of 2006 to begin appreciating against the dollar.[28]

Managing Iraq's Debt

Although the CPA did not know the exact amount of Iraq's external debt, initial estimates ran as high as $130 billion.[29] Fearing that interest payments on the debt alone could consume most of the country's income, the CPA's Treasury team made it a priority to persuade Iraq's international creditors to forgive or restructure Iraq's debt.[30] Treasury secured an agreement with the G-8 countries—the world's major industrialized democracies—to give Iraq eighteen months of financial breathing space before any of them would seek interest payments on any debt they held. Treasury then assessed Iraq's actual debt, leading to the "mother of all debt deals" eighteen months later.[31]

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In December 2003, President Bush appointed the Honorable James Baker, previously Secretary of State and Secretary of the Treasury, as his special envoy for Iraq's debt. He led negotiations with the Paris Club, a debt forum comprising the world's nineteen richest countries. In the weeks after his appointment, Baker traveled to Paris Club capitals to get a general commitment to write down Iraq's foreign debt.[32]

Meanwhile, the U.S. Treasury and the IMF were each calculating the amount of relief Iraq needed to allow for sustainable growth without incurring further debt. In early 2004, the Treasury shared its "debt sustainability" figures with the IMF, which had completed its own debt analysis in May 2004. The IMF concluded that Iraq's debt needed to be reduced by 90 to 95 percent in order for the country to be able to make the interest and principal payments.[33]

At their economic summit in June 2004, the G-8 governments endorsed the IMF's findings and agreed in principle that debt reduction was necessary for Iraqis to build a free and prosperous country. The question was how much. France argued that 50 percent was enough. Iraq's new minister of Finance, Abdul al-Mahdi, who had lived in exile in France during the Saddam years, sent a formal letter to the Paris Club creditors in July asking them to reduce Iraq's debt by 95 percent and reschedule payments of the remaining debt over a 23-year period. The United States, Canada, and Britain supported this request. Negotiations over the next five months resulted in an agreement forgiving 80 percent of Iraq's $38.9 billion debt to Paris Club creditors.[34]

CPA Initiates Economic Reforms

In May 2003, the U.S. Treasury recruited Peter McPherson, then president of Michigan State University, to head its team in Baghdad. When McPherson, who had previously served as USAID Administrator and as Deputy Secretary of the Treasury, arrived in Baghdad, Ambassador Bremer immediately appointed him director of the CPA's Office of Economic Policy.[35] McPherson argued for implementing rapid reforms in Iraq to lay the foundation for a new free-market economy.[36] Some contended that CPA should carefully develop such reforms and execute them incrementally. Others maintained that the Iraqis should resolve questions concerning the economic structure.[37] The IMF warned that in transition economies "the implementation of these reforms has typically been difficult and time consuming, reflecting the

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need to build political support for reforms to ensure that they are durable, and that adequate institutional capacity exists to ensure effective implementation."[38]

The State-Owned Enterprises (SOEs)

In May 2003, most of Iraq's SOEs were shut down because of looting. Three wars and a decade of international sanctions had left them "seriously de-capitalized, asset-starved, obsolescent, inefficient, saddled with high production costs, over-staffed, and—as a result of looting—in a state of physical degradation."[39] Nobody knew how many SOEs could be salvaged.

Before the war, Iraq's 192 SOEs had served as the "sole providers of essential public utilities and the leading providers of a large number of public goods and services as well as of consumer and industrial products." They were the economic backbone of Iraq's non-oil economy, accounting for 90 percent of the country's industrial capacity. Eleven different ministries oversaw various state-owned enterprises, which employed an estimated 500,000 people, roughly one-eighth of the country's entire workforce.[40]

Peter McPherson recommended that the CPA cancel all SOE bank accounts, except those that fell under the ministries of oil and electricity. He also recommended that the CPA discontinue budgetary support to most of the SOEs. He believed that freezing the SOE accounts would preserve their capital for better use in the market and that the good companies could survive, be privatized, and eventually prosper in a new free-market environment.[41] Given deteriorating security conditions, which made it difficult to get timely financial information about the SOEs, McPherson concluded that cutting them off was the right policy choice because, "it would have taken a couple of years to try and sort out the debts and credits."[42]

Some members of the Treasury team and some advisors to ministries responsible for SOEs opposed McPherson's approach.[43] They argued that his plan would sink most of the SOEs, including the most viable companies, leaving Iraq without a manufacturing base.[44] The SOEs employed large numbers of people, so shutting down any significant number of them would exacerbate what was already a bad unemployment problem.[45] There was also the legal question as to whether the CPA had the right, under international law, to close the SOEs.[46]

Timothy Carney, a retired American ambassador who had served on three UN peacekeeping missions, was the CPA's senior advisor to the Ministry of Industries and Minerals.[47] Many SOEs were under his ministry's mantle, and he urged that Iraqis should have a

greater voice in their fate. In a June 15, 2007 memo to McPherson, Carney warned that the proposed SOE policy "risks [undermining the] assets of the Iraqi people" and "was drawn up without adequate Iraqi participation."[48]

To avoid the kind of political unrest that followed the dissolution of the Iraqi military services, the CPA continued to pay salaries of SOE employees. With many factories at a virtual standstill for lack of capital input, SOE workers sought other jobs, while continuing to collect their salaries.[49]

Later in the summer of 2003, the CPA recognized that it would have to provide operating budgets for some of the SOEs so they could deliver goods and services needed by the Iraqi people and to support reconstruction. The new funding helped about one-third of the SOES to resume operation by the end of August.[50]

Dr. Sami Al-Araji was an American-trained mechanical engineer who had been working for the Ministry of Industry and Minerals for fourteen years and would later become its deputy minister. He criticized CPA officials for spurning the SOEs before they knew anything about them. According to Al-Araji, the state-owned companies "would have been able to support the [reconstruction] work in the electrical, oil, health, water and sewage, and transport sectors." With a little financial support, these companies could "have immediately restored a lot of things because they are part of the country." This "would have revitalized Iraq and been a better deal for both Iraqis and the American taxpayers."[51]

Reforming Iraq's Banking System

During Saddam's rule, banks functioned as "vehicles for storing and moving cash around the country and—in some cases—outside the country," rather than as commercially-viable institutions promoting economic growth.[52] The U.S. Treasury team, McPherson, and USAID generally agreed that Iraq's banking sector needed to be modernized and re-invigorated, but they disagreed on how to do it.[53]

The CPA promulgated three orders to reform and regulate banks. The first, issued on July 7, 2003, suspended Iraq's old bank law, under which only the Ministry of Finance could authorize loans to government ministries, and gave the Central Bank "authority to determine and implement monetary and credit policy without the approval of the Ministry of Finance."[54]

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The second created the Trade Bank of Iraq to manage DFI funds and to help Iraqi commercial entities finance imports. The Trade Bank would work with a consortium of foreign banks and be responsible for issuing letters of credit. Noting that Iraq lacked "financial institutions capable of facilitating imports and exports of goods and services to and from Iraq," the CPA authorized the bank's capitalization at $100 million.[55]

The third banking order, issued in September 2003, sought to establish "a safe, sound, competitive and accessible banking system for the purposes of providing a foundation for economic growth and the development of a stable Iraqi economy." The 68-page order, written in cooperation with Iraq's Ministry of Finance and major international financial institutions, laid down rules for licensing, capitalization, management, and conduct and provided for accounting and auditing as well as the liquidation and receivership of banks. The order further provided that the Central Bank of Iraq enforce banking regulations.[56]

With these orders, McPherson had tried to effect two major economic changes simultaneously: modernize the banking system and change the credit system to give more Iraqis access to money for mortgages and capital investments. Under Saddam, Iraqi banks required hard collateral—houses, jewelry, gold, or property—to secure a loan. The CPA wanted the banks to make credit more available to Iraqis—including those who had jobs and cash flow—hoping that access to capital to purchase homes or establish businesses would give them a greater stake in the future of their country.[57]

By the fall of 2007, some Treasury officials, as well as Iraqi bankers, were concerned that the CPA's drive to make quick loans was jeopardizing the long-term health of the banks. One of Treasury's senior advisors to the banking sector refused to pressure banks to make risky loans and left. The CPA's economic office so alienated the Treasury team that many others also left.[58]

McPherson said that not much happened with CPA's banking reforms because the bank branches continued to require the traditional 100 percent of collateral for loans. They were unable to break from Saddam-era habits, even though the Finance Ministry had provided a written guarantee of 50 percent against possible losses made on small business loans.[59]

A number of factors constrained the CPA's ability to make sweeping economic reforms in post-invasion Iraq. Some CPA officials were concerned that the CPA, as an occupying power, could not enact irreversible economic reforms without violating the Geneva Conventions. The Iraqi Governing Council also pushed back on some of the reform initiatives as ill-informed and

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bad for Iraq.[60] By October 2003, disagreement within the Coalition's ranks over the scope of reform measures, together with Iraqi opposition stalled the CPA's ambitious attempts to institutionalize a free-market economy in Iraq. The deteriorating security situation and the November 15, 2003, decision to accelerate the return of sovereignty to Iraqis made it impossible for the CPA to tackle some major economic issues, including the state subsidies for food, electricity, and fuel.[61]

By the beginning of 2004, the CPA had set aside its plan to implement a fully free market economy because of weak Iraqi buy-in. According to Ali Allawi, who served as Minister of Trade during 2003, "There was not one voice raised in support of the CPA's economic plans."[62]

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[1] SIGIR conversations with Barbara Lewis, former Senior Advisor to the Rafidain Bank, Summer 2007.
[2] John B. Taylor, Under Secretary of the Treasury for International Affairs, Testimony before the Senate Committee on Foreign Relations, June 4, 2003. The Treasury team found that looters, frustrated by their inability to break into the vaults, had opened a sewer main and flooded the central bank. ORHA/CPA Historian interview with David Nummy, Senior Advisor to the Ministry of Finance, June 23, 2003.
[3] International Monetary Fund, "Iraq: Macroeconomic Assessment," October, 21, 2003, 10.
[4] ORHA/CPA Historian interview with David Nummy, Senior Advisor to the Ministry of Finance, June 27, 2003.
[5] John B. Taylor, "Billions Over Baghdad," *New York Times*, Op-Ed, February 27, 2007.
[6] ORHA/CPA Historian interview with David Nummy, Senior Advisor to the Ministry of Finance, June 27, 2003.
[7] Joseph A. Christoff, GAO Director of International Affairs and Trade and Davi M. D'Agostino, GAO Director of Financial Markets and Community Investment, Testimony before the House Committee on Financial Services Subcommittee on Oversight and Investigations, March 18, 2004; and ORHA/CPA Historian interview with George B. Wolfe, Deputy General Counsel, U.S. Treasury Department, June 13, 2004.
[8] House Committee on Oversight and Government Reform Memorandum, "Cash Transfers to the Coalition Provisional Authority," February 6, 2007, 6.
[9] SIGIR interview with George "Ged" Smith, Director of the U.S. Treasury's Office of Technical Assistance, August 20, 2007.
[10] Timothy Carney, We're Getting in Our Own Way," *Washington Post*, Op-Ed, June 22, 2003; and Timothy Carney, Senior Advisor to the Ministry of Industry and Minerals, written comments to SIGIR, November 16, 2008.
[11] John B. Taylor, "Billions Over Baghdad," *New York Times*, Op-Ed, February 27, 2007.
[12] SIGIR conversations with Barbara Lewis, former Senior Advisor to the Rafidain Bank, Summer 2007.
[13] John B. Taylor, Under Secretary of the Treasury for International Affairs, Testimony before the Senate Committee on Foreign Relations, June 4, 2003.
[14] Dave Oliver, "Restarting the Economy in Iraq," November 2003, 23.
[15] CPA Order Number 30, September 8, 2003.
[16] House Committee on Oversight and Government Reform Memorandum, "Cash Transfers to the Coalition Provisional Authority," February 6, 2007, 6.
[17] Henry A. Waxman, Chairman, Statement before the House Committee on Oversight and Government Reform, February 6, 2007; and Robert Kraus e-mail to Joseph Botta, "DFI-Cash00220," December 12, 2003, as cited in: House Committee on Oversight and Government Reform Memorandum, "Cash Transfers to the Coalition Provisional Authority," February 6, 2007, 6-7.
[18] John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 200-210; and John B. Taylor, Under Secretary of the Treasury for International Affairs, Testimony before the Senate Committee on Foreign Relations, June 4, 2003.
[19] John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 200-210; and CPA Press Release, "Iraq Currency Exchange Begins," October 15, 2003.
[20] John B. Taylor, Under Secretary of the Treasury for International Affairs, Testimony before the Senate Committee on Foreign Relations, June 4, 2003.
[21] CPA Press Release, "Text of Ambassador Bremer's Address to the Iraqi People: Budget and Banknotes," no. 0014, July 7, 2003.
[22] CPA Order Number 43, "New Iraqi Dinar Banknotes," October 14, 2003.
[23] CPA, "Iraq Currency Exchange," http://www.iraqcoalition.org/budget/IraqCurrencyExchange.html.
[24] USIP interview with Brig. Gen. Hugh Tant, former Director of Iraqi Currency Exchange Program, October 22, 2004.
[25] USIP interview with Brig. Gen. Hugh Tant, former Director of Iraqi Currency Exchange Program, October 22, 2004.
[26] John B. Taylor, "Billions Over Baghdad," New York Times, February 27, 2007; and John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 225-245.
[27] George W. Bush, "President Holds Press Conference," White House Press Release, October 28, 2003.

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[28] John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 243.
[29] John B. Taylor, Under Secretary of the Treasury for International Affairs, Testimony before the Senate Committee on Foreign Relations, June 4, 2003.
[30] John B. Taylor, "Billions Over Baghdad," New York Times, February 27, 2007; and John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 250-273.
[31] John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 250, 260-262.
[32] John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 263.
[33] John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 263-273.
[34] John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007), 250-273. The Paris Club is an informal group of financial officials from 19 creditor nations that helps debtor countries restructure their debts; the London Club is a similar group of private international creditors. On November 21, 2004, long after the CPA was gone, the London Club members agreed, in the light of "the exceptional situation of the Republic of Iraq and of its limited repayment capacity over the coming year" on "exceptional treatment" that significantly reduced Iraq's external debt. See: Paris Club Press Release, "The Paris Club and the Republic of Iraq Agree on Debt Relief," November 21, 2004.
[35] Michigan State University News Release, "U.S. Treasury honors McPherson with Distinguished Service Award," August 6, 2004.
[36] Dave Oliver, "Restarting the Economy in Iraq," November 2003, 23.
[37] SIGIR interview with George "Ged" Smith, Director of the U.S. Treasury's Office of Technical Assistance, August 20, 2007; Christopher Foote, William Block, Keith Crane, and Simon Gray, "Economic Policy and Prospects in Iraq," *Journal of Economic Perspectives* 18, no. 3 (Summer 2004); and Nora Bensahel et al., *After Saddam: Prewar Planning and the Occupation of Iraq* (Santa Monica, CA, RAND Corporation, 2008), 195-208.
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[39] Zoubida Allaoua, et al., "State Owned Enterprises Reform in Iraq," World Bank: Reconstructing Iraq Working Paper no. 2, July 26, 2004.
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[41] Dave Oliver, "Restarting the Economy in Iraq," November 2003, 23.
[42] Peter McPherson, former CPA Director of Economic Policy, written comments to SIGIR, August 19, 2008.
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[44] SIGIR interview with Glenn Corliss, former investment banker and advisor to the Ministry of Industries and Minerals, February 2007.
[45] Zoubida Allaoua, et al., "State Owned Enterprises Reform in Iraq," World Bank: Reconstructing Iraq Working Paper no. 2, July 26, 2004.
[46] The Geneva Conventions require an occupying power to protect the assets of the state, but there is little precedent for determining if state-owned industries are included in this provision of the Conventions. Christopher Foote, William Block, Keith Crane, and Simon Gray, "Economic Policy and Prospects in Iraq," *Journal of Economic Perspectives* 18, no. 3 (Summer 2004).
[47] Timothy Carney was Ambassador to Sudan (1995-1997) and Haiti (1998-1999) and served with UN peacekeeping missions in Cambodia, Somalia and South Africa. State Department Biography, "Timothy M. Carney, Charge D'Affaires," http://haiti.usembassy.gov/timothy_m4._carney.
[48] Timothy Carney, Senior Advisor to the Ministry of Industry and Minerals, memorandum to Peter McPherson, CPA Director of Economic Policy, "Fatal Flaws in Budget Policy towards State-Owned Enterprises, June 15, 2003.
[49] SIGIR interview with Glenn Corliss, former investment banker and advisor to the Ministry of Industries and Minerals, February 17, 2007.
[50] International Monetary Fund, "Iraq: Macroeconomic Assessment," October 21, 2003, 9.
[51] SIGIR interview with Dr. Sami Al-Araji, Deputy Minister of Industry and Minerals, May 2007.
[52] John B. Taylor, Under Secretary of the Treasury for International Affairs, Testimony before the Senate Committee on Foreign Relations, June 4, 2003.

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[53] USAID-IG Audit E-266-04-004-P, "Audit of USAID/Iraq's Economic Reform Program," September 20, 2004; and SIGIR interview with Gareth Davies, Chief of Party, Bearing Point, May 15, 2007.
[54] CPA Order Number 18, "Measures to Ensure the Independence of the Central Bank of Iraq," July 7, 2003.
[55] CPA Order Number 20, "Trade Bank of Iraq," July 14, 2003
[56] CPA Order Number 40, "Bank Law," September 19, 2003.
[57] SIGIR interview with Gareth Davies, Chief of Party, Bearing Point, May 15, 2007.
[58] SIGIR interview with George "Ged" Smith, Director of the U.S. Treasury's Office of Technical Assistance, January 13, 2008.
[59] Peter McPherson, former CPA Director of Economic Policy, written comments to SIGIR, August 19, 2008.
[60] Christopher Foote, William Block, Keith Crane, and Simon Gray, "Economic Policy and Prospects in Iraq," *Journal of Economic Perspectives* 18, no. 3 (Summer 2004).
[61] Anne Ellen Henderson, USIP Special Report 138, "The Coalition Provisional Authority's Experience with Economic Reconstruction in Iraq," April 2005. Under the Oil-for-Food Program, the United Nations assisted the government of Iraq in providing a "food basket" for all Iraqis. An estimated 60 percent of the population depended on the food and supplies provided by the UN. This social safety net cost the Iraqi government about $4.9 billion per year. International Monetary Fund, "Iraq: Macroeconomic Assessment," October, 21, 2003.
[62] Ali A. Allawi, *The Occupation of Iraq: Winning the War and Losing the Peace* (New Haven, CT: Yale University Press, 2007).

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Chapter 9

BREMER'S GRAND RECONSTRUCTION VISION

We seem to have transitioned from a cautious beginning to requesting funding for everything without a plan or a thorough justification. And not only have the cost estimates been unrealistic, the entire postwar experience appears to have taken us by surprise. We were told that we would be welcomed with open arms by the Iraqi people and that Iraqi government institutions would be restored after a short hiatus. The vision of postwar reconstruction presented to Congress at that time was for many of us either hopelessly naive, or grossly incompetent.

- Congresswoman Nita Lowey (D-NY) (1989-present)[*]

During the late spring and early summer of 2003, several U.S. agencies and international organizations conducted assessments of conditions in Iraq. These quick but key surveys projected that the costs of rebuilding Iraq could amount to as much as $60 billion, far more than previously estimated. Dave Oliver, CPA's Office of Management and Budget Director, observed: "Our invasion seemed to have occurred just as the condition of the entire infrastructure teetered on the edge of the cliff of disaster."[1] In the wake of these disturbing assessments, Ambassador Bremer drove the CPA to develop a new reconstruction plan during the summer of 2003. But this grand new vision—many times larger than any previous concept for Iraq—would require major increases in U.S. funding for Iraq's relief and reconstruction.

The 2003 Assessments of Conditions in Iraq

The USAID/Bechtel Infrastructure Assessment

Bechtel's first task under its $680 million USAID contract was to assess Iraq's infrastructure in six areas: surface transportation, aviation, buildings, water, electricity, and the Umm Qasr Port in southern Iraq. During late April and May 2003, Bechtel teams surveyed dozens of sites across the country. They found a systemic collapse of Iraq's infrastructure and estimated rehabilitation costs at about $16 billion.[2] Tom Wheelock, the senior manager of USAID's infrastructure team, concluded that the Bechtel contract was merely "a drop in the bucket" toward financing the restoration of Iraq's infrastructure.[3]

[*] Congresswoman Nita Lowey, Statement before the House Appropriations Subcommittee on Foreign Operations, Export Financing and Related Programs Hold Hearing on FY2004 Supplemental: Iraq Reconstruction Funds, September 24, 2003.

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Bechtel's assessment presciently identified five challenges confronting the U.S. reconstruction program in 2003: (1) worsening security, (2) poor inter-agency coordination, (3) limited access to information, (4) confusing contracting regulations (5) the prevalence of unexploded ordnance. Bechtel accurately predicted that Iraq's deteriorating security situation would cause reconstruction costs to skyrocket, noting that the success of the reconstruction program demanded improved coordination among the U.S. government agencies involved.[4] Bechtel also urged the CPA to adopt a systemic approach to rehabilitating Iraq's infrastructure: "Power, water, airports, rail, and the port are all integrated systems and each has to be understood as critical components of an overall infrastructure network to arrive at the most economic and effective implementation plan."[5]

The U.S. Army Corps of Engineers Oil Sector Assessment

In May 2003, the United States Army Corps of Engineers (USACE), working with Task Force Restore Iraqi Oil (RIO), KBR, and the Iraqi Ministry of Oil, surveyed Iraq's oil infrastructure. In early June, USACE released its report, approximating oil sector damage at $457 million from the war and $943 million from post-war looting. USACE pegged reconstruction funding requirements at $1.7 billion, but advised that—because of contingencies they could not predict—the true figure could vary as much as 40 percent.[6]

USACE's assessment underscored the need to sequence and integrate oil facility repair with infrastructure work in other sectors. The electrical power grid depended upon fuel from the oil sector, while the oilfield production facilities required electrical power. Power plants and oil facilities needed water to cool generators. USACE found that "[a] failure of one component in the system [created] a related problem elsewhere in the system."[7] This interdependence between oil and electricity demanded a high degree of coordination between the Iraqi ministries of oil and electricity—coordination that would rarely occur over the next five years. USACE also emphasized including Iraqis at every step of the rebuilding process, highlighting the need to build Iraqi capacity so that Iraqis would be able to operate and maintain their rebuilt infrastructure. Like Bechtel, USACE flagged the growing security problem as a major obstacle to reconstruction.[8]

International Organizations Assessments

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Assessment teams from the United Nations and the World Bank spent the summer of 2003 in Iraq evaluating the country's development needs, in part to prepare for the donors conference scheduled for October 2003 in Madrid. They documented the severe consequences of Saddam's neglect of and under-investment in Iraq's infrastructure, economy, and social institutions.[9]

The UN calculated that rebuilding Iraq would cost at least $56 billion over three years: $36 billion for health, education, agriculture, private-sector development, government capacity building, and the rule of law. The assessment did not address oil or security, but included CPA's $20 billion estimates for these sectors.[10] Most notably, the UN warned that, unless the Coalition restored security across Iraq, the economic and political transformation of the country could not be achieved. The UN trenchantly observed:

> Security concerns are paramount to the Iraqi population, influencing their ability to move freely, engage in work and education, and participate in the burgeoning political process. Without security, progress in rebuilding the critical infrastructure, health and education systems, and access to electricity and clean water that have been degraded and destroyed by years of corruption, conflict, neglect, and sanctions may be too slow to provide a noticeable improvement in the quality of life and reassure the Iraqi people of the benefits of a transition to an open and democratic society.[11]

The UN and World Bank reports emphasized the need to strengthen government institutions and restore "core human services." They also identified factors that could impede Iraq's recovery. High on the list was the need to restore the almost-nonexistent executive and administrative capacities of Iraq's public institutions, most acutely revealed, the UN found, in the absence of any effective financial management systems.[12]

<u>The Center for Strategic and International Studies Assessment</u>

In June 2003, at the request of Secretary Rumsfeld, John Hamre, president of the Center for Strategic and International Studies (CSIS), led a delegation of post-conflict reconstruction experts to Iraq to determine the country's rebuilding needs. Hamre and his team visited nine of

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the country's eighteen provinces and met with CPA's senior leadership. The CSIS report concluded that the United States faced an "enormous task" in Iraq, would have "to stay the course" for several years, and would need to provide significant initial funding for reconstruction programs.[13] CSIS warned that the CPA quickly needed to address the deteriorating security situation then enveloping Iraq. Hamre recommended that the CPA involve more Iraqis at every level of the reconstruction effort, expand programs that could provide employment opportunities to Iraqis, and decentralize political power to the provinces. The report concluded that "[the] CPA must be given rapid and flexible funding," adding that "business as usual" was "not an option for operations in Iraq, nor can it be for the funding."[14]

The Strategic Vision

During May and June 2003, the CPA's Office of Strategic Planning drafted CPA's *Vision for Iraq*, which supplanted ORHA's Unified Mission Plan.[15] Dayton Maxwell, a former USAID official who had served with Joint Task Force 4 (JTF-4), was the senior civilian in CPA's policy planning office, with Lt. Col. Robert Polk as the senior military officer.[16] They had helped craft ORHA's Unified Mission Plan before the war.[17]

The *Vision for Iraq* defined the CPA mission as working with the Iraqi people and an interim Iraqi administration "to establish the condition for a free, sovereign, democratically-elected representative government." The document outlined in general terms five "core foundations" that CPA would build to guide Iraq through its transformation: security, essential services and civil society, economy, governance, and strategic communications. The highest priority was "to create a secure and safe environment, without which the CPA recognized there could be little progress on other goals." The CPA would restore security by recruiting and training Iraqi police and military forces. Other goals included the rapid transition to a market economy and establishing an effective rule-of-law system. The *Vision* called for programs to develop democracy in Iraq, install equitable criminal justice processes, write a new and fair penal code, and build new courthouses and prisons. The new plan's success depended upon a "coherent and coordinated information campaign" that would explain the scope and nature of U.S. programs to Iraqis. The document offered neither programs nor estimates of what it would cost to achieve these goals.[18]

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In mid-July, Ambassador Bremer sent his *Vision for Iraq* to the Pentagon. "I am confident," Ambassador Bremer wrote, "that this will put us on course for success."[19] By July 18, 2003, senior Pentagon officials had approved it.[20]

In the meantime, Ambassador Bremer had asked Maxwell and Polk to work with other CPA officials and the military to expand on the *Vision for Iraq* by identifying specifics tasks to be completed within 90-day timeframes for the five core foundations. The planning office completed the newly-titled *Achieving the Vision to Restore Full Sovereignty to the Iraqi People* in time for Bremer to take it to Washington for briefings with Congress, senior administration officials, and the press during the third week of July. This thirty-page document was the CPA's first attempt to estimate what needed to be done in the short and medium term to achieve the goals set in the five core areas.[21]

In retrospect, CPA's *Vision for Iraq* had some major flaws. First, Iraqis had not been sufficiently consulted on it. The Iraq Governing Council was appointed on July 13, two days after the plan was completed and thus too late to provide advice on it. Maxwell and Polk expressed concern that the CPA was handing the Iraqis a *fait accompli*—a plan they were "just going to have to eat."[22]

The CPA also had established ambitious goals before ascertaining baseline conditions in each of the five foundational areas and then determining the human and financial resources necessary to meet those goals. The *Vision's* goals, all of which were to be achieved by October 2003, included: deploying 30,000 trained Iraqi police, re-establishing the Iraqi Border Guard, reopening all courthouses, building eleven new prisons and detention centers, reforming the ministries, improving electricity generation capacity to 4,000 megawatts, restoring basic health care services to pre-war levels, rehabilitating 1,000 schools, and reopening the airports and railroads.[23] Even under the best of conditions, meeting this timetable was simply impossible—and Iraq was in the worst of conditions.

Iraq's Budget

In July 2003, the CPA published a budget for the Iraqi government to fund needs for the rest of calendar year 2003. CPA's senior advisors, then serving as the *de facto* ministers for each ministry, compiled what data they could find regarding their respective ministries and developed

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budgets adding up to $6.10 billion. The CPA's Office of Management and Budget predicted oil revenues of $3.46 billion and $432.7 million from taxes and state-owned enterprises, leaving a deficit of $2.2 billion, which the CPA planned to cover with vested and seized Iraqi funds, the DFI, and new U.S. appropriations. Most notably, the new budget provided only $609.5 million for reconstruction and capital improvements to restore Iraq's broken essential services.[24] This low level of investment virtually ensured that the goals of the *CPA's Vision for Iraq* could not be met by October.

Upon adoption of the 2003 budget, Bremer ordered his senior advisors to work with their Iraqi counterparts to develop the 2004 budget. This exercise produced over $35 billion in ministerial requests. But Iraq's projected 2004 revenues amounted to less than $13 billion.[25] Thus, if CPA included all the requests in the budget, a deficit of approximately $23 billion would result.

"No matter how we pared the list," said Oliver, "we needed [over] $20 billion more than we had available."[26] Faced with this shortfall, Ambassador Bremer decided to ask the Congress for a dramatic increase in funding for Iraq's relief and reconstruction. He would also look to the international community for significant contributions. In July and August of 2003, Oliver and the CPA's economic team simultaneously developed a supplemental funding request for Iraq's relief and reconstruction—to go to the U.S. Congress in September—and the U.S. proposal for the October 2003 International Donors Conference in Madrid.[27]

The Supplemental Request

In late July 2003, Dave Oliver asked the CPA's senior advisors involved with infrastructure to contribute to a new reconstruction plan, which would be the basis of the core document for the supplemental request. Oliver charged Dave Nash, a retired Rear Admiral recently arrived in Baghdad as the deputy senior advisor to the Ministry of Transportation and Communications, to coordinate the plan's development.[28]

Just a few months earlier, Nash had been working as a construction manager in Birmingham, Alabama, for Parsons-Brinkerhoff (a large U.S. contractor that would later receive large Iraq reconstruction contracts). He had made his career as a Navy engineer, rising to command of the Naval Facilities Engineering Command and Chief of Civil Engineers. Like

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many of the CPA's early recruits, he was in Iraq on a 90-day contract. Possessing a wealth of experience in large public-works projects, Admiral Nash serendipitously walked into the Republican Palace just as CPA's leadership needed someone with construction expertise to develop an expanded strategy to rebuild Iraq's infrastructure.[29]

After briefly considering asking the Congress for $5 billion, Nash and his planners decided to request a massive increase in reconstruction funding for Iraq. Nash, working with CPA's senior advisors, pulled together a long list of infrastructure projects with a cost equaling $27 billion. They then whittled it down to $20.3 billion. Bremer approved this request and sent it to Washington in early August 2003.

On August 15, 2003, Joshua Bolten, Director of the White House's Office of Management and Budget, wrote Secretary Rumsfeld, objecting to the size of CPA's request. The White House had already told the Congress that it would not ask for more money for Iraq and Afghanistan in 2003. Bolten said the CPA would have to provide a fully-detailed justification before the Administration would go back to the Congress for more money for Iraq.[30]

In May, the CPA had hired Tom Korologos, a veteran lobbyist, as its congressional liaison. He addressed Bolten's concerns in a memo to Bremer on August 17, 2003. "To delay getting our funds will be a political disaster for the President," he wrote. "His election will hang for a large part on show of progress in Iraq and without the funding this year, progress will grind to a halt." Korologos added that he did not believe that the Congress would turn down the supplemental request because "the faster the Iraq CPA succeeds, the quicker 'our 150,000 boys over there' will start coming home."[31]

By the end of August, the CPA answered Bolten's demand for more data, producing a "Program/Integration Management Plan for Recovery, Reconstruction and Redevelopment of Iraq." The plan's stated objective was to "assist in restoring the stability of Iraq and the Iraqi economy by means of infrastructure and development." It emphasized that U.S. funds were essential to meet Iraq's critical infrastructure needs because oil production and revenues were stagnant.[32] "These needs are immediate and urgent," the plan argued, adding that the CPA would "begin execution of these funds before the end of 2003."[33]

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The Supplemental Request Goes to Congress

CPA's answer satisfied OMB and, on September 6, 2003, OMB submitted the supplemental request for $20.3 billion to the Congress. President Bush went public the next day to announce that he had asked the Congress for a total of $87 billion to support Iraq and Afghanistan, including the $20.7 billion for Iraq's reconstruction, noting that:

> This budget request will support our commitment to helping the Iraqi and Afghan people rebuild their own nations, after decades of oppression and mismanagement. We will provide funds to help them improve security. And we will help them to restore basic services, such as electricity and water, and to build new schools, roads, and medical clinics. This effort is essential to the stability of those nations, and, therefore, to our own security.[34]

USAID and the Debate over the Supplemental

USAID officials were perturbed by both the process and the substance of the supplemental request. They accused the CPA of developing the reconstruction plan "in a non-transparent way," and expressed concern that it did not have sufficient money for capacity building, democracy programs, agriculture, and economic development.[35] USAID Administrator Andrew Natsios fundamentally disagreed with the CPA's premise that a large-scale infrastructure program would quickly create jobs and solve Iraq's most pressing problems. "Development is not building things," he said. "It's not engineering. It's institution building."[36]

USAID was particularly concerned about underinvestment in the agricultural sector, which, at the time of the 2003 invasion, was the country's second-largest employer. Natsios was shocked to find that the supplemental had no money for agricultural programs, which he said were essential "to stimulate the economy and keep all the young men in the rural areas," rather than have them stream into the cities where they could be recruited as insurgents.[37]

In August 2003, before the supplemental submission, USAID's Baghdad office sent a memo to Oliver outlining its concerns and encouraging him to rethink the budget so that it addressed Iraq's long-term needs for capacity building and sustainability. Oliver responded that the Congress would not fund "soft" projects and that the plan thus would not be changed.[38] The

CPA/USAID breakdown became more aggravated when USAID discovered that the CPA planned to manage all the IRRF 2 funds. Lewis Lucke, USAID's Mission Director in Iraq, complained to Oliver:

> To exclude us—especially considering the success we have achieved and are achieving to date in our programs, and the fact that we are a professional development organization that is by nature operational overseas—seems short-sighted and territorial in the extreme to the detriment of the overall U.S. mission in Iraq.[39]

USAID's team reacted by developing its own $5 billion supplemental, emphasizing public health and education, the economy, government accountability, and technical support. It also called for $3.25 billion to restore essential electricity, transportation, irrigation, and water infrastructure.[40] But USAID's proposal gained no traction, either within the Administration or on Capitol Hill. The tensions between USAID and CPA officials continued to intensify during and after the submission of the supplemental. These institutional clashes, both personal and bureaucratic, would hinder the reconstruction program's execution for years to come.[41]

The Congressional Debate

During the last two weeks of September 2003, the Congress held seven hearings on the supplemental, during which members from both parties demanded to know why the Iraqis were not shouldering more of the reconstruction program's financial burden. Some argued that the United States should provide support through loans, while others saw CPA's request as an extravagant "wish list."[42] "When I look at some of these justifications and when I look at some of the post-war planning in general, two thoughts strike me," said Rep. David Obey, the ranking member of the House Committee on Appropriations. "It looks like it was put together by the president of an optimists club, rather than someone with an understanding of the world; and secondly, it looks like the execution plans have been put together more like an MBA term paper than a document that reflects a realistic understanding of the society that we're wishing to operate in."[43]

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Senate and House committee members peppered the CPA with written "questions for the record" about contracting, management, and oversight. Some legislators were struck by the fact that the CPA request contained over $15 billion for construction items but provided virtually no information about the contracting process. Others raised concerns that the CPA had failed to prioritize the sectors or projects within sectors and had not provided timetables for program completion.[44] One member observed that a construction program of the size and scope proposed by the CPA would take five to seven years to complete in the United States. The CPA brushed off such objections: "Our estimates differ. While some of the most complex projects may take several years to complete, we anticipate that the majority of construction can be completed much sooner."[45]

The Congress also raised concerns that the huge appropriation would serve as a disincentive to international donors. The CPA countered that Iraq would need between $50 billion and $75 billion for reconstruction—well above the supplemental request—and that it planned on presenting a "rich package of projects that should appeal to the donors" at the Madrid conference in October.[46]

International Donors' Conference

Creating that "rich package" fell to CPA's Council for International Coordination. CPA Regulation Number 5 created the council on June 18, 2003, "to be the CPA's focal point and coordination body for international assistance in the relief, recovery and development of Iraq."[47] Bremer tasked the council, chaired by Marek Belka—an economics professor who had served as Poland's deputy prime minister and minister of finance—to coordinate assistance from governments and international and non-governmental organizations, make recommendations to the Program Review Board on international assistance efforts in Iraq, coordinate with the IMF and the World Bank, and—most important—prepare for the October 2003 Madrid Donors Conference.[48]

Belka faced two significant challenges as he and the council organized for the Madrid Conference. First, he had to put together a plausible list of projects that interested donors might support. And second, he had to overcome the lack of interest on the part of countries such as

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Germany, France, and Russia, who had opposed the Iraq war and thus might be disinclined to support Iraq's economic recovery.

Planning for Madrid suffered a devastating blow when, on August 19, 2003, a truck bomb destroyed the UN headquarters in Baghdad, killing the Secretary-General's Special Representative, Sergio de Mello, and 21 others.[49] This tragedy caused the UN to pull out of Iraq and cast a pall over Belka's efforts.[50] The death of de Mello eventually led many countries to conclude that security was so bad in Iraq that contributing funds could have little positive effect in the near term.

On October 16, 2003, the UN Security Council passed Resolution 1511 (UNSCR 1511), which aimed to assuage international concerns about America's expanding role and lengthening stay in Iraq. UNSCR 1511 stressed that the Coalition's occupation was temporary and encouraged the United States to move the Iraqis to self government as soon as practicable. Issued shortly before the Madrid Donors' Conference, UNSCR 1511 was, in part, intended to calm concerns of donor nations about U.S. plans for Iraq and thereby persuade them to contribute to Iraq's reconstruction.[51] It did not have the desired effect.

On October 23 and 24, 2003, 76 countries, twenty international organizations—including the International Monetary Fund and the World Bank—and thirteen nongovernmental organizations participated in the Madrid Donors' Conference. The U.S. pledged $18.4 billion (the amount of the pending supplemental), while the other countries combined pledged a total of $13.5 billion in grants and loans. Fewer than half of the attendees announced contributions. Germany, France, and Russia pledged nothing. Japan offered the most, contributing over a third of the total amount pledged: $1.5 billion in grants for 2004 and $3.4 billion in loans.[52] To help manage international donations, the UN created the International Reconstruction Fund Facility, which the United Nations Development Group and the World Bank would manage. All qualified companies from any country could bid on contracts for projects paid from this fund.[53] American policy permitted only Coalition countries to receive contracts using U.S. funds.

Congress Passes IRRF 2

The Congress debated the CPA's supplemental request during October 2003, and, on November 6, passed the "Emergency Supplemental Appropriations Act for Defense and for the

Reconstruction of Iraq and Afghanistan for Fiscal Year 2004," allocating $18.4 billion to the Iraq Relief and Reconstruction Fund (IRRF 2). The Congress made the money available for two years, meaning that it had to be fully contracted by September 30, 2006. In the legislation, the Congress demanded an accounting for all revenues—foreign as well as Iraqi—used by the CPA.[54]

Although the Congress approved the CPA's funding request almost intact, the legislators decided to exercise greater control and oversight of the IRRF 2 than they had over IRRF 1. They divided the funds among ten sectors and gave the CPA limited authority to make adjustments. The Congress provided that the CPA could shift up to ten percent from one sector to another, but no sector could be increased by more than twenty percent without congressional approval.

The sector allocations were:

Electricity	$5.560 billion
Water Resources and Sanitation	$4.332 billion
Security and Law Enforcement	$3.243 billion
Oil Infrastructure	$1.890 billion
Justice, Public Safety infrastructure and Civil Society	$1.318 billion
Health Care	$ 793 million
Transportation and Telecommunications	$ 500 million
Roads, Bridges and Construction	$ 370 million
Education, Refugees, Human Rights, and Governance	$ 280 million
Private Sector Development	$ 153 million[55]

The legislation further stipulated that, in addition to the CPA, only five agencies could use the funds to implement reconstruction programs—the Department of Defense, the Department of State, the Department of the Treasury, the Department of Health and Human Services, and USAID. All were encouraged to "provide significant financial resources, technical assistance, and capacity building to counterpart organizations led by Iraqis."[56]

Section 2207 of the supplemental required the White House OMB, in consultation with the CPA's Administrator, to submit quarterly reports to the Congress on the status of IRRF 2 projects. The Congress required the first "2207 Report," which was due on January 5, 2004, to provide a complete list of proposed projects[57] The CPA had less than two months to identify projects, develop a spend plan, and establish an office to manage the largest reconstruction program that the Congress had funded in recent memory

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[1] Dave Oliver, "Restarting the Economy in Iraq," November 2003, 23.
[2] Bechtel National, Inc, "Iraq Infrastructure Reconstruction Program," Assessment Report submitted to USAID, June 2003.
[3] USIP interview with Thomas Wheelock, Chief of Party for USAID's contractor International Resources Group, September 8, 2004.
[4] Bechtel National, Inc, "Iraq Infrastructure Reconstruction Program," Assessment Report submitted to USAID, June 2003, Section 3, 1.
[5] Bechtel National, Inc, "Iraq Infrastructure Reconstruction Program," Assessment Report submitted to USAID, June 2003, Section 3, 1.
[6] USACE, "Iraqi Oil Infrastructure Restoration Strategic Plan, Rough Order of Magnitude," June 3, 2003, ii, 5, 6.
[7] USACE, "Iraqi Oil Infrastructure Restoration Strategic Plan, Rough Order of Magnitude," June 3, 2003, 1.
[8] USACE, "Iraqi Oil Infrastructure Restoration Strategic Plan, Rough Order of Magnitude," June 3, 2003; and Joint Planning Workshop, "Restoration of Iraqi Oil Infrastructure Final Work Plan," July 24, 2003, http://www.energyintel.com/resources/workplan.pdf.
[9] United Nations/World Bank, "Joint Iraq Needs Assessment," October 2003.
[10] United Nations/World Bank, "Joint Iraq Needs Assessment," October 2003, v, 55.
[11] United Nations/World Bank, "Joint Iraq Needs Assessment," October 2003, 3.
[12] United Nations/World Bank, "Joint Iraq Needs Assessment," October 2003, 56.
[13] Frederick Barton, Bathsheba N. Crocker, John J. Hamre, Johanna Mendelson-Forman, and Robert C. Orr, "Iraq's Post-Conflict Reconstruction: A Field Review and Recommendations," July 17, 2003, foreword, iii.
[14] Frederick Barton, Bathsheba N. Crocker, John J. Hamre, Johanna Mendelson-Forman, and Robert C. Orr, "Iraq's Post-Conflict Reconstruction: A Field Review and Recommendations," July 17, 2003, 2, 5-7.
[15] The Office of Strategic Planning was later renamed the Office of Policy, Planning, and Analysis. Dayton Maxwell, "Deliberate and Development Post-Conflict Planning in Iraq: The Office of Policy, Planning and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 5.
[16] ORHA/CPA Historian interview with Dayton Maxwell, USAID official assigned to the CPA Office of Policy, Planning, and Analysis, and Lt. Col. Robert B. Polk, ORHA Director of Plans, August 14, 2003.
[17] Dayton Maxwell, "Deliberate and Development Post Conflict Planning in Iraq: The Office of Policy, Planning and Analysis, Coalition Provisional Authority, A USAID Perspective," unpublished manuscript, July 23, 2004, 9-10; and ORHA/CPA Historian interview with Dayton Maxwell, USAID official assigned to the CPA Office of Policy, Planning, and Analysis, and Lt. Col. Robert B. Polk, ORHA Director of Plans, August 14, 2003.
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Chapter 10

CONTRACTING BILLIONS FOR IRAQ RECONSTRUCTION

They [CPA] sat down in a four-day period and came up with a list of projects of what they wanted to do. And they were all high end capital expenditures: build the big this, build the big that.

- Lt. Gen. Peter Chiarelli,
Commanding General, 1st Cavalry Division (2003-2005)*

By the time the Congress passed the $18.4 billion IRRF 2 supplemental, the CPA had already established a new Program Management Office (PMO) to oversee the burgeoning reconstruction program. Bremer appointed Dave Nash, who had coordinated CPA's supplemental request for the Congress, as the PMO's first director. Nash quickly took charge of planning CPA's mammoth new reconstruction effort. With the passage of IRRF 2, the Congress required CPA to produce a "spend plan"—a comprehensive list of projects, including estimated costs and timelines for completion—in a matter of weeks for submission as part of the *2207 Report*, due at the beginning of January 2004.

The $18.4 billion IRRF 2 program included $12.6 billion for construction projects and another $4 billion for procuring everything from personal protective gear, weapons, and vehicles for the security forces to hospital equipment, and construction materials needed in the oil and electricity sectors. The remaining $1.8 billion was for capacity development, governance, and economic reform programs.[1]

The Program Management Office

The CPA created the PMO, a new ad hoc organization, because the U.S. Army Corps of Engineers (USACE) and the U.S. Agency for International Development (USAID)—the two U.S. agencies with established systems for managing large construction projects—said they did not have the resources in Iraq to manage the $18.4 billion program. USAID said it did not have the staff or organizational capacity to manage a program of this size. And USACE demurred, similarly saying that the agency did not have the capacity at the time to oversee such a large program. USACE proposed establishing a new office—the Gulf Region Division (GRD)—in

* SIGIR interview with Lt. Gen. Peter Chiarelli, former Commander of MNC-I, February 19, 2008.

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Iraq to manage the infrastructure projects. USACE would have GRD established by January 2004, but was unable to do so on the timeline Bremer and Nash wanted.[2]

The CPA needed to move quickly on its new reconstruction plan to demonstrate the U.S. commitment to restoring essential services and supporting economic development in Iraq. Admiral Nash persuaded Ambassador Bremer that, by consolidating management of the entire reconstruction program under the PMO and by staffing the PMO largely with contractors, the CPA could launch the IRRF 2 program by the end of 2003. Nash proposed outsourcing most of the contractor management.

Steve Browning, who headed the CPA's Office of Iraqi Infrastructure, warned Bremer that it would be impossible to start such a large program so quickly because of the U.S. government's complex contracting rules and regulations. "You can't get contracts in place by that time," Browning told Bremer. But the CPA Administrator retorted that Nash had assured him that, given the importance of the mission, the CPA could get special dispensation to accelerate the Defense Department's contracting processes.[3]

Dov Zakheim, the Under Secretary of Defense (Comptroller) and Chief Financial Officer for the Department of Defense, initially opposed the creation of the PMO, which he saw as a form of "empire building."[4] He thought it would be a duplication of USAID and USACE expertise. Nash met with Zakheim in mid-September and "convinced him that no entity in Iraq or Washington was going to take on this work with existing resources and using current procedures."[5]

At the beginning of September 2003, the PMO had a staff of one—Admiral Nash—and no money. On September 9, Zakheim allocated $10 million to the PMO for "personnel, logistics and contractor support for approximately six months," despite his continuing reservations about the creation of the office.[6] A week later, the Department of the Army authorized USACE to spend up to $9 million to support PMO.[7] USACE provided Nash with fifteen people from two firms, Stanley Consultants and Michael Baker Corporation.[8]

Nash originally designed the PMO to manage only the hard construction projects. USAID would implement the capacity-building programs, and the CPA's Head of Contracting Activity (HCA), working with a newly-created logistics office, would handle procurement.[9] The PMO managed both the construction and non-construction IRRF 2 funds until the HCA was expanded in the spring of 2004. [10]

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Outsourcing Oversight

Nash created a four-tiered organization to manage the reconstruction effort: the Program Management Office, one Program Management Office Support, six Sector Program Management Offices, and twelve design-build contractors.[11] Although he designed the organizational structure to ensure government supervision of contractors (as required by the FAR), Nash's plan ultimately outsourced much of the program-management and oversight responsibilities to private contractors.

The PMO, staffed by a small group of government employees, ostensibly oversaw the entire operation. Immediately under it (on the organizational chart) was a private management company that worked with USACE to supervise six sector-program-management offices (SPMO), which were staffed primarily by private contractors who reported to a handful of government employees. Each of the six SPMOs supervised two design-build construction contractors.[12] Maj. Gen. Ronald Johnson, Director of Military Programs for USACE, was Nash's Deputy Director of PMO and supervised the overall reconstruction program. USACE provided much of the quality assurance for IRRF 2 contract execution. In January 2004, Maj. Gen. Johnson became commander of USACE's GRD, and continued to supply most of the manpower for the quality-assurance aspect of his PMO job.[13]

To man the management offices, Nash proposed hiring 100 government personnel, a number he considered sufficient to perform the inherently-governmental functions required by the Federal Acquisition Regulations.[14] But the PMO was never able to hire more than half of the government personnel it needed. Thus it relied heavily on the private sector management contractors; this unprecedented outsourcing of traditionally-governmental responsibilities raised concerns on Capitol Hill.[15]

The six primary infrastructure sectors under PMO's aegis were: electricity, public works and water, security and justice, transportation and communications, oil, and buildings, housing and health. The SPMOs wrote requirements and worked with design-build firms on the development of projects. USACE oversaw the construction activities after project selection and design were completed.[16]

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The twelve "design-build" construction contractors were awarded indefinite delivery/indefinite quantity (IDIQ) cost-plus contracts for the design, engineering, and physical work across the sectors.[17] To prevent conflicts of interest, contractors could not win management and design-build contracts in the same sector. And the company that won the umbrella management contract for the PMO support office would not be eligible for any other contract. The government also reserved the right to restrict any company to a total of four contracts.[18]

Start-up Problems

At the end of October 2003, just before the Congress passed IRRF 2, the PMO still possessed few funds and few personnel. Although Pentagon Comptroller Dov Zakheim had authorized $10 million for PMO's operational needs in September 2003, it took two months for the money to wend its way through the bureaucracy. Thus the PMO did not receive it until mid-November 2003. According to Zakheim, OMB was too slow in allocating the money. "The problem was that the OMB insisted on approval," Zakheim said, "and OMB became kind of a black hole, from which funds would emerge on what appeared to be a whimsical basis."[19] Reflective of Zakheim's complaint, the OMB demanded detailed descriptions from CPA on how it planned to spend IRRF 2 dollars before it would release them.[20] It did not release any IRRF 2 funds until after CPA submitted its comprehensive spend plan in January 2004.

At the time the Congress passed the IRRF 2 supplemental in November 2003, the PMO consisted of Admiral Nash, two government employees detailed from USACE, and thirteen USACE contractors. Of the 100 government employees Nash requested, only eight had arrived by January 2004. PMO's staff shortages were not the only problem; the skills the employees brought to the job were frequently not the right ones. A year after the PMO was created, and just before it was subsumed by the Program Contracting Office in the summer of 2004, a frustrated Admiral Nash would have just 50 of the people he needed—roughly one government employee for every $400 million the PMO was overseeing.[21] By comparison, the State Department in 2005 had 120 government contracting officers to manage its $5 billion world-wide acquisitions program.[22]

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The Contracting Plan

In early September 2003, Admiral Nash notified Tina Ballard, Deputy Assistant Secretary of the Army for Policy and Procurement, that IRRF 2 would need a major acquisition plan for the award of the IRRF 2 contracts. Ballard quickly pulled together a joint Department of Defense team, which included contracting personnel from USACE and the Navy, to develop IRRF 2's Single Acquisition Management Plan (SAMP).[23]

The SAMP established procedures for the award of IRRF 2 contracts, created selection boards, and developed guidelines to prevent conflicts of interest. To maximize flexibility, the SAMP provided that IRRF 2 contracts would be indefinite delivery/indefinite quantity (IDIQ) contracts. IDIQ contracts allow for the provision of an indefinite quantity of supplies or services during a fixed period of time; they are used when the circumstances are such that the government cannot determine in advance the precise requirements needed during the contract period. IDIQ contracts require task orders to be written for each project under the contract. For IRRF 2, the PMO would write these task orders for specific projects within each sector. Thus, the Defense Department would award the IDIQ contracts, but the CPA's Head of Contracting Activity in Baghdad would manage the task orders issued under them.[24]

The SAMP team issued requests for bids on the design-build contracts in mid-December 2003.[25] All proposals—except for those in the oil sector, which USACE had solicited during summer 2003—had to be submitted by February 5, 2004. The government received 53 proposals by the deadline, but made no awards until March.[26]

Several factors slowed the IRRF 2 contract-award process. In the light of concerns raised by the Congress about pre-war sole-source contracting and IRRF 1's limited-competition awards, the SAMP source selection boards scrupulously complied with the FAR. But complying with the FAR's complex procedural requirements meant that the boards took more time to review the bids on the very large IRRF 2contracts. The most serious delays, however, occurred because the amounts of money allocated by the CPA for construction projects changed several times in November and December—just as the PMO was in the throes of putting together its comprehensive list of IRRF 2 projects to meet the January 5, 2004, congressional deadline.[27]

In early December, Deputy Secretary of Defense Paul Wolfowitz issued a memo limiting competition for reconstruction projects funded by IRRF 2 to "companies from the United States,

Iraq, Coalition partners, and force-contributing nations." He appended a list of the 63 countries qualified to compete for IRRF 2 contracts.[28]

The Spend Plan

The CPA's schedule called for all projects to be identified by November 20, 2003—less than three weeks after the Congress passed the supplemental—and briefed to Ambassador Bremer on December 1. CPA regional advisors and military commanders in the field then had nine days to review and further prioritize projects. Bremer signed off on the final project list on December 10 and sent it to Washington for final approval so that the OMB could include it in the *Section 2207 Report* to Congress in January 2004.[29]

The PMO built its project list around the ten sectors defined in the IRRF 2 legislation. Nash and the fifteen USACE contractors, in consultation with the CPA's senior advisors to the ministries, developed the first master project list. Since the CPA senior advisors had already worked with their ministries to develop reconstruction proposals as part of the 2004 budget process, they incorporated some of these into the new project list. The contractors created Project Identification Forms (PIFs), which described the justification, scope, and estimated cost of each proposed project and gave it a priority.[30] Then they worked with the CPA senior advisors and Iraqi ministry officials to complete 5,000 PIFs. The information from these was entered into a "monster Excel spreadsheet," which was eventually supposed to go into an automated database being developed to help manage the program.[31]

The quality of the project lists was uneven. Some ministries, such as Water Resources, had complete designs sitting on the shelf that had been "waiting for Saddam to go away so they could build these projects."[32] But others had nothing. Some ministries disagreed with the CPA's decisions. For example, the Ministry of Health favored building large hospitals, but the CPA wanted to focus on small primary-care clinics. Although Iraqis were accustomed to providing and receiving medical services through a hospital system, the senior advisor to the Ministry of Health thought that a network of clinics focusing on preventive and primary health care would more effectively and efficiently provide nationwide health care for Iraq.[33]

No one had the time or the staff to estimate costs for each project carefully, so the PMO took the base figure of each project and added fixed charges for security, transportation,

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procurement, program management, and award fees. The PMO consultants estimated that security costs would add seven percent, a figure they got from Bechtel. Bechtel based this figure on an environment that was, in military parlance, "semi-permissive."[34] The expectation was that security would improve. But Iraq, in late 2003, was well short of permissive.[35]

On December 1, 2003, the PMO presented a list of 1,706 prioritized projects to Ambassador Bremer and representatives from USAID, the military, and CPA's senior advisors at a meeting on December 1, 2003. This was the first time most participants, including USAID, had seen a comprehensive project list.[36] The group had nine days to review the plan and comment on it before it was sent to Washington. "It was like a grocery list," said Nash, "You could go down so far, draw a line and that's how much money you had, and then we took the rest of the projects and we said we'll give those to the Iraqis." Projects that fell below the funding cut-off for each sector were assigned to Iraq's Ministry of Development, Planning, and Cooperation.[37] The ministry was expected to find other donors to fund them.[38]

In mid-December 2003, after receiving the CPA's proposed IRRF 2 allocation plan, the White House OMB convened an interagency meeting to discuss it and invited USAID Administrator Andrew Natsios to attend. Participants included National Security Advisor Condoleezza Rice; her deputy, Stephen Hadley; Robin Cleveland, associate director of the OMB; the Pentagon Comptroller, Dov Zakheim; and Deputy Secretary of Defense Wolfowitz. According to Natsios, Cleveland—who had been skeptical about the IRRF 2 allocations—wanted him in the room because she knew he would make a strong argument against certain aspects of the proposed allocation plan.[39]

Natsios told the group: "If this thing gets approved, you'll have no money for elections, no money for rebuilding local governance, no money for building the university system, no money for the health system." Calling the plan "a recipe for disaster," he recommended reserving some of the money for non-construction projects and contingencies.[40] Natsios strenuously objected to the CPA's big infrastructure approach to reconstruction, arguing that it flouted the lessons learned from decades of international development experience. Wolfowitz and Hadley responded to Natsios' concerns by agreeing to withhold $4 billion of IRRF 2 funds, preventing the PMO from allocating or obligating that money.[41]

Two weeks later, Natsios received an angry call from Ambassador Bremer, accusing him of destroying the IRRF 2 plan. Natsios countered that CPA had put together an excessively-

optimistic infrastructure-centric program. Bremer retorted that under his original plan, the CPA could begin construction by March. Natsios, who had managed Boston's "Big Dig," one of the largest and most problem-ridden construction projects in American history, replied that the CPA timetable "was utterly ridiculous."[42]

On January 5, 2004, the OMB delivered the first *2207 Report* to the Congress. The report included the first of what would be many notices and requests for re-allocations of IRRF 2 funds. In this first realignment, the OMB shifted funds within the security sector, allocating additional funds to democracy-building efforts, a step driven by the November 15, 2003, decision to transfer sovereignty to Iraq by June 30, 2004.[43] These readjustments included taking $150 million from the budget for the New Iraqi Army to augment the border enforcement program and moving $25 million from the witness protection program to support democracy projects.[44] The OMB observed that "flexibility in the allocation of resources among projects and for new projects" was critical given the evolving security and political situation in Iraq.[45]

As the PMO put together its project lists, spend plan, and contracting procedures, it was also trying to develop a new information management system to monitor contracts and projects. The decision to create a new system rather than use an established one took much longer than expected and hindered the PMO's ability to manage the IRRF 2 program.

Creating an Information Management System from Scratch

The Congress authorized $50 million as part of the IRRF 2 supplemental to help the CPA meet its reporting and monitoring obligations, and to maintain records as required by the law. The OMB apportioned the money to the Department of Defense for CPA operating expenses, but the PMO did not get any of it until May 2004, the month before CPA expired.[46] The PMO's leadership decided against adapting any existing project information management systems used by the Defense Department because none offered "the full complement of integrated capabilities" it believed was required.[47] Instead, the PMO chose to develop a new hybrid system, combining an asset-management program with off-the-shelf software that could eventually be handed over to Iraqis.[48] The hybrid system did not work well.

In retrospect, the PMO needed an integrated system from the start in order to stay on top of the program, track contracts, prevent over-spending, and measure progress. It would be many

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months before it had a usable system. "You lose track of a program, a big program like this with 3,000 projects, you never get it back," observed Nash.[49] The delay in creating an integrated information system that could track projects hampered many aspects of program and project management in Iraq thereafter.

The "Bridging" Contracts

When it became clear in late 2003 that the Defense Department would take longer than hoped to award the design-build contracts, USAID and PMO took innovative steps to implement reconstruction projects by other contractual means.

The Bechtel Phase II Contract

In October 2003, USAID solicited proposals for Phase Two of its infrastructure program to bridge the period between the end of IRRF 1-funded operations and the time that IRRF 2 design–build contractors could get on the ground in Iraq. USAID had awarded its original contract to Bechtel without full and open competition. This time, USAID issued a request for proposals, and three firms, including Bechtel, submitted bids. On January 4, 2004, USAID awarded Bechtel its second large Iraq reconstruction contract, this one for $1.82 billion. Upon contract award, Bechtel began beefing up its Iraq staff to execute an array of new projects. USAID expected the PMO to start issuing task orders promptly to Bechtel, but oddly, the PMO made little use of this contract. Between January and March 2004, it issued just four task orders to Bechtel, totaling $180 million.[50]

Part of the problem may have been the increasingly-fractious relationship between USAID and the PMO. USAID officials believed that, after Natsios's successful fight to have OMB hold some of the IRRF 2 money in reserve, Admiral Nash decided to limit the number of task orders issued to Bechtel—a USAID contractor.[51] But Nash denies this was the case.[52] He said his problems with USAID boiled down to a simple power struggle. Describing it as a great "harangue," Nash said the "argument was over who is in charge" and "how things will be run." He insisted that the CPA needed one central organization, in this case the PMO, to manage the program, but that USAID "did not understand—or agree with—this concept."[53]

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The simmering enmity between the CPA/PMO and USAID adversely affected the reconstruction program at this critical juncture. With no new work in the winter of 2004, USAID's Mission Director James "Spike" Stephenson confronted Nash in March about the lack of task orders and "reminded him of the Bechtel contract's purpose." Nash demurred, saying that he wanted all the work to move ahead in unison. Stephenson took his complaints to Bremer, but nothing changed.[54]

At the end of March 2004, Stephenson met with Tom Gibb, Nash's deputy for programs, and they worked out a truce that resulted in a trickle of task orders. The Bechtel contract, however, would not be fully utilized until after the CPA dissolved in June 2004. During this period of relative inactivity, USAID still had to pay Bechtel's entire overhead costs, ultimately reducing the amount available for reconstruction projects.[55]

The Air Force Center for Environmental Excellence

The CPA's reconstruction priorities in December 2003 included renovating Iraqi military facilities for the New Iraqi Army by June 2004. Realizing that the design-build contractors would not be soon mobilized, Nash looked for existing contracts that could be used to support these projects.

The Air Force Center for Environmental Excellence (AFCEE) in San Antonio, Texas, had an IDIQ contract called the Worldwide Environmental Restoration and Construction contract, which provided a wide range of services at U.S. military bases around the world. In January 2004, the U.S. Air Force Chief of Staff approved the CPA's request to use the AFCEE contract for construction projects in Iraq.[56] The IRRF 2 supplemental had allotted $745 million for the construction of New Iraqi Army facilities. By the end of May 2004, PCO had awarded AFCEE fifteen task orders valued at $481.2 million. Three of these, totaling $42.3 million, were for non-military projects such as the reconstruction of schools, government buildings, and pumping stations. They appeared to be beyond the scope of the CPA's original request. A CPA-IG audit of the contracts subsequently found that "AFCEE's role in awarding task orders on behalf of the CPA was not clearly defined, and the continued use of AFCEE's contract vehicle provided less than necessary transparency to the public."[57]

The Award of PMO Management and Design-Build Contracts

In March 2004, the Defense Department announced the award of the major IRRF 2 design-build construction and program management contracts. Under the Single Acquisition Management Plan, the Department of Defense had awarded $5 billion worth of contracts within 90 days of the submission of the spend plan to the Congress. A typical process involving this amount of money normally would take 14-18 months.[58]

AECOM Technology Corporation won the umbrella-services management contract, valued at $50 million, to support PMO. The other sector program management contracts were awarded as follows:

- **Electricity**: Iraq Power Alliance Joint Venture (Parsons Energy and Chemical Group, Parsons Brinckerhoff – USA/UK) for $55 million;
- **Water and Public Works**: CH2M Hill and Parsons Water Infrastructure (USA), for a $55 million;
- **Communications and Transportation**: Berger/URS Joint Venture (Louis Berger Group & URS Group 9 – USA) for $15 million;
- **Building, Education and Health**: Berger/URS Joint Venture (Louis Berger Group & URS Group – USA) for $15 million;
- **Security and Justice**: Berger/URS Joint Venture (Louis Berger Group & URS Group – USA) for $30 million; and
- **Oil**: Foster Wheeler (UK) for $30 million.

Ten design-build construction contracts were awarded as follows:

- **Electricity Sector, Generation**: Fluor-Amec Joint Venture (USA/UK) for $500 million;
- **Electricity Sector, Transmission and Distribution (North):** Washington International Group (USA) for $500 million;
- **Electricity Sector, Transmission and Distribution (South):** Perini Corp. (USA) for $500 million;
- **Public Works (North):** Fluor-Amec Joint Venture (USA/UK) for $600 million;
- **Public Works (South):** Fluor-Amec Joint Venture (USA/UK) for $500 million;

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- **Water Resources:** Washington International Group & Black and Veach (USA) for $600 million;
- **Communications**: Lucent Technologies (USA) for $75 million;
- **Transportation:** Contrack/AICI/OIC/Archirodon Joint Venture (USA/Egypt/Netherlands/Panama/UAE) for $325 million;
- **Building, Education and Health**: Parsons Delaware (USA) for $500 million; and
- **Security and Justice:** Parsons Delaware (USA) for $900 million[59]

USACE already had awarded two oil contracts in January, one for northern Iraq to Parsons Iraq Joint Venture ($800 million) and one for the oil-rich southern region to Kellogg, Brown and Root ($1.2 billion).[60]

Nash demanded that the IRRF 2 contractors move quickly, giving them 30 days to deploy to Iraq and directing that each be prepared eventually to do $500 million dollars in work apiece. Most of these contractors, however, did not receive orders for reconstruction work until months after they arrived because of the PMO's weak management structure, the worsening security, and the widespread uncertainties that accompanied the CPA's administrative transition. By the time of CPA's expiration, at the end of June 2004, PMO had spent just over $400 million of the $18.4 billion IRRF 2 appropriation.[61] Bremer never realized his vision. Instead, the CPA relied on IRRF 1 and Iraqi money to fund most of its efforts to rebuild Iraq's government, develop the country's security forces, boost oil production, and provide electricity and other essential services.

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[12] USACE, comments to SIGIR, November 4, 2008. A design-build contractor is responsible for every phase of a project from design to completion, but may subcontract pieces of a project to other contractors. SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 56.
[13] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 53; and ORHA/CPA Historian interview with Maj. Gen. Ronald Johnson, Deputy Director of the Iraq PMO, June 27, 2004.
[14] SIGIR Lessons Learned Forum: Program and Project Management, Washington, DC, April 12, 2006.
[15] SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005; and SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 52-53, 57-59..
[16] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 53.
[17] A design-build contractor is responsible for every phase of a project from design to completion, but may subcontract pieces of a project to other contractors.
[18] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 55; and DoD, "Iraq Reconstruction Pre-Proposal Conference Briefing, Program Management and Design-Build Construction," January 21, 2004, 10, 27, 32.
[19] Dov S. Zakheim, former Under Secretary of Defense and DoD Chief Financial Officer, email to SIGIR, "Re: An Iraq-related question for SIGIR Lessons Learned," June 30, 2008.
[20] SIGIR interview with Rear Adm. (Ret.) David Nash, former Director of the Iraq PMO, January 13, 2006.
[21] SIGIR Lessons Learned Forum: Program and Project Management, Washington, DC, April 12, 2006.
[22] SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.
[23] PMO/PCO Historian interview with Tina Ballard, Deputy Assistant Secretary of the Army, November 17, 2004.
[24] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 54-56.
[25] PMO/PCO Historian interview with Tina Ballard, Deputy Assistant Secretary of the Army, November 17, 2004.
[26] CPA-IG Audit 04-005, "Award of Sector Design-Build Construction Contracts," July 23, 2004, 6.
[27] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 64-65; and PMO/PCO Historian interview with Tina Ballard, Deputy Assistant Secretary of the Army, November 17, 2004.
[28] Paul Wolfowitz, "Determination and Findings," December 5, 2003; and GAO Report 04-605, "Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges," June 2004, 28-46. GAO identified two issues with the memorandum. First, GAO concluded that the memorandum constituted a class determination and finding, which is prohibited by the Federal Acquisition Regulation. Additionally, GAO noted that the waiver to competition requirements was based on a public interest exception, which can only be issued by the Secretary of

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Defense. GAO noted that while the Deputy Secretary has broad authority to act on behalf of the Secretary of Defense, he did not have authority to do so in this instance.
[29] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 62; and CPA, "Rebuilding Iraq: Prioritized Supplemental Project List," December 1, 2003.
[30] CPA, "Rebuilding Iraq: Prioritized Supplemental Project List," December 1, 2003; and SIGIR interview with Craig Johnson, Stanley Consultants, spokesman for the "Baker-Stanley" team and former PMO Program Engineer, March 9, 2006.
[31] SIGIR interview with Craig Johnson, Stanley Consultants, spokesman for the "Baker-Stanley" team and former PMO Program Engineer, March 9, 2006; and Craig Johnson, Stanley Consultants, spokesman for the "Baker-Stanley" team and former PMO Program Engineer, comments to SIGIR, November 4, 2008.
[32] SIGIR interview with Craig Johnson, Stanley Consultants, spokesman for the "Baker-Stanley" team and former PMO Program Engineer, March 9, 2006.
[33] SIGIR interview with James Haveman, former Senior Advisor to the Ministry of Health, December 22, 2005; and SIGIR interview with Craig Johnson, Stanley Consultants, spokesman for the "Baker-Stanley" team and former PMO Program Engineer, March 9, 2006.
[34] SIGIR interview with Craig Johnson, Stanley Consultants, spokesman for the "Baker-Stanley" team and former PMO Program Engineer, March 9, 2006.
[35] Craig Johnson, Stanley Consultants, spokesman for the "Baker-Stanley" team and former PMO Program Engineer, written comments to SIGIR, November 4, 2008.
[36] SIGIR interview with Rear Adm. (Ret.) David Nash, former Director of the Iraq PMO, March 3, 2006.
[37] SIGIR Lessons Learned Forum: Program and Project Management, Washington, DC, April 12, 2006.
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[39] SIGIR interview with Andrew Natsios, former USAID Administrator, March 17, 2008.
[40] SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[41] SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[42] SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[43] OMB, *Section 2207 Report*, January 2004. The decision to transfer sovereignty earlier than originally envisioned by Ambassador Bremer is discussed in detail in Chapter 11 and subsequent chapters. The CPA —and the U.S. Embassy that replaced it in June 2004—repeatedly re-aligned money in the supplemental to meet changing needs on the ground in Iraq. Part III of this book looks at re-programming in more depth.
[44] OMB, *Section 2207 Report*, January 2004.
[45] OMB, *Section 2207 Report*, January 2004.
[46] SIGIR Audit 05-026, "Fact Sheet on the Use of the $50 million Appropriation to Support the Management and Reporting of the Iraq Relief and Reconstruction Fund," January 27, 2006; and SIGIR interview with Rear Adm. (Ret.) David Nash, former Director of the Iraq PMO, March 3, 2006.
[47] CPA, "Program Management Plan," October 15, 2003, Figure 2 as cited in: SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 60.
[48] SIGIR interview with Rear Adm. (Ret.) David Nash, former Director of the Iraq PMO, March 3, 2006.
[49] SIGIR Lessons Learned Forum: Program and Project Management, Washington, DC, April 12, 2006.
[50] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 66; SIGIR interview with James "Spike" Stephenson, USAID Iraq Mission Director, January 19, 2006; and SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[51] James Stephenson, *Losing the Golden Hour, An Insider's View of Iraq's Reconstruction* (Washington, DC: Potomac Books, 2007).
[52] SIGIR interview with Rear Adm. (Ret.) David Nash, former Director of the Iraq PMO, January 13, 2006.
[53] SIGIR interview with Rear Adm. (Ret.) David Nash, former Director of the Iraq PMO, March 3, 2006.
[54] James Stephenson, *Losing the Golden Hour, An Insider's View of Iraq's Reconstruction* (Washington, DC: Potomac Books, 2007), 33.
[55] James Stephenson, *Losing the Golden Hour, An Insider's View of Iraq's Reconstruction* (Washington, DC: Potomac Books, 2007), 32-35.
[56] CPA-IG Audit 04-004, "Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority," July 28, 2004, 4-5, 7-8.
[57] CPA-IG Audit 04-004, "Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority," July 28, 2004, 4-5.

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[58] John Daley, U.S. Army Corps of Engineers, comments provided to SIGIR, June 26, 2008.
[59] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 59-60.
[60] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 60.
[61] CPA-IG, *Quarterly Report to the United States Congress*, July 2004, 55.

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Chapter 11

RESTORING IRAQ'S CAPACITY TO GOVERN

The CPA came and they were obsessed [with] decentralized government…I kept telling them, before you devolve power, you have to have power to devolve. We don't have power to devolve."

- Samir Sumaidaie,
Iraq Governing Council Member (2003-2004)[*]

The CPA, the military, and USAID adopted disparate approaches to building national, regional, and local governments. The CPA initially concentrated on naming members of the Iraq Governing Council and re-starting the national ministries. Ambassador Bremer issued orders aimed at improving governance by reforming Saddam-era institutions and creating new organizations to combat corruption. At the same time, the U.S. military and USAID's government contractors launched an array of projects to establish local and regional councils and to encourage community participation in the reconstruction of Iraq. But, these projects were often developed in an ad hoc manner, producing at best mixed results.

Local Governance

In Saddam Hussein's Iraq, Baghdad firmly controlled provincial and local governments. The Ba'ath Party appointed all provincial governors, who were known as "mini-Saddams." Saddam's directors general extended ministry control into the provinces, exerting authority over local budgets, administering essential services, and managing state-owned enterprises. The provincial councils possessed nominal powers, while local councils protected Saddam's interests at the district and neighborhood level.[1]

The 2003 invasion shattered this totalitarian system, and most senior Ba'ath Party officials fled as local bureaucracies dissolved.[2] Remnants of provincial councils and a handful of directors general continued minimal operations. Most of the connections between local governments and Baghdad broke down.[3] Ambassador Bremer arrived in Baghdad to find Iraqi governance in disarray. Several initiatives—some led by the U.S. military and some by USAID—were underway, all seeking to fill some part of the post-Saddam governance vacuum.

[*] SIGIR interview with Samir Sumaida'ie, Iraqi Ambassador to the United States and former Iraq Governing Council Member, March 11, 2008.

The Military Builds Local Governments

At the beginning of May 2003, Maj. Gen. David Petraeus—then commanding the 101st Airborne Division and in control of northern Iraq—assembled a new city council in Mosul, the capital of Nineveh province, filling the power vacuum created by the invasion. Petraeus established qualifications for council members and decided how the local populace would select them. Over a ten-day period, Petraeus and his team organized a convention where about 270 delegates, representing all of Mosul's religious and ethnic groups, elected a 24-member city council and a mayor.[4] "We had to hammer all this out and obviously all of it was very torturous and bloody battles and nobody thought they had enough representation," said Petraeus. "I think it was the ten toughest days of my life because everybody wanted something more than what they had. Everybody had a grievance."[5]

Lt. Gen. James Conway, Commander of the 1st Marine Expeditionary Force (1 MEF), controlled Najaf in central Iraq and scheduled province-wide elections so that Iraqis could directly choose a new provincial council. Conway, who would later become the Commandant of the Marine Corps, set the elections for July 4, 2003. By mid-June, the Marines had registered Iraqi political parties and were printing ballots. When Scott Carpenter, CPA's Director of Governance, found out about Conway's plan, he told him that such an election would undercut the CPA's political authority. The CPA persuaded Conway to cancel the elections at the last moment, causing great disruption and dissatisfaction in Najaf.[6]

As the military forces established the first provincial and local Iraqi councils, they expected civilian agencies to follow with resources to support the new councils. USAID had awarded three contracts to support local governance, develop community-based organizations, and provide grants to local groups for reconstruction projects. The largest contract—for $168 million—went to the Research Triangle Institute (RTI) to create transparent and accountable local and provincial governments, provide training to strengthen civil society, and restore basic services.[7]

USAID's Local Governance Program

On April 22, 2003—just eleven days after contract award—RTI sent an advance team to Kuwait, expecting to have about a month to organize before entering Iraq. Instead, USAID

immediately ordered RTI to move into the country.[8] The first group of RTI contractors crossed the border, headed for Basrah, while the second set out for Baghdad to help create the capital city council.[9]

Within a week of getting the "go order," the first RTI team, driving Chevy Suburbans loaded with tents, fuel, food, satellite phones, and office supplies, pulled into Basrah, the largest city in southern Iraq. What they found was a disaster: public offices stripped of all furnishings, widespread looting, and no basic services.[10] The British forces controlling Basrah asked RTI to engage immediately with the city's provincial council. Aaron Williams, a former senior USAID official who led RTI's team, consulted with the local Shi'a leaders on the councils "to determine what their priorities and needs were."[11] The team sought out Iraqi technocrats to help determine the levels of aid necessary for rehabilitation.[12]

Money for the provinces usually came from Baghdad, but with the national ministries collapsed, not a single dinar from the central bank was making its way to the provinces. The U.S. military filled some of the financial gap, providing funding through the nascent Commander's Emergency Response Program to support local councils, while USAID provided grants to help councils pay for small infrastructure projects.[13]

Clarifying roles, responsibilities, and working relationships among the military, the CPA, U.S. agencies, and their contractors proved a major challenge. The military perceived the agencies and their contractors as "relief in place" and "expected to rapidly hand over [to them] public services restoration, infrastructure reconstruction planning and coordination, and managing relationships with newly-formed local councils throughout Iraq." But neither the agencies nor their contractors had the resources at their disposal to sustain this mission.[14]

The Community Action Program

USAID instituted a Community Action Program (CAP) in Iraq, awarding contracts (known as cooperative agreements) worth a total of $120 million to five contractors.[15] The CAP, unlike other USAID-funded activities in Iraq, required that local groups contribute to projects. Implementation depended upon local facilitators, local contractors, and "community action groups" composed of Iraqis elected by their neighbors. CAP used small amounts of reconstruction funding as a catalyst for capacity building in local communities. During the CPA period, CAP contractors initiated over 1,700 projects costing about $61.7 million, ranging from

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sewage-system repair to rehabilitating schools and health clinics. A USAID audit found CAP generally achieved its intended goals, including citizen participation, local government cooperation, and local employment generation.[16]

The National Ministries

To help restart looted ministries, USAID contractor Development Alternatives International (DAI) created a package called "Ministry in a Box." Each "Ministry in a Box" kit cost $122,000 and provided furniture and supplies for 100 civil servants. To build the kits, USAID employed dozens of small Iraqi companies across Baghdad, which manufactured and assembled all the elements that went into each package. The ministries clamored for them and DAI delivered more than132 of these "Ministries in a Box" by the fall of 2003.[17]

To rebuild ministry capacity, the CPA depended chiefly on its senior advisors, many of whom had experience in U.S. government agencies. The advisors helped the new Iraqi ministers implement the de-Ba'athification order, appoint and develop ministry leadership, devise budgets, identify reconstruction projects, and secure CPA funding. But those efforts fell far short of Iraq's ministry capacity-development needs.

The CPA used the DFI to fund budgets for each ministry, paying for salaries, operating expenses, and capital projects. By April 2004, the CPA had authorized the expenditure of up to $19.9 billion of DFI funds for Iraq's national budget. When the CPA transferred sovereignty to Iraqis at the end of June 2004, Iraq's ministries had disbursed approximately $9 billion dollars to pay for capital expenditures and administrative expenses, as well as for reconstruction projects.[18]

The CPA and the Governing Council

Soon after his arrival in Baghdad, Ambassador Bremer directed the CPA's governance team to establish an Iraq Governing Council (IGC) as the first step in a process to transfer political power back to the Iraqis. The IGC concept superseded the idea behind the originally-planned Interim Iraqi Authority. The IGC would serve as the initial post-invasion Iraqi authority, although only in an advisory capacity. It also met UN Security Council Resolution 1483's requirement for the formation of an Iraqi transitional administration to work in partnership with

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the CPA until the Iraqi people established an elected representative government.[19] To find candidates for the IGC, the CPA's governance team canvassed the country, meeting with economic, religious, and tribal leaders.[20] Under the CPA plan, the IGC would name a committee to draft a new constitution for Iraq, paving the way for national elections and a democratically-elected government.

At the end of June 2003, with the CPA still selecting members for the IGC, Iraq's most respected Shia'a religious leader—the Grand Ayatollah Ali Husaini al-Sistani—issued a *fatwa* declaring that a council chosen by occupying authorities could not be charged with drafting the constitution. Ayatollah Sistani said there was no guarantee that a committee appointed by the IGC would write a constitution that reflected the interests of the Iraqi people and expressed the nation's Islamic identity. He demanded immediate elections for an Iraqi national assembly that would draft a new constitution and present it to the Iraqi people for a vote.[21] But Bremer rejected Sistani's demand and pressed forward with his plans to form the IGC and have that body name the constitution committee.

On July 13, after two months of intense political negotiations, Bremer signed CPA Regulation Number 6, announcing the IGC's formation. Regulation 6 provided that "the Governing Council and the CPA shall consult and coordinate on all matters involving the temporary governance of Iraq" and instructed CPA officials "to respond to all requests for experts, technical assistance or other support requested" by the Council.[22] Many Iraqis questioned the IGC's legitimacy because its members were not seen as "independent of occupying authorities."[23]

By early September 2003, the IGC had appointed new ministers to run the country's 25 ministries. The ministers reflected the religious and ethnic balance of the council, commendable for its pluralist aims but also problematic because it laid the foundation for sectarian strongholds later established in certain ministries.[24] Once the new ministers were named, the role of the CPA's senior advisors changed. Up to that point, they had been serving as de facto ministers. Now they would be advisors to the Iraqis leading the ministries. The advisors still dominated ministry decision making, but the process of transferring authority back to Iraqis had begun.

"You are on the path to full sovereignty," Ambassador Bremer said in a broadcast address to the Iraqi people on September 5, 2003, shortly after announcing the new ministerial appointments. During the broadcast, Bremer also unveiled a seven-step process to return

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sovereignty to an elected Iraqi government. It included writing a constitution, ratifying it by popular vote, holding elections, and, finally, transferring sovereignty from the CPA to the newly-elected government. "Once Iraq has a freely elected government," said Bremer, "the Coalition will happily yield the remainder of its authority."[25]

Three days later, Ambassador Bremer laid out this transitional roadmap in an opinion piece in the *Washington Post*.[26] The article, which did not provide a specific timeline, clearly described an extended occupation by the CPA, setting off alarm bells in Washington. Secretary Rumsfeld said it was the first time he realized that "Bremer was not ready to hand over responsibilities for governance of Iraq to Iraqi leadership" as quickly as the original strategy envisioned and was instead "taking a route somewhat different than what we had believed would be the approach.[27] Bremer maintains that the Pentagon knew about and had approved the transition plan, adding that he spoke daily with Secretary Rumsfeld and gave him a copy of his opinion piece before submitting it for publication.[28]

Washington reacted quickly. The White House formed the Iraq Stabilization Group under National Security Advisor Rice's aegis and a push began to return full sovereignty to Iraqis more quickly than Bremer planned.[29]

Accelerating the Return of Sovereignty to Iraqis

In late September 2003, Iraqi leaders, representatives of the international community, and senior officials in Washington began to pressure the CPA to announce a new timeline for transferring sovereignty to the Iraqis. Pentagon officials, in particular, pushed for a shorter timeline for full transfer of sovereignty, with Rumsfeld expressing "enthusiasm for the concept of granting sovereignty as soon as possible to the Council or some other group of Iraqis." Bremer countered by sending him a memo acknowledging that Iraqis should quickly be given more responsibility, but urging it be done "in a manner that [has] a fair chance of success."[30]

On October 6, Bremer learned that President Bush had put National Security Advisor Condoleezza Rice in charge of the newly-created White House Iraq Stabilization Group to coordinate Iraq policy and speed up reconstruction efforts.[31] Secretary Rice insisted the new organization was to support the Pentagon, not supplant it, but the move reflected growing tension among agencies in Washington, between agencies and the White House, and between

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Washington and Baghdad.[32] Rice asked Ambassador Robert Blackwill, who had become deputy national security adviser for strategic policy in August 2003, to lead the new Iraq Stabilization Group. According to Blackwill, there was "estrangement, very serious estrangement, between the Pentagon and the State Department." As a result, "the interagency process was essentially not working."[33]

Blackwill travelled to Iraq and quickly concluded that the United States would not be able to sustain its position there on Bremer's timetable because "the occupation would become more and more intolerable to the Iraqis."[34] In close collaboration with Dr. Rice and senior officials at the Defense and State Departments, Blackwill engineered a major course correction. Some at the Pentagon and at the NSC believed that Bremer had been making momentous decisions about the future of Iraq that had not been "debated seriously at the principals' level."[35]

On October 16, 2003, the international community pushed for a speedier return to sovereignty. UN Security Council Resolution 1583 stated that "the day when Iraqis govern themselves must come quickly." It asked Iraq's Governing Council, in cooperation with the CPA, to give the Security Council "a timetable and a program for the drafting of a new constitution for Iraq and for the holding of democratic elections under that constitution." It further called on the CPA "return governing responsibilities and authorities to the people of Iraq as soon as practicable."[36]

One month later, on November 15, 2003—barely a week after the U.S. Congress passed the $18.4 billion IRRF 2 reconstruction package—the CPA announced an agreement to pass sovereignty to an Interim Iraqi Government by the end of June 2004, just seven months later.[37] The agreement required a series of predicate events. The IGC had to approve a Transitional Administrative Law (TAL) by the end of February 2004. The TAL would define the laws for the interim government. Three months after the TAL's approval, local caucuses in each of Iraq's eighteen provinces would elect delegates to an Iraqi Transitional National Assembly, which would then elect leaders for an Interim Iraqi Government. On June 30, 2004, the CPA and the IGC would dissolve and the Interim Iraqi Government would take power. Provincial elections would occur on January 30, 2005; the constitution would be written and approved by referendum on October 15, 2005; and national elections would be held on December 31, 2005. The agreement further stipulated that "Coalition forces will continue to work side-by-side with new

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Iraqi police and security institutions to ensure a peaceful transition to a sovereign, democratic and secure Iraq."[38]

This was an extraordinary timetable: provincial and national elections and a constitutional referendum would be held in a violence-stricken Iraq in less than a year.

The CPA's Management of Provincial and Local Government

The CPA had divided Iraq into four administrative regions—north, central, south-central, and south—and had appointed coordinators for each province, gradually establishing offices in each provincial capital.[39] The coordinators were charged with overseeing and integrating military and civilian reconstruction activities in their respective provinces. The CPA's slow expansion into the provinces meant that most of the coordinators arrived after the military and USAID contractors had established relationships with their Iraqi counterparts.[40] The ensuing confusion over roles and responsibilities made for a muddle of government employees, contractors, and military troops whose plans and programs often worked at cross-purposes. Some believed that the CPA had failed to develop a coherent strategy to define the functional relationships between the national government and the new provincial councils.[41] Compounding this situation, contractors and non-government organizations hired to develop local governance moved slowly and CPA's integration of their efforts was inconsistent.

Describing the CPA's partnership with the contractors as "an awkward fit," Mark Etherington, CPA's coordinator in Wasit province, said he had assumed that USAID would help form councils and establish their rules of procedure. Instead, the USAID team in his area "consisted of specialists in subjects such as women's rights, agriculture and water supply" who "knew nothing about Councils or any of the fields that were pressing priorities for us at the time." Etherington says that USAID's private contractors made his job more difficult. As he put it, "one was left with a raft of largely unaccountable companies with their own sets of rules and security procedures, arriving at intervals, whose roles had never been properly defined or harmonized with CPA's political objectives."[42]

A SIGIR audit of USAID's local governance program noted a lack of clear policy guidance, criticizing both USAID and its contractor for failing to define program goals. Under its contract, USAID's contractor was supposed to submit quarterly work plans, but failed to do

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so, producing instead an implementation plan in August 2003 that simply listed the core activities planned for the year.[43]

In December 2003, Ambassador Bremer convened a "Commanders and Leaders" conference in Baghdad to address the implications of the November 15 sovereignty transfer agreement. At the conference, Ambassador Bremer announced that CPA would triple spending over the next three months to create jobs and foster stability in order to facilitate the transfer of power.[44] The CPA created two new DFI-funded programs—the Rapid Regional Response Program (known as R3P) and the Accelerated Iraqi Reconstruction Program (AIRP)—to funnel money into provincial reconstruction projects. CPA's provincial offices received $120 million in R3P funds to support projects to improve essential services, create jobs, and stimulate the economy.[45] In addition, the CPA approved $277 million for the AIRP to fund high-impact, high-visibility projects in ten strategic cities: Baghdad, Baqubah, Falluja, Mosul, Ramadi, Samarra, Tikrit, Najaf, Diwaniyah, and Karbala.[46] AIRP projects valued at more than $100,000 typically aimed to improve access to potable water, sanitation, health, education, and transportation.[47]

In April 2004, after ten months of governing Iraq, Ambassador Bremer promulgated CPA Order Number 71, strengthening the powers of local and provincial governments. The order specifically spelled out the powers of local officials, from mayors to police chiefs, and provided that the provincial councils were to be "funded from national budget allocations that are separate from the budgets of the ministries and other national institutions," and were to "perform their responsibilities independently from the control or supervision of any ministry." The provincial councils could even "approve or veto" the appointment of Directors General and "local ministerial officials for positions designated as 'senior positions.'"[48]

Order 71's radical decentralization of power was not well received by many Iraqi political parties, who differed about how much control should remain in Baghdad. Thus the CPA—which had two months left in power—made little attempt to implement the new order. The Iraqi budgets for 2004 did not allocate any money directly to local and provincial governments.[49] Consequently, with no budget and no real authority over any other financial resources, the provincial councils were unable to do much for their constituent populations. By the time the CPA dissolved in June 2004, the Iraqi public had little faith in the appointed provincial councils, seeing them as creations of the occupation authorities.[50]

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At the same time that the Coalition was struggling to assemble local, provincial and national governments, it was also trying, with too few resources, to rebuild Iraq's police and army.

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[1] SIGIR interview with Vijay Samaraweera, Senior Policy Advisor for Regional Government, RTI International, August 16, 2007.
[2] For Umm Qasr and South-Central, see: ORHA/CPA Historian interview with Mike Gfoeller, former Deputy Director of ORHA Region-South, August 10, 2003; Amatzia Baram, "Post-Saddam Iraq: The Shiite Factor," The Brookings Institute, April 30, 2003; and Ken Pollack, "The Seven Deadly Sins of Failure in Iraq: A Retrospective Analysis of the Reconstruction," The Brookings Institute, December 1, 2006.
[3] Peter W. Brorsen, "Accountability Builds Legitimate Government," *Capacity.org* 32 (December 2007); USAID, "Transcript: Local Governance Update," June 19, 2003; and USAID, "New Freedom and Opportunities: Founding a New Democracy in Iraq", November 18, 2003.
[4] ORHA/CPA Historian interview with Maj. Gen. David Petraeus, Commander of the 101st Airborne Division, July 28, 2003.
[5] ORHA/CPA Historian interview with Maj. Gen. David Petraeus, Commander of the 101st Airborne Division, July 28, 2003.
[6] ORHA/CPA Historian interview with J. Scott Carpenter, CPA Director of Governance, June 18, 2004.
[7] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 32; and Research Triangle Institute, USAID contract EDG-C00-03-00010-00, Section C, April 11, 2003.
[8] SIGIR interview with Dr. Ronald Johnson, Senior Vice President for International Development, RTI International, March 2, 2006.
[9] USIP interview with Aaron Williams, Vice President for International Business Development, RTI International, October 1, 2004.
[10] USIP interview with Charles "Chuck" Costello, Deputy Chief of Party in the Local Governance Support Project with RTI International, October 14, 2004.
[11] USIP interview with Aaron Williams, Vice President for International Business Development, RTI International, October 1, 2004.
[12] USIP interview with Aaron Williams, Vice President for International Business Development, RTI International, October 1, 2004.
[13] USIP interview with Aaron Williams, Vice President for International Business Development, RTI International, October 1, 2004; SIGIR interview with Dr. Ronald Johnson, Senior Vice President for International Development, RTI International, March 2, 2006; and USIP interview with Charles "Chuck" Costello, Deputy Chief of Party in the Local Governance Support Project with RTI International, October 14, 2004.
[14] RTI International, "Lessons Learned Brief: Military-Civilian Cooperation in Postwar Iraq: Experience with Local Governance Reconstruction," Brief no. 7, May 2005.
[15] USAID-IG Audit E-267-05-001-P, "Audit of USAID/Iraq's Community Action Program," January 31, 2005, 6.
[16] USAID-IG Audit E-267-05-001-P, "Audit of USAID/Iraq's Community Action Program," January 31, 2005, 5, 11-12.
[17] SIGIR interview with Steve Connolly, QRF Coordinator for DAI, December 21, 2006.
[18] SIGIR Audit 05-004, "Oversight of Funds Provided to Iraqi Ministries through the National Budget Process," January 30, 2005, 3, 15.
[19] United Nations Security Council Resolution 1483, May 22, 2003.
[20] ORHA/CPA Historian interview with J. Scott Carpenter, CPA Director of Governance, June 29, 2004.
[21] The English translation of the *fatwa* differs depending on who did the translation. BBC News/Middle East, "Ayatollah Sistani in quotes," August 27, 2004; Babak Rahimi, USIP Report 187, "Ayatollah Sistani and the Democratization of Post-Ba'athist Iraq," June 2007; and Rajiv Chandrasekaran, "How Cleric Trumped U.S. Plan for Iraq: Ayatollah's Call for Vote Forced Occupation Leader to Rewrite Transition Strategy," *Washington Post*, November 26, 2003.
[22] CPA Regulation Number 6, July 13, 2003.
[23] Sharon Otterman, "Iraq: Iraq's Governing Council," Council on Foreign Relations, May 17, 2004.
[24] According to Carpenter, the Council consisted of 25 members so each could select a cabinet minister. ORHA/CPA Historian interview with J. Scott Carpenter, CPA Director of Governance, June 29, 2004.
[25] L. Paul Bremer, III, "Address to the Iraqi People," September 5, 2003.
[26] L. Paul Bremer III, "Iraq's Path to Sovereignty," *Washington Post*, Op-Ed, September 8, 2003.
[27] Donald Rumsfeld, former Secretary of Defense, written comments to SIGIR, November 5, 2008.

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[29] SIGIR interview with Douglas Feith, former Under Secretary of Defense for Policy, March 20, 2008.
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Chapter 12

RECONSTRUCTING IRAQ'S SECURITY FORCES

[The U.S.] Army was absolutely focused in May [2003] on wrapping up the fight…They had just finished combat operation, and then we went through this terrific problem of social mayhem, looting, the lawlessness that occurred, so the Army was absolutely focused on its mission of bringing order to the country…There was zero thought on what the Army could do to develop security forces…zero.

- Maj. Gen. Paul Eaton
Commander of CMATT and OSC (2003-2004)[*]

The CPA envisioned creating a new security force accountable to Iraq's civil authorities and capable of maintaining security. The CPA's efforts foundered because of poor planning, insufficient resources, and the failure to counter effectively the growing insurgency. Mounting violence and the November 15, 2003, decision to return sovereignty to the Iraqis forced the CPA to accelerate plans to rebuild Iraq's security forces and to deploy them before they were fully capable of countering insurgent forces.

Reform and Reconstruction

Pre-war planners at the Department of Defense assumed that Iraqis would greet U.S. forces as liberators, and that a benign security environment would follow, allowing ample time to transform and reconstitute Iraq's security forces. But post-invasion Iraq quickly descended into a maelstrom of looting and violence as the Iraqi military and police personnel deserted and the paramilitary and intelligence services dissolved.[1] CPA Order Number 2 exacerbated matters by essentially "firing" the entire Iraqi military, with—at least initially—no compensation. Amid this growing chaos, the CPA sought to rebuild Iraq's security forces from scratch, seeking to inculcate Western concepts of accountability and rule of law. Critical resource shortages and a dearth of qualified trainers prevented progress until the violent environment finally forced major U.S. policy changes on the security front as the CPA era ended.

[*] ORHA/CPA Historian interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, December 27, 2004.

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The Iraqi Police Service

Contingency operations—particularly those in post-conflict situations—frequently are executed in an environment characterized by broad insecurity, unpredictable violence, and indigenous security forces that are too weak or too corrupt to maintain order.[2] A pre-invasion assessment by the U.S. Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP) recommended that 5,000 international police advisors be brought in to reform Iraq's police system.[3] But National Security Council planners believed that post-invasion security in Iraq would not be a significant problem and that the Iraqis would be able to maintain public order, and therefore concluded that ICITAP's proposal for police training was unnecessary. "With the police, we recommended that we leave the administration of justice and law and order in Iraq in Iraqi hands, because we didn't understand the culture, we didn't understand the language, we didn't have a corps of people we could rush there," recalled Frank Miller, who headed the NSC's Iraq department. "We didn't want Americans enforcing the Iraqi law. We did not envision occupation."[4]

Iraq's Ministry of Interior, unlike the Ministry of Defense, was not dissolved by CPA Order Number 2. It was expected to take on the civil security mission, allowing a quick handover of internal security responsibilities to Iraq's police.[5] "We had bad intelligence," Miller later conceded. "We believed that the Iraqi police were a corrupt, but generally efficient police force. It turns out they were both corrupt and not a particularly efficient police force."[6]

Soon after the invasion, an assessment team composed of personnel from ICITAP and the State Department's Bureau of International Narcotics and Law Enforcement (INL) travelled to Iraq to assess the Iraqi police service, judiciary, and prison system. By the time this team of 25 experts arrived in May 2003, looters had destroyed most of the Ministry of Interior, as well as many police stations across the country, leaving the police-force infrastructure in tatters. Gerald Burke, a member of the six-person team assigned to assess the police, said their conclusions could be summed up in one sentence: "The police need everything."[7] The assessment team submitted its report to the CPA at the end of May 2003. Its conclusions were troubling: the Iraqi police were incapable of restoring public order and, unless quickly reformed, they could "not constitute a suitable, viable, and sustainable police service that can engender public trust and confidence."[8] The assessment recommended the immediate deployment of a civilian security force of 2,500 international police officers to restore order and the recruitment of 360

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professional police trainers and 6,600 international police advisors to reform the Iraqi police.[9] But the NSC rejected these recommendations, viewing them as too ambitious and too expensive. Ultimately, Ambassador Bremer requested IRRF 2 funding for 1,500 police advisors—of whom 1,000 would be American. He left the job of providing civil security to the existing Iraqi security forces backed by Coalition military forces.[10]

Bernard Kerik became the first senior advisor to the Ministry of Interior in May 2003. The controversial former police commissioner of New York City faced dual challenges: quickly reconstituting Iraq's police forces so they could restore public order and reforming an institutional culture in which respect for human rights and community policing were unknown. The rapidly-worsening security environment increased the tension between the need to provide security in the short-term and the goal of working toward long-term reform. Criminal looting had gutted law enforcement's public infrastructure, leaving many police stations and police training academies unusable. To begin to address these myriad problems, Kerik put six members of the ICITAP/INL assessment team in charge rebuilding police stations and training academies, retraining the police forces, and improving ministerial capacity. This was all the CPA had in the summer of 2003 to revive a ministry that had employed some 200,000 law enforcement personnel before the invasion.[11]

In April 2003, Lt. Gen. Scott Wallace, the commander of the Army's V Corps, tasked the 18th Military Police (MP) Brigade with organizing and mentoring the residual force. The first joint patrols were on the street by May 9, 2003.[12] But when Ambassador Bremer arrived on May 12, there were only 4,000 poorly-trained, pistol-wielding police on duty in Baghdad, a city of seven million people.[13] Determined to bolster these numbers, the CPA issued a directive in June 2003 that police who failed to return to work by July 3 would be fired. About 38,000 former police returned by the deadline. Their ranks were strengthened by an additional 30,000 new officers recruited across the country by Coalition Joint Task Force 7 (CJTF-7).[14]

Finding a facility large enough to train tens of thousands of Iraqi police was the CPA's next priority. According to John Meiklejohn—who was in charge of police academies and curriculum—the Ministry of Interior's infrastructure had been "totally ransacked."[15] The U.S. Army Corps of Engineers began reconstruction of police academies by the end of May, and instruction started as classrooms were finished. With the help of U.S. Military Police instructors, the first four classes of 25 to 30 students began on June 28, 2003. Eventually, eighteen

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classrooms were refurbished, producing a training capacity of approximately 500 trainees per eight-week course.[16] But at this rate, it would have taken nearly two decades to field a retrained Iraqi police force.

The CPA needed to expand Iraq's police training capacity quickly, but security conditions were deteriorating too rapidly in Iraq, so the CPA looked abroad, first contemplating using an air base in Hungary. Meiklejohn scrapped the idea in September 2003, when the Jordanians agreed to train 1,500 Iraqi police per month.[17] He flew to Amman in October to manage the construction and logistics for an International Police Training Center in Muwwaqqar, Jordan.[18] In November 2003, the first class of 456 Iraqi cadets began an eight-week training course in makeshift facilities, while construction commenced on the permanent facilities.[19]

CPA funding and personnel shortfalls limited the police training program. Its police intiatives were almost entirely dependent on Iraqi funds, since U.S. money had not been appropriated for this purpose. The 2003 Iraqi national budget, drawn up for July through December, initially provided just $2.4 million for police operations. Although that number would soon increase to $122.4 million to pay police salaries, the capital budget for police infrastructure remained low. CPA needed more U.S. appropriations to make up the difference.[20]

Significant management and coordination failures aggravated the funding problems. Although Kerik—according to his own estimate—reopened 35 police stations in Baghdad and recalled 40,000 police officers in three months, critics contend he spent too much time conducting tactical operations—leading teams of recalled Iraqi police on nighttime raids in Baghdad—and not enough time on developing a workable strategy to train, equip, and employ Iraqi police across the country.[21] Kerik's efforts to train Iraqi police were considered "a waste of time and effort" by Lt. Gen. Sanchez, who thought they were too Baghdad-centric and neglected critical equipment needs.[22]

Crime continued to rise in Iraq during the fall of 2003, forcing CJTF-7 to begin training Iraqi police hastily. Ambassador Bremer feared that CJTF-7 was doing little more than rearming elements of Saddam's abusive and ineffective police force, so INL designed a three-week Transition and Integration Program that CJTF-7 could use.[23] Despite some marginal improvements brought about by the new curriculum, military trainers still had little understanding of civilian police methods, Iraqi culture, or existing Iraqi criminal justice procedures. The program was also inconsistently managed.[24] According to a GAO report, a

State/INL official reported that training might last between three days and three weeks and "some commanders required trainees to undergo class and field training, while other commanders only required officers to wear a uniform."[25]

Border Enforcement and Facility Protection

The CPA established the Department of Border Enforcement (DBE) on August 24, 2003, but allocated scant resources to its training.[26] New recruits had little experience, and previous immigration officials were excluded from employment because of their connection to Saddam's secret police. After the 2003 invasion, Iraq's borders were porous and subject to easy infiltration by foreign fighters. U.S. soldiers, with limited training by the U.S. Department of Homeland Security, tried to fill gaps, but they had no interpreters, could not read Arabic passports, and were unfamiliar with reviewing customs papers. The soldiers were overwhelmed by people wanting to reenter Iraq, with traffic "backed up literally for miles."[27] By June 2004, only 255 members of the Iraqi DBE had received training from the Coalition.[28] Iraq's porous borders remained an egregious problem for years after the 2003 invasion.

The Facilities Protection Service (FPS) was the last major security force to stand up under the Ministry of Interior and was to provide site security for ministry facilities and provincial government buildings.[29] By 2004, the FPS ranged from 80,000 to 100,000 personnel, but its members received just three days of training and were issued light equipment, putting it at "the lower end of the spectrum of capabilities."[30] Most notably, some ministers used the FPS to mask militia and sectarian elements within their ministries.[31]

The New Iraqi Army

On May 23, 2003, CPA Order Number 2—the order that dissolved the old Iraqi military—announced the formation of the New Iraqi Army.[32] Whatever the negative consequences of Order 2, it provided a clean slate for the systematic rebuilding of Iraq's army. But it did not address what resources the CPA would use to accomplish this monumental task.

CPA Order Number 22, issued in August 2003, expanded upon Order 2, establishing the New Iraqi Army as the basis of "militarily effective, professional, and non-political armed forces for the military defense of the nation."[33] The order provided that the army would be civilian-controlled, a tenth of its previous size, nationally recruited on a volunteer basis, and focused

strictly on external defense. The CPA believed that the New Iraqi Army—unlike the police force—would not have to be fielded immediately. Plans called for the training of three divisions of light motorized infantry battalions over the course of two years. Including headquarters units, the total end strength for the New Iraqi Army would amount to a modest 40,000.[34]

Responsibility for training the Iraqi army fell to Maj. Gen. Paul Eaton, who arrived in Iraq on June 13, 2003, to take command of the Coalition Military Assistance Training Team (CMATT). Maj. Gen. Eaton soon realized that the army training mission was "not a high priority" for the CPA or the U.S. military. The only real policy direction came from a 24-page PowerPoint presentation from CENTCOM. It did not contain "execution level" plans for manning, training, equipping, or employment of the 40,000-man force, all of which had to be accomplished with a budget of just $173 million drawn from the DFI. According to Maj. Gen. Eaton, "there was zero participation on the part of the Army Staff. Zero participation on the part of [the U.S. Army Training and Doctrine Command]. Zero participation on anybody's part except for an ad hoc team on personal request from me." With no strategic plan and only five staff members, CMATT "set out to man, train and equip the Iraqi Armed Forces essentially in a vacuum."[35]

Maj. Gen. Eaton and his team set August 1, 2003, as the training start date for the Iraqi army, leaving just six weeks to prepare. In the middle of June, Eaton selected Kirkush, northeast of Baghdad, as the site of the first training base, because its isolation provided a measure of security. CMATT contracted with an Iraqi firm to refurbish the barracks and provide power, water, and sewerage. Two weeks later, another Iraqi firm was contracted to provide water, food, and fuel for the trainees.[36] Using Iraqi firms leveraged CMATT's meager resources and established a civilian contracting model that would form the basis of Iraq's Ministry of Defense when it was reestablished later that year.[37]

A U.S. contractor was in charge of recruiting enlisted men, while CMATT selected the officers. On July 15, 2003, CMATT requested CJTF-7 division commanders to provide 45 former Iraqi lieutenant colonels to populate the new officer corps. CMATT hoped these former officers would bring needed experience, but not be so senior that they could not be retrained along Western lines. However, when the officers provided refused to serve without being reinstated to their Saddam-era rank and pay, CMATT dismissed them and lowered the recruiting rank requirement to major. A panel chaired by Maj. Gen. Eaton made the final selection of Iraqi

army officers. Seventy-five percent of the new force—including almost all of the NCOs and officers—had prior military experience.[38]

CMATT faced a severe shortage of personnel in its first months, and had to rely on personal favors for contract and logistical support. Uniforms, for example, were ordered by a team of seven officers borrowed from CJTF-7—who had their redeployment delayed for two weeks so they could help. Iraqi firms were again given contracts, despite the inferior quality of boots and uniforms available in the country.[39] CENTCOM even denied CMATT's request for military trainers, telling them to "man it out of hide."[40]

Security worsened over the summer of 2003 and, during a brief August 2003 visit to Iraq, Secretary Rumsfeld decided to cut the Iraqi army's two-year training time frame in half.[41] CMATT needed help, and found some during a visit by Eaton to Jordan to purchase equipment. He requested the Jordanian chief of military training to consider whether Jordan could support the training of 2,000 new Iraqi officers. In late August, King Abdullah agreed to help.[42] Buoyed by this support, CMATT developed a new training model. In the first eight-week stage, the Jordanian military would retrain former Iraqi officers at a base outside Amman, while Coalition partners trained non-commissioned officers (NCOs) at a reconstructed military academy in Taji. In the second stage, Iraqi officers and NCOs would form battalions with the enlisted soldiers and train as units in collective tasks over a three-month period.[43]

On October 4, 2003, Ambassador Bremer and Ayad Allawi, the future interim Iraqi Prime Minister, attended the first Iraqi battalion's graduation ceremony. Although CMATT successfully met the quantitative goal, personnel problems hurt quality. During this first phase of training, CMATT had only four uniformed drill instructors (from the United Kingdom and Australia), so contractors conducted most of the training. While they could effectively impart skills, the fact that they were not soldiers—and therefore lacked intangible characteristics such as military authority and bearing—made them less successful in taking 17- and 18-year-old Iraqi civilians and turning them into soldiers.[44]

Many Iraqi officers resented training in Jordan, but only by using Jordanian and U.S. military units to train officers and NCOs did CMATT have any hope of achieving the quality and quantity of soldiers needed before the September 2004 deadline. By November 15, 2003, CMATT's complex plan to stand up the Iraqi army was underway, with CPA promises for more financing through IRRF 2.[45]

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Iraqi Civil Defense Corps

As the insurgency grew during the course of 2003, CJTF-7's overstretched forces were unable to maintain public order. CENTCOM Commander Gen. Abizaid and CJTF-7 Commander Lt. Gen. Sanchez began to develop a new Iraqi security force component that could help fight the insurgency.[46] This force, named the Iraqi Civil Defense Corps (ICDC), would assist with constabulary duties, employ former members of the Iraqi military, and give Iraqis a sense of ownership of security in their communities.[47]

CJTF-7 began training the first six ICDC battalions soon after they were authorized by Bremer in July 2003, but CPA Order Number 28 did not officially establish it as an institution, "distinct from the Iraqi police force and the New Iraqi Army," until September 3, 2003.[48] Because the ICDC was not part of the original CPA security sector plan, it posed significant coordination problems from its inception. The ICDC's chain of command went from Lt. Gen. Sanchez to Gen. Abizaid to Secretary Rumsfeld, so there was no coordination on the ground with the Iraqi police or army and no accountability to any Iraqi ministry or the CPA.

Some in CMATT feared the ICDC could become a parallel security structure, competing with the police in local affairs and diluting the Iraqi Army's authority at the national level.[49] Still, Coalition commanders valued the ICDC as a way to enable Iraqis to provide security for their own country, while supplementing CJTF-7's overstretched forces. By April 2004, the ICDC had grown from the six battalions initially authorized to 45 battalions across the country, amounting to 36,000 personnel.[50]

Exit Strategy

By the summer of 2003, insurgent attacks on Iraq's infrastructure compounded the problems of widespread looting. Repeated sabotage of pipelines and power lines impeded economic recovery and limited the success of early attempts to restore essential services. The deterioration of the security situation delayed reconstruction projects, interrupted supply delivery, and greatly disrupted daily life across Iraq. All of these "fed into Iraqi feelings of resentment and despair, which fueled insurgency and crime, thereby worsening the security

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climate."[51] The violence prevented many CPA officials from leaving the Green Zone, limiting their contact with—and thus understanding of—Iraqis.[52]

In October and November 2003, the growing insecurity forced major shifts in security sector reconstruction. Staffing improved significantly, although it remained far short of what was needed. The frequent turnover of senior advisors to the Ministry of Interior was resolved in October 2003 when Steven Casteel, a longtime Drug Enforcement Agency officer with extensive international experience, promised to serve as the senior advisor for at least a year.[53] In December 2003, David Gompert took Walter Slocombe's spot as senior advisor to the Office of National Security Affairs, which oversaw the nascent military forces.[54]

Security funding received a much-needed boost with the passage of IRRF 2 on November 6, 2003. The sector received $3.29 billion, including $1.22 billion for the police forces, $2 billion for the Iraqi army, and $76 million for the Iraqi Civil Defense Corps.[55]

Security sector reform

The impending June 2004 deadline for the transfer of sovereignty forced CPA officials to rethink what Iraq would need to manage its security sector effectively. In mid-November 2003, the CPA's Office of Policy Planning warned Ambassador Bremer that Iraq required "legitimate and accountable systems of security to prevent violent conflict." These included not only the security forces, but also intelligence services and judicial and penal institutions. The Office of Policy Planning reported that the CPA's narrow focus on Iraq's short-term security problems had blinded it to broader reforms. The planning memo advised the CPA to pursue "a more integrated approach to security sector reform that will meet Iraq's future needs and enable the coalition to transfer responsibility for security to Iraqis."[56]

Security sector reform had to address the absence of a legal framework for the use of force by the Iraqi military, the disparity between force requirements and security budgets, the need to ensure that the new Iraqi security forces would be accountable to civilian authorities, and the need to insulate the security forces from sectarian influences.[57] The failure to address this last matter effectively would have lethal consequences in 2004-2005, as the Iraqi Ministry of Interior became infiltrated by sectarian militias.

Another glaring gap was the failure to create a new Iraqi Ministry of Defense (MoD). The CPA had planned to create a new MoD by April 2005, but the new date to transfer sovereignty

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forced the CPA to advance the timeline by an entire year so the Iraqi military would have civilian oversight by the time of transition.[58] The CPA focused on finding senior leadership, leaving the rest for Iraqis to design later.[59]

The organizing officials strove for ethnic balance in ministerial leadership and conditioned future promotion on merit, not sectarian affiliation. Experience requirements for high-level jobs meant that former military officers (mostly Sunnis) filled a third of the new civilian positions and virtually all of the top military positions.[60] The CPA could only provide the new leadership with three weeks of training at the National Defense University and the U.S. Institute of Peace in Washington, which provided "a foundation of understanding of civilian control of the military, some basics in defense-sector management and issues, and (not unimportantly) a look at a successful, functional democratic country."[61]

Iraqis themselves had little influence in the design of the new MoD. Maj. Gen Eaton believed that 30 years of oppression under Saddam had left Iraqis unable or unwilling to challenge the ideas posed by CPA advisors and CJTF-7 officials.[62] As late as December 2003, there was uncertainty about how much the Iraqi Governing Council could be involved in selecting the new minister, because of the CPA's fear that political considerations would have undue influence.[63] The selection of the new Minister of Defense thus was not discussed with the Iraqis to avoid the appearance of political influence.[64]

Reforming the Ministry of Interior was in some ways more difficult than reforming the Ministry of Defense. The Iraqi police force had not been a viable institution during Saddam's reign—even with his secret police and intelligence services—and there was no cadre of competent mid-level management upon which to build. Procurement problems also impeded progress.[65] The State Department's Bureau for International Narcotics and Law Enforcement Affairs (INL) did not contract with DynCorp to provide housing, food, security, facilities, and other support to the International Police Liason Officers (IPLOs) until February 18, 2004. These officers were supposed to train and advise Iraqi police.[66] Because of the contracting delay, only a few dozen police advisors came to Iraq during the first six months of the occupation, far short of the 5,000 that ICITAP originally recommended and the 1,500 that were approved.[67] Funding and contracting delays meant that the Iraqi police force had to conduct law enforcement activities and engage insurgents before it was fully trained, and were the main factor in the transfer of police force training responsibility to the U.S. military the following month.[68]

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Replacement forces

A few isolated successes suggest that a counterinsurgency strategy could have worked early in Iraq. Shortly after occupying Mosul, Maj. Gen. David Petraeus and the 101st Airborne Division established a city council and worked directly with local community leaders in the city to implement critical reconstruction projects. These initiatives helped keep violence levels low.[69] Most units in Iraq, though, had little counterinsurgency training or experience, and the Coalition's campaign strategy was "wrapped around killing and capturing the insurgents," not promoting political participation, economic opportunity, and public buy-in.[70] Replicating the 101st Airborne's methods across the country might have helped tamp down the insurgency, but it would have required more troops and a coordinated counterinsurgency strategy. This approach, eventually used in 2007, ultimately reduced violence in Iraq.

On October 14, 2003, the White House reported to the Congress that 70,000 Iraqis were engaged in security operations and another 13,000 were in training.[71] Secretary of State Colin Powell claimed that the Department of Defense "kept inventing numbers of Iraqi Security Forces—the number would jump 20,000 a week! 'We now have 80,000, we now have 100,000, we now have 120,000.'"[72] CPA and CJTF-7 leaders felt that the inflated numbers hurt the Coalition's effort. According to Ambassador Bremer, "it was increasingly clear that the Pentagon's apparent preoccupation with the spring [2004] troop rotation was creating unhealthy pressures to wish a competent Iraqi security force into being faster than possible."[73] Lt. Gen. Sanchez echoed the point, noting that "at various times, the Department of Defense inflated the numbers of effective Iraqi forces," while ignoring the fact that "the enduring challenge was building capable and effective Iraqi forces rather than simply adding numbers."[74]

Given the CPA's persistent personnel shortages, Gen. Abizaid strongly advocated that the U.S. military take over the security force training responsibility, "because [CPA's] people didn't have the capacity" to do it well. He also pushed for a bigger Iraqi army, and said it was necessary to "really put the muscle of DoD" behind the training effort.[75] This idea created controversy. Many civilian police advisors feared that giving the police training mission to the military would sacrifice the Iraqi police force's "long-term institutional and personnel development for expediency and would have negative consequences, saddling Iraq with security forces that could possibly endanger the country's future."[76] Maj. Gen. Eaton also had reservations: consolidating

training for all Iraqi security forces under a single military command threatened to divert resources from the Iraqi army and thus undermine long-term capacity building there as well.[77]

In November 2003, Secretary Rumsfeld ordered an assessment by Maj. Gen. Karl Eikenberry to determine what reforms were necessary to produce enough capable Iraqi forces to take over security responsibilities. The February 2004 Eikenberry report described CPA training efforts as under-resourced and disorganized, noting in particular that the development of the Iraqi police force was so far behind that transferring security responsibilities would not be possible for many months. Eikenberry's report concluded that the U.S. military should manage the training of the Iraqi army and police.[78]

Rumsfeld accepted Eikenberry's recommendations and authorized CJTF-7 to form the Office of Security Cooperation (OSC), with Maj. Gen. Eaton assuming command it on March 9, 2004. Both CMATT and the newly-established police training command—called the Coalition Police Assistance Training Team (CPATT)—fell under OSC's purview.[79] "At this point, the distinction between an Iraqi military force and an Iraqi civilian rule-of-law police service became almost interchangeable with the use of the term '*Iraqi Security Force*,'" said Gerald Burke, a member of the CPA's first police training team. "It was at this time that input or control of the police training by civilian police experts was significantly reduced."[80]

With the reorganization of Iraqi security forces' training underway, the Department of Defense advanced an ambitious plan to cede security responsibilities to the Iraqis quickly. In March 2004, Lt. Gen. Sanchez announced that, as the Iraqi security forces proved capable and credible enough to maintain local security, Coalition forces would redeploy to bases outside major cities. From there, they would coordinate with the Iraqis and provide quick-reaction forces, but the ISF would have daily policing and patrolling duties.[81] As the security situation improved, the size of Coalition forces would decrease from 130,000 to 115,000 and the number of U.S. forward operating bases within the city would drop to eight in May 2004 from its June 2003 high of 60.[82]

Security Provision on the Eve of Sovereignty

The first test of this new security sector strategy was a disaster. In April 2004, Sunni insurgents attacked Coalition forces in Fallujah, Baghdad, Ramadi, Samarra, and Tikrit, while

the Mahdi Army occupied Najaf in the south and Sadr City in Baghdad. Many elements of the newly-deployed Iraqi security forces proved unwilling or unable to fight. Some abandoned their posts and aided the insurgency.[83] Others mutinied when they came under fire.[84] Iraqi police units collapsed in Fallujah, Najaf, Karbala, and Kut, with the number of Iraqi police dropping by nearly 3,000 in one week in April 2004. The Iraq Civil Defense Corps fared worst of all. Between April 2 and April 16, up to 12,000 ICDC members deserted, with rates reaching 30 percent in northeastern Iraq, 49 percent in Baghdad and the surrounding area, 30 percent in the South-Central region, and 82 percent in Western Iraq.[85] The Defense Department's plan to transfer security responsibilities rapidly to the Iraqis was clearly not working.

Recovery and Reorientation

The April uprisings pitted Iraq's police, military, and civil defense corps against well-armed insurgents and militias across Iraq. Of the 200,000 Iraqi security force personnel rushed into service "no more than 5,000" were "fully trained and equipped."[86] Few were ready for counterinsurgency operations, with only the Iraqi Army specifically trained to fight organized enemies, although a mere eight percent of its force was deemed ready before the uprising.[87] Significantly, the various Iraqi military and police forces increasingly focused on a single threat—civil disorder within Iraq. This was a departure not only for the Iraqi army, whose mandate under CPA Order Number 22 had specifically prohibited its participation in domestic affairs, but also for the police, who had to add counterinsurgency to their criminal justice responsibilities.[88] The disastrous results of the April 2004 uprisings forced DoD to modify how the Iraqi security forces were being trained. Maj. Gen. Eaton's Office of Security Cooperation began to refocus the mission on the development of more heavily-equipped, specially-trained counterinsurgency forces.

In March 2004, the Coalition Police Assistance Training Team (CPATT) brought a military approach to equipping the Iraqi police. CPATT analyzed Iraqi police needs given their expanded mission to determine what materiel, infrastructure, weapons and other pacing items were needed.[89] Because of the contracting challenges in Iraq, the requested equipment did not reach the police until after the transfer of sovereignty. According to Lt. Gen. Sanchez, it took 30 to 45 days to document requirements and issue contracts, and another 45 to 60 days before deliveries began.[90]

CPATT also improved the field training programs for Iraqi police, implementing specialized programs in four key areas that had been neglected: counterterrorism, intelligence, organized crime, and corruption. CPATT implemented these at the Jordan and Baghdad police academies, as well as several smaller regional training academies.[91]

Meanwhile, the Ministry of Defense reoriented its forces toward the domestic security mission. Shortly after the April uprisings, an Iraqi General visited various Iraqi army units, recruiting volunteers for a division that could operate anywhere inside the country.[92] Named the Iraqi Intervention Force (IIF), the unit was heavily armed and trained specifically for counterinsurgency.[93]

Iraqi officials also wanted a larger regular military, demanding an increase at a May 2004 conference between Department of Defense officials and the Iraqi leadership. Gen. Abizaid recalled that Prime Minister Allawi "actually pounded on the table about as hard as I've ever seen a human being pound on the table and said the army was too small, and that he had to have more."[94]

The Human Costs

The CPA's July 2003 *Vision for Iraq* declared that "our first priority is to create a secure and safe environment, without which there can be little progress on other goals."[95] This goal proved exceedingly difficult to achieve. During CPA's tenure, Coalition forces could not provide the secure environment necessary for the Iraqi police and military to develop into competent and accountable security forces. By the time of the June 2004 transition, just half of Iraq's army and two-thirds of its police forces had received any training at all and the quality of that training varied widely.[96]

A transition team assessment report delivered to the Secretary of Defense on June 23, 2004—five days before Iraq assumed full sovereignty—showed that just six percent of Iraqi Police Service members had completed a police academy program. The report concluded that if this number did not at least triple by the end of the year, the success of a sovereign Iraq would be at "high risk."[97] The Iraqi security forces were also poorly equipped. Despite the new IRRF 2 appropriations for security, contracting delays caused serious shortages in weapons, vehicles, body armor, and communications equipment.[98]

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The Iraqi security forces' disastrous performance in the April 2004 uprisings revealed that the Department of Defense had prematurely pushed security responsibilities onto Iraqi shoulders. Iraqis' confidence in their security forces—and in their sponsors, CJTF-7 and the CPA—plummeted as violence soared in 2004.[99] The human toll was severe: thousands of civilians lost their lives.[100] Pressed by time and under-resourced—with inadequate numbers of advisors and coalition forces—the CPA and CJTF-7 could not adequately prepare the Iraqi security forces to fight the growing insurgency. Substituting Iraqi forces for Coalition forces was not the answer to Iraq's security problems. As the performance of the 101st Airborne Division suggested in Mosul—and as Gen. Petraeus clearly demonstrated later when in command of all forces in Iraq—Coalition forces needed to adjust their counterinsurgency strategy and tactics to make protecting Iraqi civilians a priority. Only then could the Iraqi security forces—and the Iraqi political process—have sufficient time and public support to being resolving Iraq's internal conflicts.

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[1] Robert Perito, USIP Special Report 137, "The Coalition Provisional Authority's Experience with Public Security in Iraq: Lessons Identified," April 2005, 3; and DoD Briefing, "Rebuilding the Iraqi Military," January 21, 2003, declassified March 12, 2007, 2.
[2] Scott Feil, "Building Better Foundations: Security in Postconflict Reconstruction," *The Washington Quarterly* 25, no. 4 (Autumn 2002), 97-98.
[3] Michael Gordon, "For Training Iraq's Police, the Main Problem Was Time," *New York Times*, October 21, 2004.
[4] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, February 4, 2008.
[5] Even if an organized insurgency had not begun, the Iraqi police would probably have had difficulty maintaining order. At the eve of the invasion, a web of secret police, paramilitary organizations, and intelligence services were the main providers of public order. However, these groups were guilty of many human rights abuses committed under Saddam, and DoD pre-war planning called for their dissolution. In contrast, the Iraqi police service only ventured out of their stations "to round up possible suspects, extract confessions by force, and extort bribes from family members for release of the suspects." Seth G. Jones, Jeremy M. Wilson, Andrew Rathmell, and K. Jack Riley, *Establishing Law and Order after Conflict* (Santa Monica, CA: RAND Corporation, 2005), 109-110; and Robert Perito, USIP Special Report 137, "The Coalition Provisional Authority's Experience with Public Security in Iraq: Lessons Identified," April 2005, 2-3. DoD Briefing, "Rebuilding the Iraqi Military," January 21, 2003, declassified March 12, 2007.
[6] SIGIR interview with Frank Miller, former Chairman of the Executive Steering Group of the NSC, February 4, 2008. CIA officials denied Frank Miller's claim that they provided intelligence assessments suggesting Iraq's police were capable of maintaining order. Michael Gordon, "For Training Iraq's Police, the Main Problem Was Time," *New York Times*, October 21, 2004.
[7] SIGIR interview with Gerald Burke, Advisor to the Baghdad police, June 14, 2007.
[8] CPA, "Iraqi Police: An Assessment of the Present and Recommendations for the Future," May 30, 2003, 20, as cited in: House Armed Services Committee Subcommittee on Oversight and Investigations, "Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces," July 2007, 55.
[9] Robert Perito, USIP Special Report 137, "The Coalition Provisional Authority's Experience with Public Security in Iraq: Lessons Identified," April 2005, 5. Police trainers conduct classroom instruction on human rights, investigations, and rule of law, in addition to firing range and other practice exercises. Police advisors conduct follow-up training and mentorship in the field, where they coach and support new police officers as they apply their new methods and techniques.
[10] SIGIR interview with Gerald Burke, Advisor to the Baghdad police, June 14, 2007.
[11] Robert Perito, USIP Special Report 137, "The Coalition Provisional Authority's Experience with Public Security in Iraq: Lessons Identified," April 2005, 6.
[12] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 191; and Kristopher Joseph, "18th Military Police Brigade helps Iraqis Restore Law and Order," USAREUR News Release, May 16, 2003.
[13] L. Paul Bremer III, *My Year in Iraq: The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 19.
[14] DoS-IG Report ISP-IQO-05-72 and DoD-IG Report IE-2005-002, "Interagency Assessment of Iraq Police Training," July 15, 2005, 19.
[15] SIGIR interview with John Meiklejohn, Advisor for police academies and curriculum, June 14, 2007.
[16] SIGIR interview with John Meiklejohn, Advisor for police academies and curriculum, June 14, 2007.
[17] SIGIR interview with John Meiklejohn, Advisor for police academies and curriculum, June 14, 2007; and L. Paul Bremer III, *My Year in Iraq: The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 168.
[18] SIGIR interview with John Meiklejohn, Advisor for police academies and curriculum, June 14, 2007.
[19] DoS-IG Report ISP-IQO-05-72 and DoD-IG Report IE-2005-002, "Interagency Assessment of Iraq Police Training," July 15, 2005, 39-40, 55.
[20] Initial allocations from the Iraqi budget for the MoI totaled $22.9 million, including $2.4 million for operational expenses and $20.5 million for capital expenditures. CPA, "Republic of Iraq Budget Revenues and Expenses: 2003 July-December," 2003. Capital expenditures were reduced with the revision, to $16.5 million. CPA, "Summary of Changes to Ministry Budgets Arising from 30 Day Review," July 2003.

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[21] White House Press Release, "President Bush, Police Commissioner Kerik Discuss Police Force in Iraq," October 3, 2003; and SIGIR interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, May 28, 2008.
[22] Lt. Gen. Sanchez quoted in: Stephanie Gaskell, "Former Iraq Commander: Bernard Kerik Was 'A Waste of Time' in Iraq," *New York Daily News*, May 5, 2008. See also: Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 249-251.
[23] L. Paul Bremer III, *My Year in Iraq: The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 168-170; and GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 57.
[24] Andrew Rathmell, Olga Oliker, Terrence K. Kelly, David Brannan, and Keith Crane, *Developing Iraq's Security Sector: The Coalition Provisional Authority's Experience* (Santa Monica, CA: RAND Corporation, 2005), 46.
[25] GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 57.
[26] CPA Order Number 26, "Creation of the Department of Border Enforcement," August 24, 2003.
[27] U.S. troops deployed as immigration inspectors received a three-hour training module. In the United States, training for immigration duties takes four months, followed by extensive field training, and an immigration officer in the United States would not be considered proficient at reviewing documents for at least three years. USIP interview with Larry G. Hines, Advisor for customs and border enforcement, October 3, 2004.
[28] Robert Perito, USIP Special Report 137, "The Coalition Provisional Authority's Experience with Public Security in Iraq: Lessons Identified," April 2005, 9.
[29] CPA Order Number 27, "Establishment of the Facilities Protection Service," September 4, 2003.
[30] Sharon Otterman, "Iraq: Security Forces," Council on Foreign Relations , March 16, 2004; and Walter Slocombe, "Iraq's Special Challenge: Security Sector Reform 'Under Fire,'" in *Reform and Reconstruction of the Security Sector*, ed. Alan Bryden and Heiner Hänggi (Geneva, Switzerland: Geneva Centre for the Democratic Control of Security Forces, 2004), 244.
[31] DoD, *Measuring Stability and Security in Iraq*, June 2007, 36.
[32] CPA Order Number 2, "Dissolution of Entities," May 23, 2003.
[33] CPA Order Number 22, "Creation of a New Iraqi Army," August 7, 2003.
[34] Combat Studies Institute interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, August 3, 2006; and CPA Order Number 22, August 7, 2003.
[35] Combat Studies Institute interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, August 3, 2006.
[36] Combat Studies Institute interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, August 3, 2006.
[37] USIP interview with Col. P.J. Dermer, former CPA governance advisor, August 22, 2004.
[38] SIGIR interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, May 20, 2008.
[39] Combat Studies Institute interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, August 3, 2006.
[40] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 253; and Combat Studies Institute interview with Lt. Col. Blaise Cornell-d'Echert, former CMATT official, October 31, 2006.
[41] L. Paul Bremer III, *My Year in Iraq: The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 150.
[42] Combat Studies Institute interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, August 3, 2006.
[43] ORHA/CPA Historian interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, January 1, 2004.
[44] SIGIR interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, May 28, 2008; and Combat Studies Institute interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, August 3, 2006.
[45] Combat Studies Institute interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, August 3, 2006.
[46] SIGIR interview with Gen. John Abizaid, former CENTCOM Commander, February 4, 2008.
[47] Walter Slocombe, "Iraq's Special Challenge: Security Sector Reform 'Under Fire,'" in *Reform and Reconstruction of the Security Sector*, ed. Alan Bryden and Heiner Hänggi (Geneva, Switzerland: Geneva Centre for

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the Democratic Control of Security Forces, 2004), 241; and GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 57.
[48] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 254; Lt. Gen. (Ret.) Ricardo Sanchez, former CJTF-7 Commander, comments to SIGIR, October 26, 2008; and CPA Order Number 28, "Establishment of the Iraqi Civil Defense Corps," September 3, 2003.
[49] Combat Studies Institute interview with Lt. Col. Blaise Cornell-d'Echert, former CMATT official, October 31, 2006.
[50] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 254-255.
[51] Anne Ellen Henderson, USIP Special Report 138, "The Coalition Provisional Authority's Experience with Economic Reconstruction in Iraq: Lessons Identified," April 2005, 9.
[52] Celeste Ward, USIP Special Report 139, "The Coalition Provisional Authority's Experience with Governance in Iraq," May 2005, 6.
[53] ORHA/CPA Historian interview with Steven Casteel, Senior Advisor to the Ministry of Interior, July 3, 2004.
[54] The Office of Security Affairs (OSA) changed its name to the Office of National Security Affairs (ONSA) when Slocombe was replaced by Gompert and the office began to focus solely on the military. ORHA/CPA Historian interview with David Gompert, Senior Advisor for National Security Affairs, June 13, 2004.
[55] OMB, *Section 2207 Report*, January 2004, 18.
[56] CPA Office of Policy Planning, "Iraqi Security Sector Reform Action Memo," November 14, 2003.
[57] CPA, "Draft Framework for Iraqi National Security Institution Building," December 10, 2003.
[58] Andrew Rathmell, Olga Oliker, Terrence K. Kelly, David Brannan, and Keith Crane, *Developing Iraq's Security Sector: The Coalition Provisional Authority's Experience* (Santa Monica, CA: RAND Corporation, 2005), 27-28; and USIP interview with Frederick Smith, former Deputy Senior Advisor for National Security Affairs, August 4, 2004.
[59] USIP interview with Col. P.J. Dermer, former CPA governance advisor, August 22, 2004. The reforms made Iraq one of the only Arab countries with a civilian-led defense ministry. Arnold Luethold, "Security Sector Reform: the Arab Middle East," in *Reform and Reconstruction of the Security Sector*, ed. Alan Bryden and Heiner Hänggi (Geneva, Switzerland: Geneva Centre for the Democratic Control of Security Forces, 2004), 103.
[60] The concern for ethnic balance also extended to the other "power ministries" involved in national security, including the Ministries of Interior, Finance, Foreign Affairs, and Justice. USIP interview with Frederick Smith, former Deputy Senior Advisor for National Security Affairs, August 4, 2004.
[61] Andrew Rathmell, Olga Oliker, Terrence K. Kelly, David Brannan, and Keith Crane, *Developing Iraq's Security Sector: The Coalition Provisional Authority's Experience* (Santa Monica, CA: RAND Corporation, 2005), 30.
[62] SIGIR interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, May 28, 2008.
[63] Col. P.J. Dermer, CPA governance advisor, memorandum to Frederick Smith, Deputy Senior Advisor for National Security Affairs, "Thoughts on Choosing the Iraqi Minister of Defense," December 5, 2003.
[64] USIP interview with Frederick Smith, former Deputy Senior Advisor for National Security Affairs, August 4, 2004.
[65] ORHA/CPA Historian interview with Steven Casteel, Senior Advisor to the Ministry of Interior, July 3, 2004.
[66] SIGIR Audit 07-016, "Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program," October 23, 2007.
[67] Gerald Burke, Advisor to the Baghdad police, Testimony before the House Armed Services Committee Subcommittee on Oversight and Investigations, April 25, 2007.
[68] ORHA/CPA Historian interview with Steven Casteel, Senior Advisor to the Ministry of Interior, July 3, 2004.
[69] The relative peace, however, was short-lived. Fewer in number, the 101st Airborne Division's successors could not prevent Mosul from succumbing to increased violence. Amatzia Baram, USIP Special Report 134, "Who Are the Insurgents? Sunni Arab Rebels in Iraq," April 2005, 7-9.
[70] Public Broadcasting Service, "Interview: Gen. Jack Keane (Ret.)," *FRONTLINE*, February 8, 2007, and May 1, 2007.
[71] OMB, *Section 1506 Report*, October 2003, 3.
[72] SIGIR interview with Gen. (Ret.) Colin Powell, former Secretary of State, February 4, 2008.
[73] L. Paul Bremer III, *My Year in Iraq: The Struggle to Build a Future of Hope* (New York: Simon & Schuster, 2006), 157.
[74] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 316.
[75] SIGIR interview with Gen. John Abizaid, former CENTCOM Commander, February 4, 2008.

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[76] Robert Perito, USIP Special Report 137, "The Coalition Provisional Authority's Experience with Public Security in Iraq: Lessons Identified," April 2005, 11.
[77] SIGIR interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, May 28, 2008.
[78] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 315; and Andrew Rathmell, Olga Oliker, Terrence K. Kelly, David Brannan, and Keith Crane, *Developing Iraq's Security Sector: The Coalition Provisional Authority's Experience* (Santa Monica, CA: RAND Corporation, 2005), 51-52.
[79] Operational control (OPCON) was ceded to the military, though the CPA retained administrative control (ADCON) of budgets and policy direction came from CPA advisors. SIGIR interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, May 28, 2008.
[80] Gerald Burke, Advisor to the Baghdad police, Testimony before the House Armed Services Committee, Subcommittee on Oversight and Investigations, April 25, 2007.
[81] Lt. Gen. Ricardo Sanchez, "Combined Joint Task Force 7 Briefing from Baghdad," DoD News Transcript, February 26, 2004.
[82] Lt. Gen. Ricardo Sanchez, "Combined Joint Task Force 7 Briefing from Baghdad," DoD News Transcript, February 26, 2004; and Sharon Otterman, "Iraq: Security Forces," Council on Foreign Relations, March 16, 2004.
[83] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 329-331; and GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 49, 58.
[84] Andrew Rathmell, Olga Oliker, Terrence K. Kelly, David Brannan, and Keith Crane, *Developing Iraq's Security Sector: The Coalition Provisional Authority's Experience* (Santa Monica, CA: RAND Corporation, 2005), 36.
[85] GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 59.
[86] Lawrence Korb, "Five Steps To a More Stable Iraq," *Star-Ledger*, April 11, 2004.
[87] GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 56.
[88] CPA Order Number 22, August 7, 2003.
[89] SIGIR interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, May 28, 2008.
[90] Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 317.
[91] ORHA/CPA Historian interview with Steven Casteel, Senior Advisor to the Ministry of Interior, July 3, 2004.
[92] SIGIR interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, May 28, 2008.
[93] ORHA/CPA Historian interview with David Gompert, Senior Advisor for National Security Affairs, June 13, 2004.
[94] SIGIR interview with Gen. John Abizaid, former CENTCOM Commander, February 4, 2008.
[95] CPA, "A Vision for Iraq," July 11, 2003.
[96] DoD, *Iraq Status Working Papers*, July 13, 2004.
[97] DoD, "Transition Update to the Secretary of Defense," Iraq Interagency Transition Planning Team, June 23, 2004, 5, 11.
[98] DoD, *Iraq Status Working Papers*, July 13, 2004; Anthony Cordesman, *Iraqi Security Forces: A Strategy for Success* (Westport, CT: Praeger Security International, 2006), 85; and Lt. Gen. Ricardo S. Sanchez, *Wiser in Battle: A Soldier's Story* (New York: HarperCollins, 2008), 317.
[99] Independent Institute for Administration & Civil Security Studies, "Public Opinion in Iraq: First Poll Following Abu Ghraib Revelations," May 14-23, 2004, http://www.globalpolicy.org/security/issues/iraq/poll/2004/06iiacss.pdf.
[100] Gilbert Burnham, Riyadh Lafta, Shannon Doocy, and Les Roberts, "Mortality after the 2003 Invasion of Iraq: A Cross-Sectional Cluster Sample Survey," *The Lancet* 368, no. 9545 (October 21, 2006); and The Brookings Institution, "Iraq Index: Tracking Variables of Reconstruction & Security in Post-Saddam Iraq," July 23, 2004, 5.

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Chapter 13

REBUILDING IRAQ'S OIL SECTOR

There's a lot of money to pay for this that doesn't have to be U.S. taxpayer money…the oil revenues of that country could bring between $50 and $100 billion over the course of the next two or three years…We're dealing with a country that can really finance its own reconstruction, and relatively soon.

- Paul Wolfowitz
Deputy Secretary of Defense (2001-2005)[*]

Iraq has the third-largest oil reserves in the world.[1] Given its immense oil wealth, it should have been able to pay for its own reconstruction from the start. But three debilitating wars, institutionalized governmental corruption, and crippling international sanctions contributed to a breakdown in the country's oil sector. Oil output peaked at 3.5 million barrels per day in July 1990, eight months before the first Gulf War. After that war, production plummeted to fewer than 500,000 barrels per day, gradually increasing over the next decade to an average of 2.5 million barrels per day in early 2003.[2]

Iraq's proven natural gas reserves—112 trillion cubic feet—are the tenth-largest in the world. With probable reserves of 275 trillion to 300 trillion cubic feet, Iraq has the potential to be one of the world's major gas producers. But natural gas production steadily declined after the first Gulf War as processing facilities deteriorated for lack of spare parts and maintenance. In 2003, Iraq was "flaring"—igniting and burning off—about 60 percent of the natural gas released by the production of crude oil because it lacked the infrastructure to capture it for domestic consumption or export.[3]

Iraq's Oil Infrastructure

Iraq's oil industry is an intricate web of what is known in oil-business parlance as "upstream," "midstream," and "downstream" operations. Upstream consists of oil fields, oil wells, and gas-oil separation plants; midstream facilities include refineries, gas-processing and stabilization plants; downstream operations comprise distribution networks, terminals, and service stations.[4]

[*] Dr. Wolfowitz, Statement before the House Appropriations Subcommittee on Defense, March 27, 2003.

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Most of Iraq's known oil and gas reserves lie in the southeastern and northwestern parts of the country. In 2003, about 70 percent of the oil produced in Iraq came from the North and South Rumaila fields near the southern city of Basrah and the Kirkuk fields in the western part of Kurdistan.[5] About two-thirds of Iraq's oil wells were in the Rumaila fields and about one-third were in the north, in and around Kirkuk.[6]

Oil from the Rumaila fields has two notable attributes. It is "light," meaning it has relatively low viscosity and yields a high percentage of desirable products when refined, and it is "sweet," meaning it has only a small amount of hydrogen sulfide and carbon dioxide, both of which corrode production facilities. "Some of the best crude in the world comes out [of southern Iraq]," said Brig. Gen. Robert Crear, who commanded Task Force Restore Iraqi Oil. "When it comes out of the ground, it goes through the gas/oil separating unit, and it goes straight to a ship for export," without further treatment.[7]

At the time of the 2003 invasion, the country had two functioning export pipelines. The Ceyhan line carried oil from Kirkuk to the Turkish port of Ceyhan on the Mediterranean. The Rumalia fields in the south were connected to export facilities in Basra and to platforms in the Gulf.[8]

In 2003, Iraq's three main refinery complexes—in Baiji, Basra, and Doura─collectively possessed the nominal capacity to process about 570,000 barrels of crude oil per day. The Doura refinery, with a capacity of 110,000 barrels per day, supplied most of the fuel for nearby Baghdad. The two refineries at Baiji in north-central Iraq had a refining capacity of 310,000 barrels per day and the Basrah facility, located near the Umm Qasr port, could process 150,000 barrels per day.[9]

Iraq's refineries did not have the technology to process a broad range of refined products. Their obsolete refining process left 45 percent of every barrel of crude oil behind as "heavy fuel oil," a thick, sticky residue of limited commercial value. Iraq and other countries in the Middle East use heavy fuel oil to run large thermal power plants. Before the 2003 invasion, Iraq did not produce enough gasoline and cooking gas to meet domestic demand, and thus it traded its excess heavy fuel oil in exchange for refined products. For every three trucks of heavy fuel oil exported to Jordan and Turkey, Iraq imported one truck of gasoline.[10]

<u>The Oil for Food Program: Circumvention of Sanctions and Corruption</u>

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Saddam's invasion of Kuwait in 1990 caused the United Nations Security Council to impose comprehensive economic sanctions on Iraq, which continued throughout the 1990s. To mitigate the civilian suffering caused by the severe shortages of food and medicine as a result of sanctions, the Security Council established the Oil-for-Food Program in 1995. Iraq exported its first oil shipment under the program's auspices in 1996, and the first food shipment arrived three months later.[11]

The Oil-for-Food Program provided food and medicine to millions of Iraqis. It also allowed the Iraqi government to buy equipment and supplies under the supervision of the UN's Iraq office and the Security Council's Iraq Sanctions' Committee.[12] The committee permitted Iraq to sell $2 billion of oil every six months, with two-thirds of the proceeds used to purchase food and medicines.[13] In 1998, the Security Council raised the limit to $5.26 billion and broadened the use of the proceeds.[14]

In 1999, the UN removed the dollar ceiling on exports altogether as part of a plan to persuade Iraq to cooperate with UN weapons inspectors.[15] When the Oil-for-Food Program officially ended in November 2003, about $31 billion in humanitarian supplies and equipment had been delivered to Iraq, including $1.6 billion in spare parts for the oil industry.[16] But these imports were not nearly enough to maintain Iraq's oil infrastructure, which was falling apart by the time of the March 2003 invasion.

Subsidies

During Saddam's regime, government subsidies, which cost Iraq $4 billion per year, kept domestic fuel prices artificially low and fostered an extensive black market in petroleum products. The CPA discovered that the regime had sold refined fuels to privileged Iraqis at four cents per gallon, costing Iraq about $10 million per day in income.[17] These Iraqis then sold the fuel on the black market or smuggled it abroad for resale at a hefty profit. The "legalized" contraband operations—as well as kickbacks to state-owned enterprises managing the overseas contracts—exemplified the institutionalized corruption that pervaded Iraq's pre-invasion economy.[18]

Early Operations and Task Force Restore Iraqi Oil

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In the fall of 2002, the Pentagon assigned the primary responsibility for restoring Iraq's oil infrastructure to the U.S. Army Corps of Engineers (USACE), which established Task Force Restore Iraqi Oil (RIO) and appointed Brig. Gen. Robert Crear its commander.[19] USACE awarded a sole-source contract to support Task Force RIO to Kellogg Brown and Root (KBR), which was already providing services to the Department of Defense under its Logistics Civil Augmentation Program (LOGCAP) and was well informed about CENTCOM's contingency military plans.[20] The mammoth contract to repair and maintain operations of Iraq's oil infrastructure had a ceiling of $7 billion.[21] Under this contract, USACE eventually issued ten task orders worth approximately $2.5 billion, the largest single-contract outlay to any U.S. contractor working in Iraq.[22]

Determined to avoid a repeat of the first Gulf War, when Saddam started 700 oil-well fires, Task Force RIO, KBR, and the military developed extensive plans to prevent and put them out.[23] One of the first task orders issued under KBR's contract with the Army Field Support Command was to provide a contingency plan to repair and restore Iraq's oil infrastructure should it be damaged or destroyed. A separate contract for $37.5 million was then awarded to KBR for the purpose of pre-positioning fire-fighting equipment.[24]

USACE planned for a projected 1,500 well fires, although most of the RIO team thought Saddam Hussein loyalists would not have time to sabotage more than thirty percent of the approximately 1,000 wells in the south. The team did fear losing most of the 500 wells in the north, because Turkey denied Coalition access to Iraq, lengthening the time it would take for U.S. forces to secure northern Iraq.[25]

During and immediately after the March 2003 invasion, no serious sabotage of the oil fields occurred; only nine fires were recorded.[26] Gary Vogler, a former Exxon-Mobil executive who served as a member of the Energy Infrastructure Planning Group in the run-up to the war—and later as an oil advisor to ORHA and the CPA—attributed the small number of fires to USACE's "fantastic planning" and to the fact that Coalition forces prevailed so quickly.[27] USACE found and disarmed explosive devices at several wells and many gas-oil separation plants in the south.[28]

If the good news was that Iraq's oil fields suffered little damage during the invasion, the bad news was that Task Force RIO had not expected the widespread damage caused by post-invasion looting and the nascent insurgency. In the south, where U.S. troops bypassed the oil

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infrastructure on the way to Baghdad, vandals and thieves stripped the facilities of anything of value. Oil advisors had identified key installations that needed to be protected, but "[the military] said they didn't have enough people to do that," recalled one advisor.[29] War and sabotage caused an estimated $457 million in damage; post-invasion looting was almost double that amount, costing $943 million.[30] Task Force RIO had more firefighters than it needed but not enough oil people with operational experience to restore the damaged infrastructure.[31]

Iraq's Ministry of Oil

On their first visit to the Ministry of Oil at the end of April 2003, Gary Vogler and Clark Turner, another oil advisor from the Pentagon team, found the offices partially trashed and most of the files missing. This was a shock because they knew CENTCOM had planned to protect the oil ministry buildings. Indeed, the oil ministry was the only one that CENTCOM had planned to protect after the invasion. Apparently, during the brief time between when Coalition forces entered Baghdad and the arrival of troops at the oil ministry, significant looting had occurred.[32]

Vogler and Turner's first job was to find an interim minister to oversee restarting the ministry's operations.[33] On May 3, Vogler, the senior advisor to the ministry, called a meeting of the entire ministry and announced that Thamir al-Ghadban, its director of planning before the war, would serve as interim oil minister.[34] Turner recalled that Ghadban then made a short speech that encapsulated Iraqi ambivalence toward the Coalition, telling the Americans that, "whatever you call this unfortunate incident, we don't like to be occupied." He urged the Americans to concentrate on providing security. If the Americans could do that, Ghadban reportedly said, Iraqis could handle the reconstruction of the oil sector.[35]

Turner and Vogler then began searching for more employees who could help Ghadban stabilize the ministry. "Our philosophy was we weren't going to change anything," said Turner. "We wanted to keep as many of the Ba'athists there as possible to help out and then later do the de-Ba'athification."[36] Ghadban later said that, while the order affected some high-ranking technical people, its most deleterious effect was to severely politicize the ministry, which had longer-term negative effects upon the ministry's operations.[37]

The CPA guessed that the Ministry of Oil had a minimum of 15,000 employees.[38] The ministry oversaw 22 state-owned enterprises (SOEs) that engaged in everything from drilling and

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producing to processing and exporting. Dozens of other SOEs supported the ministry, providing a variety of goods and services.[39] These companies had been operating under Memoranda of Understanding with the UN Oil-for-Food Program as well as agreements among themselves. The ministry's director general in charge of national manufacturing bore responsibility for coordinating the activities of the SOEs. He hoped to get some of them to work on oil sector reconstruction, but found that the facilities looted and struggling simply to survive.[40]

Meanwhile, the Task Force RIO engineers had made some progress. The Rumaila fields in the south were producing modest amounts of oil and the Kirkuk fields in the north were producing more than 30,000 barrels per day. And by late April, Doura, Baghdad's main refinery, was processing 40,000 barrels per day—progress, but still less than half of the refinery's capacity.[41]

The Fuel Shortage

In the late spring of 2003, the CPA faced a serious fuel crisis. Iraq could not meet domestic demand for kerosene, diesel, liquefied petroleum gas, and gasoline because looting had shut down some refineries, the invasion had disrupted the distribution system, and the huge subsidies encouraged thieves to smuggle out what limited refined fuels Iraq could produce. With the refineries operating at low levels or out of commission, the oil ministry tried to meet demand by pulling supplies from its reserve inventory.[42]

By mid-May, Iraq was running out of gasoline. Liquefied petroleum gas, sold in 12-kilogram bottles and used primarily for cooking, all but disappeared from the markets. The ministry set up a rationing system that reduced the number of truckloads of gasoline delivered to each gas station by almost 70 percent. The intent was that all stations would get some gasoline, but many received none.[43]

As the lines at gas stations grew longer each day, the Coalition turned to Task Force RIO and the KBR contract to solve the immediate problem by funding the import of refined products. DoD officials did not know how much fuel would be required or how long it would be necessary to import it. In May 2003, they anticipated the need for a ten- to thirty-day supply.[44]

During the summer and fall of 2003, Iraq's refineries repeatedly shut down, usually because of electricity shortages or a lack of storage space for the heavy fuel that was a byproduct

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of their refining process. As a result, Task Force RIO's requests for refined fuels rapidly rose during the hot summer. Between July 16 and August 3, USACE raised the amount of fuel that was needed four times, according to a GAO report. By fall, it "increased the funding on Task Order 5 from $24 million to $871 million, a value more than 36 times greater than the initial allocation." Five of the ten task orders to KBR under the RIO contract would be to import fuel, not repair infrastructure.[45]

A Plan for Iraq's Oil Infrastructure

In July 2003, the Corps of Engineers, the Ministry of Oil, the CPA, and KBR developed a strategy to get Iraq's oil infrastructure back to pre-war production capacity. The resulting "Iraq Oil Infrastructure Restoration Plan" identified 220 projects, divided between "procurement only" activities (to obtain materials) and "Engineer-Procure-Construct" contracts (for design and construction). Procurement-only activities used most of the funding.[46]

The Ministry of Oil drew on its own technical experts as well as those of KBR and Task Force RIO to survey the upstream facilities—the fields and wells that had sustained most of the serious damage from looting and war—and to develop rehabilitation plans for them. The Ministry decided to use its engineering and construction firm, the State Company for Oil Projects, for most oil sector projects. The plan restricted KBR to purchasing and importing commodities such as spare parts, new vehicles, and safety gear, as well as heavy mechanical and electric equipment (the "procurement only" activities).[47]

<u>Oil Exports Resume; Pipelines Attacked</u>

Iraq exported no oil between March and June 2003. The United Nations, which managed Iraq's oil exports under the Oil-for-Food Program, had halted exports when the war began in March.[48] UN Security Council Resolution 1483, passed at the end of May 2003, required all income from oil sales to be deposited into the newly created Development Fund for Iraq (DFI), paving the way for the resumption of exports in June.[49] Northern exports started almost immediately, with the sale on June 22, of 7.5 million barrels stored in tanks at the Turkish port of Ceyhan.[50]

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Meanwhile, Task Force RIO was bringing the southern oil fields, badly damaged by looting, back on line. In mid-June, Iraq's State Oil Marketing Organization (SOMO) began issuing what are known as "spot" tenders—or individual sales—for both southern and northern oil. It was not until the end of July, however, that SOMO signed its first contracts to export 20 million barrels of Basra crude per month.[51]

Vogler estimated that Iraq could begin producing three million barrels of oil per day within a year.[52] Production climbed steadily during June and July, reaching 1.3 million barrels per day at the end of August 2003.[53] By the end of October, the country was pumping just over two million barrels per day and exporting more than half of it. Since June, Iraq had earned about $2.6 billion in oil export revenues, depositing them in the DFI for use by the CPA.[54]

Significant insurgent attacks on the oil sector began in June 2003. Seven bombs shut down three pipelines: the Ceyhan line, the north-south pipeline, and a natural gas line. Between June and November 2003, insurgents launched thirteen major attacks on pipelines and oil facilities, severely limiting reconstruction progress. The northern pipelines were repeatedly hit, stopping the export of oil.[55] The senior advisor to the oil minister said there appeared to be an organized insurgent campaign to sabotage Iraq's oil infrastructure.[56]

Building an Iraq Oil Protection Force

Protecting the oil infrastructure soon became as important as repairing it. In mid-July 2003, Vogler requested $50 million on behalf of the Ministry of Oil for a security contract to protect the pipelines and facilities. He estimated that the Coalition was losing at least $20 million per day from sabotage and continued looting. Advisors to the oil ministry searched the Internet for companies that could provide protection and found six that were already working in Iraq.[57]

On August 6, 2003, the CPA awarded a $39.5 million, one-year fixed-price contract to Erinys Iraq, a subsidiary of a private British security company, to train a 6,500-person Iraqi guard force to protect 140 oil sites across Iraq.[58] The CPA modified the contract eleven times by the end of the year and more than doubled the number of guards it wanted Erinys to train to counter the increasing violence. According to a SIGIR audit, the contractor was paid $104 million to provide training and site protection over the course of two years.[59]

A month after awarding the Erinys contract, the CPA established Task Force Shield to oversee the training and operation of the Iraq Oil Protection Force (OPF). Task Force Shield

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reported to the U.S.-led Combined Joint Task Force-7 (CJTF-7) until May 2004, when it began reporting to the Multi-National Force-Iraq, CJTF-7's replacement.[60]

SIGIR's audit of the Task Force Shield programs uncovered numerous problems: short or ever-changing timelines; confusing lines of reporting authority; competing notions of what the contract required; and ambiguity as to which government entity actually oversaw the contract. The pressure to respond to rapidly-escalating attacks accounted for some of these problems, but auditors could not verify the specific line-item costs of the program, determine the number of guards trained by the contractor, or account for the majority of the equipment procured.[61]

According to Erinys, which recruited most of its staff from the British military, the CPA's directive to get "boots on the ground" immediately meant that the company had to assess needs, draw up plans, and implement a program in a "whirlwind of concurrent activity driven by intense coalition pressure to deploy guards."[62] The security situation deteriorated faster than Erinys, or anyone else, could train guards to address it. The oil infrastructure sustained nine serious attacks in November 2003.[63] Already spread thin, the lightly-armed pipeline patrols "found themselves frequently overmatched by insurgents operating in strength and armed with rocket-propelled grenades."[64]

James Wilshire, the Erinys manager for the central region, and his Iraqi translator, Majid Husein Jasim, were killed in an ambush on November 11, 2003, while traveling between Baghdad and the Doura refinery. Jasim was the first of 23 Iraqis killed while serving with the oil protection force between August 2003 and December 2004.[65]

Task Force Shield and CPA officials said the Oil Protection Force was one of the few Iraqi security forces that held its ground and repelled insurgents when they increased their attacks across Iraq in 2004. The SIGIR review of Task Force Shield programs, however, found that it was "difficult to determine" the overall effectiveness of the OPF.[66]

Oil at the End of the CPA

Few oil fires occurred during the March 2003 invasion, but subsequent sabotage and looting of the pipelines and oil facilities caused severe damage to the oil sector, ultimately preventing the CPA from reaching its oil production or export goals. By the end of June 2004, when CPA's tenure ended, insurgents had launched more than 70 attacks on pipelines, wells,

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refineries, storage tanks, and individuals working for the Ministry of Oil.[67] Much of the CPA's efforts and Ministry of Oil resources went into repairing pipelines and other oil facilities.

All the oil pipelines suffered at least some damage during this period, but none more than the one connecting the Kirkuk oil fields in the north to the Turkish port of Ceyhan. This important pipeline, the only source of northern export, was repeatedly forced to shut down because of sabotage.[68] Thus, Iraq did not export oil from the northern fields during most of CPA's existence.

By the end of June 2004, Iraq was producing over 2 million barrels of oil per day, almost all of it in the south. This was still short of the 2.58 million barrels per day pumped under Saddam in the pre-war months.[69] During the CPA's tenure, Iraq earned $12.8 billion ($5.1 billion in 2003 and $7.7 billion in 2004) from its oil exports.[70]

The CPA channeled most of the resources it devoted to the oil sector into repairing pipelines, importing refined fuels, boosting production to increase export revenues, and protecting oil sites. It paid less attention to upgrading Iraq's refining capacity because the refineries, although obsolete and decrepit, had not suffered as much from the war and looting. The refineries were crucial, but had so many mechanical failures in 2003 that they were down a third of the time.[71]

With Iraq's refineries unable to meet domestic demand for refined petroleum products,, the CPA had to continue to import diesel and gasoline into oil-rich Iraq. Since many of Iraq's power plants also depended on these refined fuels, the shortage forestalled progress on another major CPA objective: restoring electricity.

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Chapter 14

REBUILDING IRAQ'S ELECTRICITY SECTOR

We were measuring the wrong things. It was a metric that you could easily define and would demonstrate some progress, but we weren't really focused on the right things in putting the electrical grids back on line.

- Lt. Gen. (Ret.) Carl Strock,
USACE Commander, Chief of Engineers (2004-2007)[*]

Brigadier General Steven Hawkins received a late-night phone call on April 11, 2003, in Doha, Kuwait. The U.S. Army had just completed its "thunder runs"—armored thrusts into the heart of Baghdad—and now occupied a city where the power grid had crashed, taking down all the other infrastructure systems with it, including water and sewerage. General McKiernan wanted the lights back on in Baghdad immediately.[1] Tapped by the Joint Staff in January to lead a task force to support post-war planning, Brig. Gen. Hawkins had spent the last four months developing plans to manage the transition to a new Iraqi government.[2] Now he was suddenly responsible for what would become one of the Coalition's most intractable challenges: restoring electricity in Iraq.

Twenty-four hours later, a team of 28 people, mostly engineers and military doctors, boarded a C-130 transport plane bound for Baghdad. Tasked to restore water, sewer, and hospital services, as well as power, they called themselves Task Force Fajr, the Arabic word for "dawn" or "new light."[3]

Task Force Fajr

Task Force Fajr landed in Baghdad at 2:30 a.m. on April 13, 2003. Some Iraqi electrical engineers who knew the capital's power system met them for a pre-dawn conference in downtown Baghdad. The Iraqis and the Americans recognized the urgency of the mission confronting them. "All of us knew that potable water, sewer systems and hospitals would not function without power."[4] It was just a matter of time before the lack of power would cause a humanitarian crisis.

None of the Iraqi engineers had complete drawings showing Baghdad's transmission and distribution networks."[5] But one of them said that the Karkh water treatment plant just north of

[*] SIGIR interview with Lt. Gen. (Ret.) Carl Strock, former USACE Commander, Chief of Engineers, May 13, 2008.

Baghdad had an operational ten-megawatt generator. Task Force Fajr initially hit on a brilliant idea—get power to Baghdad by routing the Karkh plant's power through an intermediate substation and onto Baghdad's grid. It worked: within a few day lights began to flicker on across Baghdad and the grid was gradually patched back together.[6]

Hawkins and his team then engaged in a form of electrical triage. Hospitals had first priority, followed by water treatment facilities and sewerage systems, domestic consumption, and then businesses and factories. Within two weeks, the capital's critical facilities had the power they needed to operate.[7] By the end of April, Iraq's power plants were generating 1,275 megawatts, a meaningful amount for post-invasion Iraq, but still only about a quarter of the pre-war level of 4,075 megawatts.[8]

At the same time that Task Force Fajr was piecing together the power grid, the Coalition was also starting to reconstitute Iraq's Electricity Commission. The Commission was responsible for the generation, transmission, and distribution of power throughout the country. Before the March invasion, it had about 38,000 personnel on its payroll, but, like the other ministries, the staff had dispersed in the wake of the invasion, awaiting guidance.

In May, the Coalition asked a respected Iraqi electrical engineer, Dr. Kareem Waheed al-Aboudi, to head the Electricity Commission. He had a British doctorate in electrical engineering and had previously served as the Director General of the Commission's technical office.[9] In one of the first acts of U.S. capacity building in Iraq, Hawkins embedded engineers from Task Force Fajr in the Ministry to help Dr. Kareem and his Iraqi engineers get the ministry operating again.

Task Force Fajr disbanded on June 15, 2003, but many of its members continued working for the CPA on the electricity problem. The CPA identified rehabilitating power generation and distribution across the country as critical to the overall mission of establishing a secure, peaceful, and democratic Iraq.[10]

The Bechtel Contract

On April 17, 2003, USAID contracted with Bechtel to assess Iraq's existing power facilities and systems and execute critical repairs that would permit and promote "rapid and significant improvements in the quality and reliability of electricity services."[11] After spending the month of May assessing Iraq's electricity system, Bechtel estimated repair costs for the part

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of the electricity sector it reviewed at more than $6 billion or about ten times the value of its contract with USAID.[12] Bechtel extrapolated the costs for repairing the facilities that its teams could not access for security reasons, noting that looting and vandalism were continuing unabated. The company cautioned that "the validity of the assessment becomes compromised when additional damage occurs after the assessment team has completed its review."[13]

By the fall of 2003, when the United Nations/World Bank issued their Joint Iraq Needs Assessment they "estimated emergency and medium term investment costs for the electricity sector at over US$13.6 billion, not including incremental operating and maintenance costs."[14] Bechtel warned that "reconstruction of Iraq's power sector is a long-term effort," and that one of the biggest challenges to come would be conveying to the Iraqi population the reality that "there will be a delay in providing reliable, 24-hour-a-day power."[15]

The Challenges in the Electricity Sector

An array of huge problems hobbled CPA's effort to restore Iraq's electrical system. Wars, sanctions, and decades of mismanagement had left the entire network dilapidated.[16] Moreover, the country did not have sufficient numbers of trained personnel needed to upgrade and maintain the electrical systems. Additionally, Iraq did not produce enough refined fuels to sustain operations at all its power plants. The country's petroleum pipeline system was inadequate for effective delivery of the right fuel to the power-generation facilities.[17] Finally, the insurgency regularly targeted the electricity infrastructure, causing blackouts and impeding progress. The CPA's failure to manage Iraqi expectations in the face of all these challenges contributed to the population's frustration and anger with the Coalition's inability to satisfy the demand for electricity.

<u>The Electricity Infrastructure</u>

Iraq's power sector in 2003 consisted of a network of electrical generation plants, transmission systems, and distribution networks that fed power to hospitals, industries, government buildings, and neighborhoods. Electrical substations, where transformers adjust voltage levels, connected the various power plants to the transmission systems and distribution networks. Seven large thermal power plants produced more than 54 percent of the country's

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electricity, two hydroelectric facilities generated another 24 percent, and nine gas-turbine power plants provided 21 percent.[18]

In 1990, Iraq had the nameplate capacity to produce nearly 10,000 megawatts of power.[19] But achieving that level required all facilities to be operational and running optimally, which was not possible due to chronic maintenance problems and fuel shortages.[20] The first Gulf War severely damaged Iraq's power plants, transmission lines, and electrical substations, reducing power output in 1991 to 2,325 megawatts.[21] Revenue from the Oil-for-Food Program helped fund repair work that had increased generation to a daily average of about 4,000 megawatts by the end of 2002.[22] Although the Coalition deliberately avoided targeting the power system, looting, poor maintenance, a lack of spare parts and a shortage of operating chemicals made it impossible to restore electricity quickly. By the early summer of 2003, Iraq's power plants were generating just 3,500 megawatts.[23]

Bechtel found Iraq's main generating facilities in serious disrepair, noting that "most plants have been operated in a manner that has degraded the output of the plant and eliminated most environmental controls."[24] To make matters worse, because Iraq had not adhered to uniform standards in equipment acquisition, the power plants were a hodgepodge of "parts and repairs…from many different suppliers using many different codes and standards (and sometimes none at all)."[25]

The transmission systems and distribution networks were even more fragile. "The system was more like a string of old-fashioned Christmas lights than a modern national power grid. When one key facility went out, the entire system failed."[26] Delicate and deteriorated, the entire electricity sector was held together with "band-aids and rubber bands."[27]

Security issues

Soon after Baghdad fell, gangs of looters started stripping substations and control centers of copper, computers, and communications equipment. When Bechtel surveyed the transmission system in May 2003, it found thirteen destroyed transmission towers, all stripped clean of their copper.[28] Although USACE estimated that "fewer than 50 high-voltage electricity transmission towers were toppled or significantly damaged as result of the war," by mid-June vandals and scavengers had destroyed more than 700 towers and taken copper from thousands of miles of high-voltage wires.[29]

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"It was like Pac Man," said USAID's Tom Wheelock, former chief of party for the agency's personnel contractor International Resources Group. "They just started at one end of the transmission line and worked their way up, taking down the towers, taking away the valuable metals, smelting it down, selling it into Iran and Kuwait."[30] At one point the looters had cut all four electric transmission lines connected to Basrah's oil refinery, exacerbating an already severe fuel shortage and causing riots in the city.[31]

In addition to the looting problem, the fledgling insurgency began sabotaging key electricity infrastructure nodes and attacking repair crews. The insurgents "routinely targeted joint U.S.-Iraqi electricity meetings," and those Iraqis associated with the Coalition electricity restoration effort began to receive death threats. In June 2003, insurgents shot to death a senior Iraqi distribution engineer in front of her children as she left her Baghdad home. By the end of June, "attacks on Iraqi electrical engineers and facilities in and around Baghdad" occurred daily.[32]

Many senior Iraqis who worked for the Electricity Commission disappeared after the invasion, waiting for the smoke to clear. De-Ba'athification further eroded the Commission's staff. Insurgent attacks made some afraid to go to work. Thus, "many of the local Iraqis with expertise necessary to restore and operate critical infrastructure were either unavailable or fearful of working with the Coalition."[33]

The Electrical Power Security Services, a security force that existed under Saddam Hussein, was supposed to protect power plants and substations. The CPA tried to continue this weak security force but found that it lacked trained staff, had limited equipment, and was staffed by personnel possessing limited interest in protecting the power grid.[34] Task Force Shield was tasked to oversee the training and equipping of 6,000 Iraqi Electrical Power Security Service (EPSS) guards for the new Ministry of Electricity. But the Task Force failed to meets its mission in the electricity sector, just as it had in the oil sector. The contract called for the training of 300 guards per month for a period of two years, but a SIGIR audit found that only 334 guards were actually trained in total. Moreover, the EPSS Training Academy at Taji was not built according to the contract's requirements, and $4.7 million in equipment could not be accounted for. SIGIR's review of the EPSS program concluded that it "barely got underway and only trained a limited amount of guards."[35]

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Fuel Problems

In 2003, most Iraqi power plants burned diesel, natural gas, or heavy fuel oil to generate electricity. Iraq's seven thermal power plants, which generated more than half the electricity for the entire country, could run on heavy fuel oil, a thick low-value byproduct of Iraq's antiquated refining process and the only fuel that the country had in surplus.[36] Iraq's refineries produced more heavy fuel oil than its thermal plants could use, so Iraq exported the excess, mostly to Jordan and Turkey, in exchange for gasoline, diesel, and other refined products. The war disrupted this quasi-barter system. The heavy fuel oil storage tanks quickly reached capacity, forcing the refineries to shut down and halting production of other refined fuels needed by other power plants.[37]

Iraqis filled the power gap by buying small generators, which provided power to homes, small businesses, water plants, and hospitals. While important back-ups, these generators did not contribute to the national distribution grid, were relatively expensive on a per-capita basis to operate, and exacerbated fuel shortages. These limitations, however, did not stop Iraqi entrepreneurs from importing and selling tens of thousands of the portable systems to households all over Iraq. The boom in home generation increased demand for refined fuels like diesel and LPG, stoking the black market.[38]

The CPA's plan to expand power generation focused on importing gas turbine generators—which are relatively easy to transport and install—over building new thermal units.[39] This was the quickest way to add generation capacity to the grid, but Iraq did not produce enough refined fuel to power these generators, and its distribution system was inadequate to deliver the fuel it did produce.[40] Moreover, Iraq did not have enough trained personnel to maintain and operate the more delicate gas turbine engines, which require frequent maintenance. The decision to install gas turbines, based in part on the assumption that the Iraqi oil industry could rapidly rehabilitate its natural gas industry, foundered when plans to develop national gas delivery systems were delayed.[41]

Iraqi Expectations

In the weeks following the invasion, U.S. officials confidently asserted that the Coalition would restore Iraq's power output to pre-invasion levels. On April 28, 2003, President Bush told an audience in Dearborn, Michigan, "We're working toward an Iraq where, for the first time,

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electrical power is reliable and widely available." He noted that the Coalition sought "to make sure that everybody in Iraq has electricity," adding that 17 major power plants were already running.[42] These optimistic statements, echoed by CPA's leaders, raised Iraqi expectations. By mid-summer 2003, CPA's electricity experts concluded that it would take much longer to restore the electricity systems, but the CPA made no attempt to temper inflated Iraqi expectations.

Developing a reconstruction plan to increase electricity

The first CPA senior advisor on electricity, Peter Gibson, had worked with hydroelectric plants in the Pacific Northwest, but nobody on his small staff of four was an expert in the field.[43] Gibson instituted weekly strategy sessions in the Green Zone that brought together USACE, USAID, Bechtel, and the head of the Electricity Commission and his key managers to develop a work plan for the electricity sector. By the end of June 2003, when Dick Dumford arrived as USAID's electricity specialist, the strategy sessions had yet to produce such a plan.[44] "We started looking around at what needed to be done," said Dumford, "and came up with a list as long as your arm."[45]

The CPA used DFI funds to pay for electricity projects but also had access to U.S. appropriations through USAID's contract with Bechtel. In July 2003, the CPA's Program Review Board approved $77 million from the DFI for the then-Commission of Electricity's capital expenditures as part of Iraq's 2003 budget.[46] The CPA looked to Bechtel which had received funding from USAID for work in the electricity sector to advise the Commission on how best to spend this money.[47]

Bechtel's infrastructure assessment made recommendations to address the electricity sector's reconstruction needs. Emergency projects, which Bechtel estimated should be completed within six months, included importing power plants. Intermediate-term projects included rehabilitating power plants, replacing destroyed substations, and installing new generator units. Bechtel also recommended establishing a capacity building program to get Iraqis on the road toward "standardization of operation and maintenance practices." Longer-term projects included the need to ensure coordination between the ministers of electricity and oil so that there would be enough electricity and enough fuel to run the power plants.[48]

Toward the end of July 2003, USAID reached agreement with the CPA on the work Bechtel should accomplish. One task was a multi-year project to install two new gas combustion

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turbines at the Kirkuk substation in northern Iraq. Costs on this project escalated, as a result of delays caused by changing scopes of work and worsening security, from $99 million in 2003 to $174.2 million by 2005.[49]

The Push to Produce 4,400 Megawatts

In mid-summer 2003, Ambassador Bremer surprised many in Iraq and Washington when he announced that the Coalition would have Iraq's average electricity supply back up to pre-war levels by early October.[50] He expanded the CPA's operations office, asking its director, Peter Andrew Bearpark, to manage the "infrastructure" ministries involved in providing essential services.[51] Bearpark became the Director of Operations and Infrastructure, with Maj. Gen. Strock as his deputy. At the end of July, Bearpark appointed Stephen Browning, a senior civilian from USACE who had served as a senior advisor to several ministries, to take charge of infrastructure.[52]

Browning found that the Coalition's electricity team had no plan for how the CPA and the Ministry of Electricity would restore electricity to pre-war levels by October.[53] He immediately created an Electricity Action Team, comprised of USAID, USACE, and Iraqi Electricity Commission personnel. Brig. General Robert L. Davis, the head of engineering for CJTF-7, agreed to help, detailing those on his staff with relevant experience to Browning's team.[54] Browning tasked a USAID electricity advisor, Robyn McGuckin, to develop a strategy and put Dick Dumford in charge of implementing it.[55]

On August 18 and 19, Browning convened a conference with every one of Iraq's power plant managers to shape the plan to reach the 4,400 megawatt target. "There was 9,000 megawatts of installed capacity and we were making about 3,000," said Dumford. "So, the question was, how do you get some of the 6,000 that was idle working?"[56] Browning asked each Iraqi power plant manager to present proposals for improving output.[57]

On August 19, 2003, following its earlier decision to spend $75 million on capital expenditures in the electricity sector, the CPA's Program Review Board authorized an additional $25 million to "support work and the purchase of parts, executed by the Electricity Commission, working closely with Bechtel," to restore electricity to pre-war levels.[58] Bechtel again provided technical advice to the CPA and the Commission.

Browning's team concluded that the only way to reach Bremer's 4400-megawatt goal was to make quick repairs that would have the greatest impact on generation. The staff put together a list of equipment needs for each plant and then scoured warehouses across Iraq for parts.[59] The engineers discovered a substantial amount of equipment and spare parts had been purchased by Iraq under the UN Oil-for-Food program. Plant managers, accustomed to shortages under Saddam, were hoarding some of the spare parts. The team found other stashes sitting in warehouses in neighboring countries, awaiting delivery to Iraq.[60]

In the middle of the effort to put 4,400 megawatts on the grid by the end of the year, the CPA also announced a new Ministry of Electricity to replace the Commission of Electricity. On September 1, the Iraq Governing Council named Ayham al-Samarrai as the minister, replacing Dr. Kareem.[61] A Sunni Arab politician, al-Samarrai was a graduate of the Illinois Institute of Technology in Chicago and had been a member of the executive committee of an exile opposition group in the 1990s.[62]

Throughout September, Browning and his team worked diligently with the Ministry's Iraqi engineers to fix what they could. The USACE engineers concentrated on downed transmission lines and broken substations. Bechtel gave technical assistance for quick repairs at generation plants. Bearing Point, the USAID contractor for economic reform, helped with sector studies and system forecasts. The CPA senior advisors met with the Ministries of Electricity and Oil once each week to address the recurrent fuel supply problem. The effort did not include any major rebuilding of infrastructure. Rather, it focused on repairs and technical assistance. The work was feverish, eighteen hours per day. "We pulled out all the stops, and it looked hopeless at times," said Dumford, "but we made it." On October 6, Iraq produced 4,518 megawatts, exceeding the CPA target by 118 megawatts.[63]

The effort took a toll on the infrastructure. Browning says he repeatedly told Ambassador Bremer that the emphasis needed to turn to upgrading the weak electricity system and ensuring its sustainability rather than reaching a certain output. He warned that pushing the system to reach 4,400 megawatts could harm it, causing damage that would make sector rehabilitation more difficult. He said that rather than focus on megawatts, the goal should be to build a sustainable power generation system.[64]

The preoccupation with megawatts may have undermined the electricity sector's reconstruction efforts. "We were measuring the wrong things," said General Strock. "It was a

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metric that you could easily define and would demonstrate some progress, but we really weren't focused on the right things in putting the electrical grids back on line."[65] The decision to set an output metric like 4,400 megawatts as the goal had both short- and long-term negative effects on management. In the short term, the decision caused senior officials at the Pentagon and the White House to fixate on the number of megawatts being produced rather than on the multifaceted improvements the system demanded and that carefully-scheduled planning could achieve. In the long term, the decision imposed upon the reconstruction effort a perennial desire to achieve electricity and oil outputs that were above the pre-war numbers.

Even before the CPA reached the 4,400 target, Ambassador Bremer set a lofty new goal. In a broadcast to the Iraqi people on August 29, 2003, he said, "About one year from now, for the first time in history, every Iraqi in every city, town and village will have as much electricity as he or she can use and he will have it 24 hours a day, every single day."[66] At the time, the CPA estimated the current unsatisfied demand at 6,000 megawatts, but that number would rise as Iraqis anticipated greater amounts of power being available in the foreseeable future.[67]

The U.S. Army Corps of Engineers and Restore Iraqi Electricity (RIE)

During a visit to Baghdad in July 2003, when the CPA was developing its plans to increase the country's power supply, Lt. Gen. Robert B. Flowers, the commanding general of the USACE, told Bremer and Bearpark that USACE could bolster electricity reconstruction by deploying a new task force, similar to Task Force Restore Iraqi Oil. Ambassador Bremer immediately approved the idea and, in August 2003, the U.S. Central Command asked USACE to develop and deploy a team, called Task Force Restore Iraqi Electricity (RIE), to provide rapid assistance to the electricity sector.[68]

USACE recruited Gen. Hawkins, formerly the commander of Task Force Fajr, to return to Baghdad to head Task Force RIE. He and his team—which included 84 USACE civilians and 90 soldiers, many with specialized skills in the electricity field—arrived at the end of September 2003. Task Force RIE also included mechanical, civil, and electrical engineers, as well as cost estimators, contract specialists, and schedulers.[69] Their job was to rehabilitate and rebuild the electricity infrastructure to reach the new 6,000-megawatt target by the summer of 2004.

Task Force RIE designed a plan that included 26 projects to repair and upgrade existing power generation, transmission, and command and control facilities in order to "restore reliable electricity to national and regional power grids." To manage this work, the task force established bases in Baghdad and in the north, central, and southern regions of the country.[70]

USACE used three contracts already in place to implement the first Task Force RIE projects. In April 2003, it had awarded IDIQ contracts to Perini Corporation, Washington Group International, and Fluor International "to rapidly execute design and construction services as needed" anywhere in CENTCOM's area of operations. The one-year contracts initially guaranteed each company a minimum of $500,000 in new work, with a $100 million ceiling.[71] USACE eventually raised the ceilings to $500 million and, on September 25, 2003, issued additional task orders totaling $278 million.[72]

USACE assigned each construction company to repair the electrical infrastructure in a different region. Perini Corporation was responsible for power projects in the south, while Fluor Corporation and Washington Group International worked the center and the north, respectively.[73] By October 2003, the Corps of Engineers had started projects that covered everything from refurbishing power plants to restoring transmission towers and supporting a mobile police force.[74]

Between September 2003 and June 2004, Task Force RIE had approximately $1.38 billion at its disposal. On October 25, 2003, the Program Review Board approved $756 million for Task Force RIE "to complete 26 projects that focused on accelerating the provision of essential electricity services to the Iraqi people in support of accomplishing the 6,000-megawatt power production goal."[75] The Defense Department also apportioned some $626 million of IRRF 1 money to USACE for Task Force RIE. The Army Corps of Engineers obligated $1.06 billion for the first phase of RIE projects, known as RIE 1. The CPA's Program Management Office later allocated $323 million to the Corps of Engineers for phases, known as RIE 2 and RIE 3. While RIE 1 and RIE 2 were considered emergency projects intended to help the CPA achieve its 6,000-megawatt goal, RIE 3 projects were necessary to add capacity to Iraq's national grid.[76]

IRRF 2 Electricity Funds

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Task Force RIE was only one part of a larger CPA team working with the Ministry of Electricity in the fall of 2003. The other players included the CPA ministry advisors, Bechtel, and Bearing Point (the USAID contractor for economic reform and capacity development). Bob Krause—who had worked on utility issues in Pakistan, Egypt, and Kosovo—arrived in October 2003 to take charge of the Bearing Point economic governance team advising the minister of electricity. The CPA asked Bearing Point to help develop the PMO's spend plan for IRRF 2 in the electricity sector.[77]

Krause said the project list was based on recommendations that came from the electricity ministry, the U.S. Army Corps of Engineers, and the construction contractors. His job was to make sure the projects were integrated and "made sense" both in terms of cost and expected outcome. This was not really possible, Krause said, because no one on the team making decisions had enough information.[78]

According to Krause, one of the more serious problems in the electricity sector was that while the ministry provided input, the Iraqis did not agree with the CPA advisors and the construction contractors on some of the priorities. For example, Krause said Iraqis wanted to boost generation by installing additional small thermal plants, which they understood and had the fuel to operate, rather than big gas facilities.[79]

The CPA, however, pushed to get as many megawatts up as rapidly as possible. Construction of thermal units was too slow, so USACE proposed importing gas turbines, despite the lack of fuel to power them. Even though the CPA had already clearly identified fuel as a major concern, senior officials opted to put gas generators on the list because they were easier to transport and could be installed more quickly. "There were so many disconnects," said Krause, "all compounded by the continual rotating of people in and out."[80]

The United States Congress allocated $5.539 billion—or nearly 30 percent of the Iraq Relief and Reconstruction Fund (IRRF 2)—to the electricity sector when it passed the supplemental legislation on November 6, 2003. One week later, Robyn McGuckin, the CPA's deputy advisor to the ministry of electricity, called a meeting to review the list of proposed electricity projects to be covered by IRRF 2. The categories were new generation, rehabilitation, controls and communications, transmission, and distribution. McGuckin asked the committee leaders to make a ten-minute presentation for each project, showing that it "is needed and can be built successfully." They also had to have information on the costs, how long it would take to

complete a project, and prove that problems such as fuel had been addressed. The goal was to have a prioritized list of all projects, accompanied by reports on fuel needs and system stability, ready for the U.S. Congress on November 20, 2003. The list eventually included 110 generation, transmission, and distribution projects.[81]

In March 2004, the Defense Department awarded three $500 million design-build contracts in the electricity sector to the same three companies hired by Task Force RIE. These contracts, however, would be administered by the PMO and their work would not begin until after the CPA had dissolved.[82]

In the spring of 2004, insurgents stepped up attacks on the electricity infrastructure. They targeted contractors working to restore generation plants, substations, and transmission lines, forcing some companies to suspend operations. Washington Group International locked down its power plant construction site in Mosul for three days following an assault that included ambushes and small arms and mortar fire.[83] Subcontractors like General Electric and Siemens pulled staff from project sites after attacks in April. Insurgents also targeted Iraqis working on reconstruction projects.[84] Ambushes of convoys carrying reconstruction supplies and materials caused added delays.

The wave of violence drove costs higher, pushing all electricity projects over budget and forcing the prime contractors to spend more on security. Perini estimated its security costs would total $63.4 million, about 18 percent of the $356.5 million it spent; Washington Group International's security bill amounted to $44.5 million, 14.3 percent of the $310 million it spent.[85]

Nevertheless, work continued. By June 2004, Task Force RIE had launched 66 projects and USACE said it was on target to increase generation by 1,295 megawatts, although work on seven generation plants was well behind schedule. As the CPA closed its doors, Iraq's daily peak generation capacity stood at 4,200 megawatts, far short of the 6,000-megawatt goal.[86]

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Chapter 15

RECONSTRUCTION IN TRANSITION

Sovereignty involves more than a date and a ceremony. It requires Iraqis to assume responsibility for their own future.

- President George W. Bush*

From January to June of 2004, the CPA concentrated on preparing to pass sovereignty to the Iraqis and putting in place a process for the formation of a democratic government in Iraq. In collaboration with the United Nations, the CPA assisted the Iraqi Governing Council (IGC) in developing the Transitional Administrative Law (TAL), which provided dates for provincial and parliamentary elections as well as for a referendum on a new constitution. The TAL also was the legal foundation upon which the Interim Iraqi Government would operate. The CPA prepared to pass oversight of the U.S. reconstruction program to a re-established U.S. Embassy. By the end of June, the Department of Defense would formally hand over management of the U.S. Mission to the Department of State and a new set of organizations would take over the faltering reconstruction mission.

The Transitional Administrative Law

The November 15, 2003 transition agreement anticipated the transfer of sovereignty to an Interim Iraqi Government (IIG) by the end of June 2004.[1] But Ambassador Bremer, the IGC, and Iraqi leaders, including the Grand Ayatollah al-Sistani, disagreed about how the interim government should be chosen. Bremer proposed holding caucuses in each of the provinces; Sistani insisted on national elections.[2]

In early 2004, the United States and the IGC turned to the United Nations for help. The UN appointed Special Envoy Lakhdar Brahimi, former Algerian foreign minister and international statesman who had recently served as the UN Secretary General's Special Representative in Afghanistan, to mediate the election dispute.[3] Brahimi and his UN team concluded that it was logistically impossible to hold national elections in time for the June 30 turnover and proposed deferring them until after the transfer. The IGC and Sistani accepted the recommendation, and the CPA turned to the work of developing the Transitional Administrative

* George W. Bush, "'We Will Finish the Work of the Fallen," Remarks by the President, April 14, 2004.

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Law (TAL).[4] The CPA, Iraq's liberals, and the Kurdish parties sought to enshrine in the TAL the core principles of federalism. The Sunnis wanted a united Iraq, one in which they would play an important role. Shi'a clerics, led by al-Sistani, were adamant that the law be informed by Islam and its teachings.[5] Finally, on March 24, 2004, the CPA and the IGC approved the TAL, a consensus document full of compromises.[6]

The new law, effectively an interim constitution, contained 62 articles that, among other things, guaranteed fundamental rights for all Iraqis, outlined the IIG's authority, and defined a timeline for electing a permanent democratic government in Iraq. The TAL provided that all Iraqi laws—including the regulations, orders and directives promulgated by the CPA—in place before the June 30, 2004 transfer of sovereignty would remain in force unless amended or rescinded by the transitional government or its successors. The TAL also made Islam the official faith of Iraq, stating that it was "to be considered a source of legislation."[7] In an important concession to the Kurds, the law recognized the Kurdistan Regional Government and gave it control of the police forces and internal security in its autonomous area.[8]

The TAL divided the eighteen-month transitional period into two phases, requiring three national elections in less than a year. The IIG would commence operation no later than June 30, 2004, and would hold the first election—for provincial councils and the National Assembly—by January 31, 2005. The National Assembly would draft a constitution by August 15, 2005, and the Iraqi people would vote on it no later than October 15, 2005. National elections would occur by December 15, 2005, for the Council of Representatives, which would be seated by the end of the year.[9]

The task of forming the IIG fell largely upon the shoulders of Brahimi, who worked closely with U.S. officials and Iraq's major political leaders in developing the new government. At the end of May, the IGC chose one of its members, Ayad Allawi—a secular Shi'a who had lived in exile during the Saddam years—as interim prime minister; and on June 1, 2004, Brahimi and Allawi announced the IIG, including the president, the deputy prime minister, two vice presidents, 26 ministers, and five ministers of state.[10]

As the CPA negotiated over the TAL and the IIG, it also struggled to launch more reconstruction projects. Since IRRF 2 contracts were not awarded until the spring of 2004, the CPA depended largely on Iraqi money drawn from the DFI to support these efforts.

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The Development Fund for Iraq

More than $20 billion dollars, predominantly from oil sales, were deposited into the Development Fund for Iraq between May 2003 and the transfer of sovereignty to the Iraqi Interim Government in June 2004. The DFI roughly equaled the total of both IRRF appropriations approved by the US Congress—IRRF 1 in April 2003 and IRRF 2 in November 2003. A majority of these funds were used to support Iraq's national budget. A smaller portion of these funds, $7 billion was allocated for a wide spectrum of CPA-approved relief and reconstruction programs.[11] The CPA made cash disbursals of DFI funds in two ways: transfers to Iraqi ministries for budget support and CPA-administered reconstruction projects.[12]

SIGIR audits found the CPA failed to exert adequate control of the DFI, whether it was used to support the Iraqi national ministries or reconstruction projects.[13] An audit of the oversight of DFI disbursed to the Iraqi ministries through the national budget process concluded that the CPA did not provide adequate management, financial, and contractual controls over approximately $8.8 billion of these Iraqi funds. As a result, the audit said, there was "no assurance that the funds were used for the purposes mandated by [UN] Resolution 1483." Ambassador Bremer and the CPA disagreed with this conclusion, arguing that the auditors had not taken into account the extraordinarily difficult security environment and the actions CPA officials had taken to improve management weaknesses. While acknowledging the extraordinary challenges, that confronted the CPA, SIGIR nevertheless found the "CPA management of Iraq's national budget process and oversight of Iraqi funds was burdened by severe inefficiencies and poor management."[14]

SIGIR also found that the CPA delayed providing the required oversight of the DFI mandated by the UN. The May 2003 UN resolution that created the DFI said it was to be "audited by independent public accountants approved by the International Advisory and Monitoring Board." The resolution required an early meeting of the IAMB but the Board did not meet until December 2003.[15] Dov Zakheim, the Pentagon comptroller, said that Bremer "resisted the creation of the IAMB for a very long [time]" because "he didn't want to be audited by a bunch of international auditors." Zakheim added, "You can have rules, but if you resist the auditing and you resist the implementation of the rules…what kind of rules are they?"[16] The CPA finally appointed the global accounting firm KPMG on March 24, 2004, to audit its use of

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the DFI.[17] Work only started after the auditor's contract was signed on April 5, 2004—nearly a year after the DFI had been established and less than three months before the CPA's authority over it would expire.

CPA Regulation Number 2, signed by Ambassador Bremer on June 15, 2003, also required the CPA to hire an independent certified public accounting firm to monitor and audit the CPA's use of the DFI.[18] It was not until October 2003, however, that the CPA contracted with NorthStar Consultants, Inc., for $1.4 million, to review and report on its internal financial controls.[19] But NorthStar was "not a certified public accounting firm but a consulting firm," although an accounting firm was required by CPA rules.[20]

DFI Spending Frenzy

To provide a civilian counterpart to the Commander's Emergency Response Program (CERP), the CPA established the Rapid Regional Response Program (R3P) in December 2003, to give the CPA's provincial offices DFI money for reconstruction projects. R3P funded infrastructure repair projects, with the goal of creating local jobs, supporting local industries, and stimulating local economies.[21] CPA field agents used DFI cash to pay contractors for R3P projects and, by the spring of 2004, the CPA was pushing its regional offices to spend more. These loose financial practices fostered improper conduct. Most egregiously, in Hilla, a group of U.S. criminal conspirators exploited the lack of controls and weak oversight to steal at least $8.6 million.[22]

In response to the upsurge in violence in early 2004, the CPA allocated $116 million from the DFI to fund CERP projects. Another $383 million went to the new Accelerated Iraqi Reconstruction Program (AIRP) to fund projects in cities strategic to further the CPA's counterinsurgency efforts. These strategic cities included five in the Sunni Triangle—Baghdad, Fallujah, Tikrit, Samarra, and Ramadi—as well as the Shi'a cities of Najaf and Basrah.[23]

By the end of June, the AIRP had awarded 33 contracts valued at approximately $130 million and another 150 projects, totaling $277 million, had been approved.[24] Many projects under contract would not begin before the transition. In the South-Central region, for example, one official received $6.75 million in cash on June 21, "with the expectation of disbursing the entire amount before the transfer of sovereignty," scheduled for just ten days later.[25]

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In late April 2004, as the handover of sovereignty to the Interim Iraqi Government neared, Ambassador Bremer ordered his staff to step up the expenditure of DFI funds, while the CPA still had control of them and could use them to support reconstruction projects the CPA considered important.[26] Spike Stephenson, the USAID Mission Director in Iraq, described the process as "a frenzied initiation of activities."[27]

On May 15, the Program Review Board (PRB) approved the expenditure of some $2 billion for major projects: Iraqi security forces ($500 million), improvements in the electricity sector ($315 million), oil infrastructure reconstruction ($460 million), and supporting the Iraqi Property Claims Commission ($180 million).[28] Some PRB members disputed the proposed expenditures. Neil Hawkins, an Australian foreign aid official, said that five voting members thought the proposals, initially presented as one package on May 12, was "inadequately documented." The dissenters included a British and American representative, the two Iraqi representatives, and Hawkins. He added, "You have one paragraph, half a page, for $70 million…You had to say, 'That's not good enough.'" The documentation was improved before the final vote three days later, when most, but not all the components were approved. The outcome was "not well received by certain important people within the American administration."[29] Bremer was furious at the resistance.[30]

During the final six weeks before the handover, more than $5 billion was either transferred to Iraq's ministries or committed to CPA-administered reconstruction projects—amounting to over one-third of all the DFI CPA dispersed during its entire thirteen-month existence. In the week before the transition, CPA officials ordered urgent disbursements of more than $4 billion from the Federal Reserve, including one shipment of $2.4 billion—the largest in the bank's history.[31]

Planning the Transition to a U.S. Embassy: "Operations Plan Sovereign Iraq"

In concert with the transfer of sovereignty to the IIG, Washington wanted to normalize relations with Iraq's new government by establishing a U.S. embassy in Baghdad, moving responsibility for managing the U.S.-Iraqi relationship to the State Department.

An interagency Transition Planning Team arrived in Baghdad on March 19, 2004, to develop what became known as "Operations Plan (OPLAN) Sovereign Iraq." The OPLAN was

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the first serious attempt since the 2003 invasion to shape an interagency strategy to coordinate the mission to stabilize and rebuild Iraq. To develop the OPLAN, joint assessment teams looked at security, staffing, financial management, acquisitions and contracting, and communications.

The Transition Planning Team unsurprisingly identified security as the foremost problem in Iraq but offered no proposals for reducing the violence.[32] The U.S. military mission during the CPA's existence did not include providing security for either U.S. civilian government agencies or private firms contracted for reconstruction projects. Thus, the CPA and the private firms working to rebuild Iraq hired private security companies to protect them. By May 2004, the State Department, USAID, the U.S. Army Corps of Engineers, and the CPA had all contracted with private security firms.[33] The transition team identified twelve different private security contractors providing "various levels of force protection," recognizing that these private contractors would continue to play an important role supporting the U.S. program Iraq.[34]

The Transition Planning Team tried to clarify the roles and responsibilities of the various U.S. entities in Iraq but the OPLAN perpetuated the bifurcated military command and civilian management structures. The military would continue reporting to CENTCOM, while the civilians working on reconstruction would report to the new ambassador. The OPLAN urged cooperation and coordination, but did not mandate it, stating only that the Commanding General of the Multi-National Force-Iraq should serve as the principal military advisor to the ambassador.[35]

On May 11, President Bush issued National Security Presidential Directive 36, formalizing key aspects of the U.S. transition plan.[36] The State Department, through the Chief of Mission to Iraq, would be in charge of all U.S. activities in Iraq except for military operations and the development of Iraq's security forces, which would naturally be the Defense Department's responsibility. The new directive also established new organizations to manage both security and reconstruction: the Iraq Reconstruction Procurement Office (IRMO) and the Project and Contracting Office (PMO).

IRMO and PCO assumed the mission of CPA's Program Management Office (PMO), IRMO, under the jurisdiction of the State Department, absorbed most of the CPA's former senior advisors (now known as senior consultants), who continued to provide technical and operational reconstruction assistance to the Iraqi ministries.[37] IRMO eventually would concentrate on building the capacity of ministries to function independently of the Coalition.

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The PCO, a temporary organization within the Defense Department, would provide acquisition and project management support for the execution of IRRF construction and non-construction projects. The U.S. Army was responsible for funding, staffing, and operating the new office. Under the transition plan, the PCO would be "responsive" to the U.S ambassador to Iraq "concerning the requirements and priorities for projects to support reconstruction programs that are unrelated to the Iraqi Security Forces" and to the Multi-National Force-Iraq commanding general "with respect to requirements and priorities concerning training and equipping the Iraqi military and police forces."[38]

The PCO managed approximately $12.4 billion of the $18.4 billion of IRRF 2.[39] It also oversaw the financial management systems used to prepare the mandatory quarterly *2207 Report* to the Congress. Although this organization was run by the Army Corps of Engineers (USACE), it fell under Chief of Mission authority, reporting to the Embassy's Deputy Chief of Mission, as did the IRMO.[40] These crossed lines of reporting would create operational conflicts as the IRRF 2 process unfolded.

Coalition military forces would become consolidated under the new Multi-National Force-Iraq (MNF-I) with Multi-National Corps-Iraq (MNC-I) controlling operations. The Multi-National Security Transition Command-Iraq (MNSTC-I), also operating under the MNF-I, would take over the mission to organize, train, and equip Iraq's security forces.

Pulling out of the Provinces

The CPA had opened offices in cities in all but one of Iraq's eighteen provinces. The OPLAN eliminated all but four: Kirkuk, in Tameem Province; Mosul, in Ninewa Province; Basrah, in Basrah Province; and Hilla, in Babil Province. Although driven by security concerns and budget constraints, the decision was also part of the transition to the normal operations of an embassy. In addition, the OPLAN called for civilians to be "embedded" in military commands in five regions. They served with the military civil affairs units supporting reconstruction and capacity-building initiatives. These were early attempts at civil-military cooperation that would reach its zenith in the Provincial Reconstruction Team program.

On June 8, 2004, United Nations Security Council Resolution (UNSCR) 1546 endorsed the formation of the Iraqi Interim Government and approved the timetable for elections and the

drafting of an Iraqi constitution. The resolution also noted the presence of the multinational force in Iraq and authorized it to take all necessary measures to contribute to security and stability in Iraq.[41]

The End of the CPA

The CPA, which the United Nations had recognized as an "occupation authority," had several missions assigned to it by the U.S. government and the international community: the administration of Iraq; the reform of the country's bureaucratic, security and economic institutions; the repair of Iraq's infrastructure; and the establishment of a democratic foundation for a constitutional government that would represent all of the country's people.[42] Each element of these missions required a mammoth effort; tackling them all simultaneously, as the CPA had sought to do, called for a level of operational synchronization that was beyond CPA's capacity.

When the CPA superseded ORHA, it did not possess the staff or resources to lead a comprehensive rebuilding program in Iraq. The Defense Department, given the lead in reconstruction by NSPD 24, failed to provide the CPA with clear reconstruction policies, sufficient numbers of qualified staff, and an integrated strategy that articulated achievable objectives in the rebuilding of Iraq. Operating in a crisis environment and stricken by mounting violence, the CPA had no time to deliberate or develop alternative implementation plans. It had to make quick decisions that responded to changing circumstances on the ground. This process yielded some ill-advised orders that undermined the CPA's ability to achieve its ambitious reconstruction goals.

In just over thirteen months, the CPA promulgated over 100 orders, numerous regulations, memoranda, and public notices addressing everything from de-Ba'athification and reforming the criminal justice system to disbanding the Iraqi Army and amending trade laws. It stood up new security organizations, including a new Iraqi army, the Iraq Civil Defense Corps, and the Facilities Protection Service. It created new departments and ministries for Iraq, including the Ministry of Electricity, the Department of Border Enforcement, the Ministry of Science and Technology, the Ministry of Environment, the Ministry of Human Rights, and the Ministry of Defense. To fight endemic corruption, the CPA established an Iraqi inspector general system, based on the American model, and the Commission on Public Integrity. It

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appointed an independent electoral commission to ensure free and fair elections and promulgated regulations seeking to decentralize the authority of Baghdad by devolving power to local government. CPA orders also reformed banking laws, the penal code, government salaries, and traffic regulations, opened the country to foreign investment, and established a modern stock exchange.[43]

CPA's orders and regulations helped shape a newly democratic Iraq. But the CPA never had the organizational capacity to realize the goals embodied in its directives. It was forced to improvise, creating ad hoc offices, such as the Program Management Office, to perform vital reconstruction tasks. These offices filled boxes on ever-expanding organizational charts but remained under-staffed and under-resourced from the CPA's inception until its end.

In a hastily-arranged ceremony, the CPA folded its tent in the Green Zone on June 28, 2004, returning sovereignty to Iraq two days ahead of schedule. As its senior officials departed, the CPA issued a 71-page report card on itself entitled, "An Historic Review of CPA Accomplishments." It listed its achievements in the areas of security, essential services, the economy, and governance. Ambassador Bremer often compared the reconstruction of Iraq to the Marshall Plan and CPA's self-assessment ended with a list of achievements purporting to show it had done more in a shorter period of time in Iraq than the U.S. had accomplished nearly six decades earlier in post-World War II Germany. For example, the CPA had created an independent central bank in two months; Germany did not have one for three years. Iraq became independent after one year; German sovereignty did not come for a decade. The CPA boasted that it had trained a new military in three months; in Germany it took 10 years. The CPA said it put together a reconstruction program in just four months; the Marshall Plan was designed over three years.[44]

These selective comparisons obscured part of CPA's story. Beginning with its prewar planning, American leadership placed an inordinate value on speed—measuring quantifiable outputs against a timeline, rather than in terms of quality and sustainability. The CPA left Iraq in a perilous state. Its record on improving security, providing essential services, jumpstarting the economy, and laying the foundation for good governance was far more mixed than CPA's leadership was willing to admit at the time. The CPA's review concluded that "Iraq has many challenges ahead; however, it is poised to be a nation united, prosperous, and able to take its rightful place as a responsible member of the region and the international community."[45] This

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would prove to be prematurely optimistic. It would be up to Ambassador John Negroponte and General George Casey to develop new approaches to address the growing threat to the reconstruction of Iraq: security.

~ *The Marshall Plan and Iraq Reconstruction* ~

Between 1948 and 1951, Congress appropriated over $12 billion for the Marshall Plan. Adjusted for inflation, this would equal about $100 billion in 2008.[46] The four-year program became a joint European-American venture that provided aid to sixteen countries. The most salient difference between the Iraq reconstruction program and the Marshall Plan was that the latter's aid was conditional, with each recipient country required to deposit money into a counterpart fund. U.S. money spent on rebuilding Iraq was not contingent on any contribution, quid pro quo, or promise to repay from Iraq.[47] It effectively was a series of huge grants.

The Marshall Plan had the Economic Cooperation Administration (ECA), an independent agency created by Congress, to manage the program for its entire four-year duration.[48] But authority for planning and carrying out the U.S. reconstruction effort in Iraq changed hands four times in two years—from the National Security Council to ORHA to the CPA to the U.S. Embassy.

Those who developed the Marshall Plan methodically and successfully cultivated widespread bipartisan Congressional and public support, even though opposing parties controlled the White House and the Congress. Secretary of State George C. Marshall made an extensive speaking tour of the country selling the idea of an enormous foreign aid program for a defeated enemy. The Washington head of the ECA was auto-industry executive Paul Hoffman, a Republican Party leader; his deputy in Paris was former ambassador and businessman Averill Harriman, a Democratic Party leader. Hoffman gave some 150 speeches about the Marshall Plan's value.[49] In contrast, the IRRF 2 appropriation was conceived, prepared, and presented in less than three months, and was passed by the Congress after only four days of cursory debate.

The Marshall Plan recruited a mix of experienced civil servants and professionals from the private sector and academia. Thousands of talented candidates applied for each job opening. Only one out of 200 was hired. A streamlined deployment process was able to get prospective employees medically examined, then hired and issued security clearances, passports, and travel vouchers in only two days.[50] The standard tour of service with the ECA was two years. In contrast, the reconstruction effort in Iraq was constantly understaffed. The CPA staff,

cobbled together and roiled by conflicting lines of authority and institutional allegiances, had a quality of staff expertise and credentials that was very uneven. While some personnel were hired and deployed quickly, others had to wait up to ten months. Turnover was high; most CPA officials served for only a few months.[51] Similar problems afflicted the U.S. Embassy when it subsequently took over the management of the reconstruction program.

The political goals of the Marshall Plan differed from those of Iraq reconstruction. The Marshall Plan was engineered to restore the remnants of a democratic system and to push it towards strong free-market capitalism. In Iraq, the U.S. sought to implant an entirely new system of government, building democracy where a dictatorship or monarchy had long prevailed. Conditions in Iraq in 2003 were a far cry from those in the Marshall Plan countries in 1948. The Western European nations had homogeneous societies, functioning institutions, a tradition of democratic governance, and advanced technical knowledge. They were also at peace. Iraq lacked a history of democratic government, effective public institutions, and a diversified market economy with a strong middle class—the conditions that made the Marshall Plan successful in Europe.[52] Iraq's violence and lethal sectarian disputes undermined every aspect of the reconstruction effort. Above all, the Iraq effort never received adequate resources for its ambitious program; the Marshall Plan did.

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~ *Essential Services – Transition from CPA to the Embassy* ~

Outputs[53]

Service	Pre-invasion	Post-invasion	CPA Transition
Electricity Production	4,075 megawatts	711 megawatts	3,621 megawatts
Oil Production	2.58 million barrels per day	.30 million barrels per day	2.16 million barrels per day
Access to Potable Water	12.9 million citizens	4.0 million citizens	8.4 million citizens
Iraqi Security Forces	1,300,000 soldiers and police	7,000-9,000 police	87,000 soldiers and police[54]
Telecommunications			
landline subscribers	833,000	0	791,000
mobile subscribers	80,000	0	461,000
Education			

schools opened	14,121	0	14,121
schools rehabilitated	0	0	2,358
Human Toll	-		
U.S Troop Fatalities	-	139	862
Civilian contractors	-	1	46
U.S. civilians		~9	52
Iraqi civilians	-	7,413	16,848
Financial Cost (in billions)			
U.S funding	-	$3.45	$22.93
Iraqi funding	-	$0	$16.00
International funding	-	$0	$13.60
Total funding	-	$3.45	$52.53

When Ambassador Bremer arrived in May 2003, electricity production averaged just 711 MW per day. At the time the CPA transferred sovereignty to the Interim Iraqi Government, production had risen to 3,621 MW.[55] This significant improvement in one year before was below the 6,000 MW the CPA estimated was necessary to meet demand.[56] The CPA effort to get electricity production up to 4400 MW was fleetingly successful in October 2003, but the short-term actions taken to meet that goal proved counter-productive to long-term progress.[57]

Oil production increased fairly steadily in 2003 and 2004, but continued to suffer from the consequences of poor maintenance and a shortage of spare parts. By the time of Ambassador Bremer's departure in June 2004, production had reached an average of 2.16 million barrels per day, a significant increase from the immediate post-war output, but still below pre-war levels.[58]

Although data for potable water levels are not readily available for the CPA period, USAID estimated in March 2004 that water treatment facilities were then operating at 65 percent of pre-war levels.[59] The water treatment plants and systems targeted for completion by the end of 2004 were estimated to provide services for an additional 3.39 million people.[60]

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[2] Ali A. Allawi, *The Occupation of Iraq: Winning the War, Losing the Peace* (New Haven, CT: Yale University Press, 2007), 215.
[3] UN News Centre, "Summary of Press Briefing by Lakhdar Brahimi, Special Advisor to the Secretary-General," March 16, 2004.
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[10] CPA Transcripts, "Statements by United Nations Envoy Lakhdar Brahimi, Iraqi President Ghazi al-Yawar, and Iraqi Prime Minister Ayad Allawi, Topic: The New Interim Government for Iraq," June 1, 2004. Also named was a deputy prime minister for security affairs.
[11] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 2.
[12] Funds "not disbursed" included money allocated to CPA-approved contracts, which the government of Iraq agreed to honor. The U.S. government remained responsible for management of these. "Other" payments include: letters of credit held in escrow until the completion of contracts by third parties for Iraqi ministries ($782.9 million); and Food and Agriculture Organization and World Food Program payments ($143.4 million). See: KPMG, "Development Fund for Iraq: Statement of Cash Receipts and Payments: For the Period 1 January 2004 to 28 June 2004 (with Independent Auditors' Report)," September 30, 2004, 3, 10, 12-13.
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[14] SIGIR Audit 05-004, "Oversight of Funds Provided to Iraqi Ministries through the National Budget Process," January 30, 2005, 5.
[15] United Nations Security Council Resolution 1483, May 22, 2003.
[16] SIGIR Lessons Learned Forum: Contracting and Procurement, Washington, DC, December 5, 2005.
[17] IAMB, "Report of the International Advisory and Monitoring Board of the Development Fund for Iraq: Covering the Period from the Establishment of the DFI on May 22, 2003, until the Dissolution of the CPA on June 28, 2004," 2-3. Almost $6 million in DFI funds was committed by the CPA to pay for the audit.
[18] CPA Regulation Number 2, "Development Fund for Iraq," June 10, 2003.
[19] SIGIR Audit 05-004, "Oversight of Funds Provided to Iraqi Ministries through the National Budget Process," January 30, 2005, 8-9.
[20] KPMG, "Development Fund for Iraq Appendix: Matters Noted Involving Internal Controls and Other Operations Issues During the Audit of the Fund: For the Period to 31 December 2003," June 2004, 4.
[21] SIGIR Audit 05-015, "Management of Rapid Regional Response Program Grants in South-Central Iraq," October 25, 2005, 2.
[22] SIGIR, *Quarterly Report to the United States Congress*, July 2006, Appendix J.
[23] CPA-IG, *Quarterly Report to the United States Congress*, July 2004, 62.
[24] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 70.
[25] SIGIR Audit 05-006, "Control of Cash Provided to South-Central Iraq," April 30, 2005, 8.
[26] OMB, *Section 2207 Report*, July 2004, 70.
[27] James Stephenson, *Losing the Golden Hour: An Insider's view of Iraq's Reconstruction* (Herndon, VA: Potomac Books, 2007), 68.

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[29] ORHA/CPA Historian interview with Neil Hawkins, CPA's Director of Development Coordination and Senior Advisor to the Ministry of Planning, June 21, 2004.
[30] James Stephenson, *Losing the Golden Hour: An Insider's view of Iraq's Reconstruction* (Herndon, VA: Potomac Books, 2007), 69.
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[34] National Security Council, Interagency Transition Planning Team, "Operation Plan Sovereign Iraq," Draft, version 1.3, April 2004, K-2
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[36] National Security Presidential Directive 36, "United States Government Operations in Iraq," May 11, 2004.
[37] National Security Council, Interagency Transition Planning Team, "Operation Plan Sovereign Iraq," Draft, version 1.3, April 2004, D-3,4.
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[39] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 4.
[40] National Security Council, Interagency Transition Planning Team, "Operation Plan Sovereign Iraq," Draft, version 1.3, April 2004, G-3.
[41] United Nations Security Council Resolution 1546, June 8, 2004.
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[44] CPA, "An Historic Review of CPA Accomplishments," June 2004, 71.
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[49] Barry Machado, *In Search of a Usable Past: The Marshall Plan and Postwar Reconstruction Today,"* (Lexington, Virginia: George C. Marshall Foundation, 2007), 8, 15-22, 129.
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[52] Barry Machado, *In Search of a Usable Past: The Marshall Plan and Postwar Reconstruction Today,"* (Lexington, Virginia: George C. Marshall Foundation, 2007), 117-18.

Essential Services – Transition from CPA to the Embassy

[53] International Monetary Fund, "Iraq: Statistical Appendix," August 2007; ITAO, Monthly Import, Production and Export, response to SIGIR data call for the *Quarterly Report to the United States Congress*, April 2008; USAID Fact Sheet, "USAID Accomplishments in Iraq: March 2003 to March 2004," March 18, 2004; DoD, Iraq Status Report, June 15, 2004, and July 6, 2004; USAID, "Total Schools Rehabilitated in Iraq with USAID Funding," March 31, 2004; Iraq Coalition Casualty Count, "U.S. Deaths By Month," updated September 2008; SIGIR, Quarterly Report to the United States Congress, October 2005, 12; Iraq Body Count, "Documented civilian deaths from violence," updated August 24, 2008; P.L. 108-106, Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan for Fiscal Year 2004, November 6, 2003; CPA, "Republic of Iraq Budget Revenues and Expenses: 2003 July–December," 2003; CPA, "Republic of Iraq: Revisions to 2004

Budget," March 2004; and GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 10.

[54] This estimate only includes the number of trained personnel. Although an estimated 74,000 Facilities Protection Service members were listed as part of the security forces, in August 2004 they were deemed unfit as a whole and no longer included in estimates. DoD, *Iraq Status Report*, June 15, 2004, 29-30; and DoS, *Weekly Status Report*, August 25, 2004, 24.

[55] International Monetary Fund, "Iraq: Statistical Appendix," August 2007.

[56] USAID Press Release, "Upgrading Electricity in Iraq," August 15, 2003.

[57] Joint Staff & CPA, "Iraq Fact Sheet," October 21, 2003.

[58] ITAO, *Monthly Import, Production and Export*, July 2007 as cited in: SIGIR, *Quarterly Report to the United States Congress*, July 2007, 81.

[59] USAID Press Release, "USAID Accomplishments in Iraq: March 2003 to March 2004," March 18, 2004.

[60] DoD, *Iraq Status Report*, June 15, 2004.

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Chapter 16

NEGROPONTE'S REPROGRAMMINGS

Security was the paramount issue…without security, it was going to be impossible to move these economic projects forward…That was one of the fundamental corrections that had to be made.

- John Negroponte,
US Ambassador to Iraq (2004-2005)[*]

Ambassador John Negroponte presented his diplomatic credentials to the president of the Iraqi Interim Government (IIG) on June 29, 2004, the day after the CPA turned over sovereignty to the Iraqis. The President had placed the new ambassador, previously U.S. Representative to the United Nations, in charge of the largest and most challenging U.S. diplomatic mission in the world, with a staff of about 900 Americans and 550 Foreign Service Nationals (locally-employed staff, most of whom were Iraqis).[1] Negroponte would serve in Iraq for nearly nine months before leaving in March 2005 to become the first Director of National Intelligence.[2]

Ambassador Negroponte put CPA reconstruction plans on hold shortly after arriving, and directed a thorough re-examination of the $18.4 billion IRRF 2 program. The review led to a series of IRRF 2 reprogrammings aimed chiefly at improving security by better integrating the reconstruction program with the military's counterinsurgency efforts. During Negroponte's tenure, the U.S. government reallocated $4.413 billion of IRRF 2 money, moving most of it into the security and democracy sectors.[3]

Before Ambassador Negroponte arrived, National Security Presidential Directive 36 (NSPD-36) had changed not just how U.S. money would be spent but also how programs would be managed. NSPD-36 ostensibly moved responsibility for the U.S reconstruction program from the Defense Department to the State Department, replacing the CPA's Project Management Office (PMO) with two new temporary, ad hoc entities: the Iraq Reconstruction Management Office (IRMO) and the Project and Contracting Office (PCO). The Presidential order also created the Multi-National Security Training Command-Iraq (MNSTC-I) to train, equip, and organize Iraq's security forces. MNSTC-I reported to the Multi-National Force-Iraq (MNF-I).[4]

IRMO and PCO

[*] SIGIR interview with Ambassador John Negroponte, former US Ambassador to Iraq, February 12, 2008.

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NSPD-36 defined the functions of the two new offices and placed them within different government agencies. IRMO was a Department of State entity, while PCO was part of the Department of Defense. As it had been for the PMO, the Army was the PCO's executive agent for funding, staffing, and oversight. Under the CPA, the PMO had been established to manage the entire IRRF 2, but the PCO was only responsible for the IRRF 2 design-build construction contracts implemented by the Defense Department.[5] MNF-I had a separate contracting team for humanitarian and reconstruction projects using CERP. MNSTC-I also administered its own programs to build the Iraq security forces.[6] USAID and the State Department also contracted and managed their own projects, using IRRF 2 money apportioned to them by the OMB.

NSPD-36 was intended to clarify roles and responsibilities, but, in fact, it made it more difficult to achieve unity of effort by further fragmenting reconstruction responsibilities. IRMO and PCO reported to different agencies; MNSTC-I managed its own affairs; and USAID controlled its programs. The Chief of Mission was, in truth, only nominally in charge of the overall reconstruction program.[7] The diffusion of authority bred tensions that would impede progress.

The PMO's Dave Nash ran both the PCO and IRMO during the first two months of the transition. Ambassador William B. Taylor, a career diplomat with extensive reconstruction experience, replaced him as the head of IRMO in late summer 2004, and Charlie Hess, who had served as director of the operations and response division of the U.S. Department of Homeland Security, took over as director of the PCO at the end of August.[8] Hess understood that he reported to three different people: the Commanding General in Iraq, the Secretary of the Army, and the Ambassador, but he did not believe that he reported to the IRMO director, Ambassador Taylor.[9]

NSPD-36 put IRMO in charge of formulating reconstruction policy.[10] The CPA's senior advisors to the Iraqi ministries became part of IRMO. Since they had no executive authority, the advisors had to work with the Iraqi government to coordinate the identification and implementation of reconstruction projects.[11] The PCO inherited the PMO's responsibilities for providing acquisition and project management support to the U.S. relief and reconstruction program. It took charge of implementing IRRF projects and providing program management services "to ensure [the] integration of projects within and across infrastructure sectors and

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within and across other sectors when requested by IRMO or other agencies."[12] USACE provided technical support and quality assurance to the PCO.

The Strategic Review

In early July 2004, the MNF-I command was upgraded to a four-star general, with Gen. George Casey replacing Lt. Gen. Sanchez as senior theater commander.[13] The primary concern of Ambassador Negroponte and General Casey was to quell the insurgency and improve security. "I felt that we had moved into a reconstruction phase when we were still, actually, in a conflict phase," said Negroponte. "We were in an insurgency."[14] Negroponte concluded that implementing economic development projects would be fruitless as long as security remained a serious problem.[15] General Casey concurred, saying that the reconstruction program and military operations needed to be integrated in such a way that they were "mutually reinforcing."[16]

Ambassador Negroponte directed IRMO to conduct a complete review of the IRRF 2 program and develop a new strategic plan to tackle the very same problem that had bedeviled the CPA: the breakdown of security across Iraq. He asked IRMO to analyze the original CPA "spend plan" and to review the budget allocations among the ten reconstruction sectors.[17] IRMO's senior staff worked with USAID, PCO, and the military throughout the summer of 2004, identifying ways to bolster Iraqi security capabilities to deal with the rapidly deteriorating security situation.[18]

<u>Finding the money</u>

In the spring of 2004, OMB had apportioned just over $11 billion of IRRF 2 to four implementing agencies—Defense, State, USAID, and Treasury—with the Department of Defense receiving over 70 percent of the funds.[19] By the time the CPA dissolved, only a small portion of IRRF 2 ($366 million) had been spent.[20] The Congress had earmarked $5.5 billion for electricity and $4.3 billion for water resources and sanitation. But IRFF 2 program managers for these sectors had planned not to begin many major reconstruction projects in these two sectors until 2005.[21] Thus, Ambassador Negroponte seized upon these funds as available capital he could commit—with Congressional approval—to pressing new priorities, most notably security.

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Moving the money

The main players in Iraq's reconstruction—USACE, the military brigade commanders, the State Department, USAID, and the Iraqi ministries—had different missions and thus different priorities. USACE had already begun to implement the IRRF 2 infrastructure projects. USAID wanted more money for agriculture, economic reform, and democracy programs. Military commanders favored quick-impact projects that put people to work, won hearts and minds, and helped quell violence. Iraqi ministers wanted more service delivery and a greater say in which projects the U.S. would carry out.[22]

USAID's mission director, James "Spike" Stephenson, was barely on speaking terms with Admiral Nash when the Negroponte/Casey strategic review began. According to Ambassador Taylor, "the relationship between PCO and USAID was not good, and [the review process] was 'painful.'"[23] USAID, which had been largely ignored during the creation of IRRF 2, welcomed the strategic review because it gave them a new opportunity to shape the reconstruction effort. "It gave us a chance to get in on the policy end of it," said Stephenson. "Win or lose, you got to speak your piece."[24]

USAID's piece was a proposed development package for more investment in democracy projects. It also sought an additional $200 million for its Office of Transition Initiatives (OTI). Through OTI, USAID provided expertise to CERP projects, which were increasing Iraqi employment and promoting economic development. In this way, USAID helped implement many CERP projects, particularly in Baghdad. "We were doing them literally at the direct request of the major subordinate commanders, particularly [MNC-I commanding general] Lt. Gen. Chiarelli," said Stephenson.[25]

After listening to presentations from all the major players, Ambassador Negroponte and Gen. Casey agreed to move $3.46 billion from the water and electricity sectors to fund programs to strengthen Iraq's security forces, promote economic and private-sector development, build democracy, and prepare for the upcoming elections. Security and law enforcement received $1.81 billion of these reprogrammed funds.[26] The reprogramming took $1.94 billion from water resources and sanitation (cutting its allocation in half) and $1.07 billion from electricity.[27]

Since the reallocation amounted to more than a ten percent shift in funding within IRRF 2, the State Department submitted its request for congressional approval on September 12, 2004. Deputy Secretary of State Richard Armitage made the Department's case for the changes before

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the House Appropriations Committee, stating that "our most urgent priority right now is security." He also added, "short-term stability and long-term prospects in Iraq quite simply depend on improving the security situation."[28] The Congress agreed, approving all the changes on September 30, 2004.[29]

The Second Reprogramming

While the Congress evaluated Negroponte's first reprogramming request, the State Department initiated yet another review.[30] Charlie Hess, the head of PCO, objected, sending a long email to Ambassador Taylor stating that it was a bad idea to send another group of short-term "helpers" to "squeeze more hypothetical dollars from the IRRF program to accomplish other much-needed program objectives."[31] Hess wanted to avoid further delays in starting IRRF projects, which were frozen during the first reprogramming. He believed that it was time to stop analyzing the program and start accomplishing work, because the contractors were on the ground accruing millions of dollars in overhead costs without producing much. "Every day that we rethink what we are all about is one less day of getting on with the job."[32] His complaints fell on deaf ears.

In December 2004, the State Department announced a second reprogramming of $457 million in IRRF 2 money, once again drawing largely from the water sector. It also restored $211 million to the electricity sector for quick-impact projects and moved $246 million into high-visibility smaller projects to improve essential services in the embattled cities of Falluja, Samarra, Najaf, and Sadr City. The intent of this new reallocation was to try to mollify restive populations in the most dangerous parts of Iraq.[33]

For the second time in four months, Ambassador Taylor had to tell the Minister of Municipal and Public Works, Nesreen Berwari, that funding for her water treatment, waste management, and irrigation projects was going to be significantly cut. She had worked closely with the CPA to develop the program and Taylor, who had gone to her office to inform her of the first cut, did not look forward to giving her more bad news. Minister Berwari told Taylor she never wanted to see him in her office again. "She said it with a little bit of a smile," Taylor said, "but not much."[34]

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The Third Reprogramming

In the spring of 2005, Charlie Hess was again exasperated to learn that the State Department was planning yet another reprogramming of IRRF 2, this time with an emphasis on the electricity sector and project cost overruns. He complained to his DoD boss, Claude Bolton, Assistant Secretary of the Army for Acquisition, Logistics and Technology, stating:

> The impact of incremental reprogramming has a significant detrimental effect on the momentum of program execution (it slows the pace) and consequently results in increased overhead costs while we sort out the skills and contracting staffing levels necessary to execute the remaining work. This is particularly debilitating when accomplished in a series of back-to-back reprogramming exercises where, as we finish dealing with the first reprogramming cycle, it is followed by yet another round of reprogramming reviews. Again, this stifles momentum, generates added costs and typically reduces effectiveness of program dollars.[35]

But Hess's complaints again had no effect.

On March 25, 2005, the State Department notified the Congress that it wanted to reallocate another $832 million to support job-creation activities, fund operations and maintenance projects, and pay for cost over-runs incurred by design-build contractors.[36] The reallocations came from still-pending energy-sector projects and five long-term water projects, giving $225 million to bolster the essential services infrastructure in Baghdad and USAID's Community Action Program (CAP).[37] The State Department also moved $607 million to fund operations and maintenance programs in the electricity, oil, and water sectors.[38] Sustainability had become an increasing concern among American officials, who worried that Iraqis did not have the capacity to maintain new or refurbished facilities once they were transferred.[39] Most of the new sustainment funding went to the electricity sector for operations and maintenance support.[40]

Table 17.1 shows the changes in IRRF fund allocations effected by the three reprogrammings that occurred from June 2004 to June 2005.

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Figure 17.1 Iraq Relief and Reconstruction Fund Allocations by Sector for June 2004, December 2004, and June 2005 ($ in millions)

Sector	June 2004 Allocation	December 2004 Allocation	June 2005 Allocation	Percent Change from Original
Security & Law Enforcement	$3,235.0	$5,045.00	$5,017.6	55
Justice, Public Safety Infrastructure, and Civil Society	$1,484.0	$1,953.00	$2,188.5	47
Electric Sector	$5,465.0	$4,369.00	$4,318.5	-21
Oil Infrastructure	$1,701.0	$1,701.00	$1,723.0	1
Water Resources and Sanitation	$4,247.0	$2,279.00	$2,146.0	-49
Transportation & Telecommunications Projects	$500.0	$513.00	$508.4	2
Roads, Bridges, and Construction	$368.0	$360.00	$334.0	-9
Health Care	$786.0	$786.00	$786.0	0
Private Sector Employment Development	$183.0	$843.00	$840.0	359
Education, Refugees, Human Rights, Democracy, and Governance	$259.0	$379.00	$363.0	40
Administrative Expenses	$213.0	$213.00	$214.0	0
TOTAL	**$18,439**	**$18,439**	**$18,439**	

Source: OMB, *2207 Reports*, Funding Table, July 2004; and DoS, *Section 2207 Report*, Status of Funds, July 2005.
Note: Totals may not add up due to rounding.

The Impact of the Reallocations

The continual reallocation process reflected the U.S. government's response to the changing conditions on the ground in Iraq, chiefly the security situation—which was worsening daily—and the need to increase support for the Iraqi political process. Each shift, however, resulted in the elimination of many planned infrastructure projects.

The Water Resources and Sanitation Sector suffered the most, losing more than 50 percent of its funding ($4.3 billion to $2.1 billion).[41] The electricity sector was the second-hardest hit, suffering a loss of almost a quarter of its IRRF 2 money ($5.6 billion to $4.3 billion), which resulted in a reduction of proposed power projects that cut planned new capacity from 3,400 megawatts to 2,100 megawatts.[42]

Negroponte and Casey believed the reprogrammings were integral to a necessary shift in strategy. The CPA's reconstruction plan had placed inadequate emphasis on security, democracy,

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and project sustainment.[43] Approximately $520 million in reprogrammed funds went to support sustainment programs in the Ministries of Electricity, Oil, and Water.[44] But the State Department acknowledged that these reprogrammed funds would cover only a fraction of Iraq's operation and maintenance needs, noting that "the process of capacity development to manage and sustain infrastructure projects will take time."[45]

Three notable realignments of reconstruction funds shaped the spending plan that evolved out of Ambassador Negroponte's and Gen. Casey's 2004-2005 strategic reviews. In each review, the U.S. addressed Iraq's growing security problem by investing in the security sector and by trying to create jobs, improve the economy, and increase the delivery of essential services. Negroponte and Casey knew that a more secure environment was the essential prerequisite for a successful reconstruction program. But it was to be slow in coming.

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[1] Baghdad Embassy, "Statement by Ambassador John D. Negroponte at Presentation of Credentials Ceremony," June 29, 2004; and OMB, *Section 2207 Report*, July 2004, 14. A career Foreign Service officer, Negroponte had served as ambassador to Honduras, Mexico, and the Philippines before retiring in 1997 to become Executive Vice President for Global Markets of the McGraw-Hill book company in New York. He returned the State Department in 2001 as the United States Permanent Representative to the United Nations before his assignment to Iraq. DoS, "Biography of John Negroponte," http://www.state.gov/r/pa/ei/biog/80476 htm.
[2] White House Press Release, "President Holds Press Conference," February 17, 2005.
[3] SIGIR Audit 05-029, "Challenges Faced in Carrying Out Iraq Relief and Reconstruction Fund Activities," January 26, 2006, 4-6.
[4] National Security Presidential Directive 36, "United States Government Operations in Iraq," May 11, 2004.
[5] National Security Presidential Directive 36, "United States Government Operations in Iraq," May 11, 2004.
[6] Donald. P. Wright and Timothy R. Reese, *On Point II: Transition to the New Campaign* (Ft. Leavenworth, KS: Combat Studies Institute Press, 2008), 453-454
[7] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management, March 2007, 84-86.
[8] SIGIR interview with William B. Taylor, former Director of IRMO, April 3, 2008; and PCO, "PCO Iraq Reconstruction Update," December 15, 2004.
[9] OMB, *Section 2207 Report*, July 2004, 15; Claude M. Bolton, Jr., Assistant Secretary of the Army for Acquisition, Logistics, and Technology, Testimony before the Senate Committee on Armed Services Subcommittee on Readiness and Management Support on Iraq Reconstruction and Contracting, February 7, 2006; and SIGIR interview with Charles Hess, former Director of PCO, April 24, 2006.
[10] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management, March 2007, 10, 82-83; and OMB, *Section 2207 Report*, July 2004, 14-15.
[11] SIGIR interview with William B. Taylor, former Director of IRMO, April 3, 2008.
[12] OMB, *Section 2207 Report*, July 2004, 15.
[13] DoD News Release, "Casey Takes Over Iraq Commander's Reins from Sanchez," July 1, 2004.
[14] SIGIR interview with Ambassador John Negroponte, former US Ambassador to Iraq, February 12, 2008.
[15] SIGIR interview with Ambassador John Negroponte, former US Ambassador to Iraq, February 12, 2008.
[16] SIGIR interview with Gen. George Casey, former Director of the Joint Staff and former MNF-I Commander, July 30, 2008.
[17] The ten sectors were: Security and Law Enforcement; Justice, Public Safety Infrastructure, and Civil Society; Electricity; Oil Infrastructure; Water Resources and Sanitation; Transportation and Telecommunications; Roads, Bridges, and Construction; Health Care; Education, Refugees, Human Rights, Democracy and Governance; and Private Sector Development. For an overview of the changes, see: OMB, *Section 2207 Report*, July 2004, 17-20
[18] SIGIR interview with Ambassador William B. Taylor, former Director of IRMO, April 3, 2008.
[19] CPA-IG, *Quarterly Report to the United States Congress*, July 2004, 55-56.
[20] OMB, *Section 2207 Report*, July 2004, 20.
[21] OMB, *Section 2207 Report,* January 2004, 19; and Richard Armitage, Deputy Secretary of State, Testimony before the House Appropriations Committee, Foreign Operations Subcommittee, September 24, 2004.
[22] SIGIR interview with Charles Hess, former Director of PCO, April 24, 2006; and SIGIR Lessons Learned Forum: Program and Project Management, Washington DC, April 12, 2006.
[23] SIGIR interview with Ambassador William B. Taylor, former Director of IRMO, April 3, 2008.
[24] SIGIR Lessons Learned Forum: Program and Project Management, Washington, DC, April 12, 2006.
[25] SIGIR Lessons Learned Forum: Program and Project Management, Washington, DC, April 12, 2006.
[26] DoS, *Section 2207 Report*, October 2004, 2.
[27] DoS, *Section 2207 Report*, October 2004, 2-4.
[28] Richard Armitage, Deputy Secretary of State, Testimony before the House Appropriations Committee, Foreign Operations Subcommittee, September 24, 2004.
[29] Section 133 of P.L. 108-309 amended P.L. 108-106. P.L. 108-309, Making Continuing Appropriations for the Fiscal Year 2005, September 30, 2004.
[30] SIGIR interview with Charles Hess, former Director of PCO, April 24, 2006.
[31] Charles Hess, Director of PCO, email to William B. Taylor, Director of IRMO, September 5, 2004.
[32] Charles Hess, Director of PCO, email to William B. Taylor, Director of IRMO, September 5, 2004.
[33] DoS, *Section 2207 Report*, January 2005, 8.

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[34] SIGIR interview with Ambassador William B. Taylor, former Director of IRMO, April 3, 2008.
[35] Charles Hess, Director of PCO, memorandum to Claude M. Bolton, Assistant Secretary of the Army for Acquisition, Logistics and Technology, March 2005.
[36] DoS, *Section 2207 Report*, April 2005, 5.
[37] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 8; and DoS, *Section 2207 Report*, April 2005, 6-7.
[38] DoS, *Section 2207 Report*, April 2005, 6-7.
[39] IRMO, "Iraq Reconstruction Program: Framework for Sustainable Operations," May 18, 2005; and PCO, "Iraq Capacity Development: PCO Management and Interface Plan," November 22, 2004; and PCO, "Program Management Plan," Section 10, Capacity Development, October 7, 2004.
[40] DoS, *Section 2207 Report*, April 2005, 7.
[41] SIGIR Audit 05-029, "Challenges Faced in Carrying Out Iraq Relief and Reconstruction Fund Activities," January 26, 2006, 21-23.
[42] SIGIR Audit 05-029, "Challenges Faced in Carrying Out Iraq Relief and Reconstruction Fund Activities," January 26, 2006, 18.
[43] SIGIR Audit 05-029, "Challenges Faced in Carrying Out Iraq Relief and Reconstruction Fund Activities," January 26, 2006, 7.
[44] DoS, *Section 2207 Report*, July 2005, 7.
[45] DoS, *Section 2207 Report*, July 2005, 5, 7.

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Chapter 17

CONTINGENCY CONTRACTING AND PROGRAM MANAGEMENT

I was the deputy prime minister in charge of reconstruction, and I still have difficulty understanding what USAID, IRMO, and GRD-PCO actually do.
- Barham Salih
Deputy Prime Minister (2004-present)[*]

The United States struggled—first under the CPA and then under the embassy—to establish contracting and program management capabilities necessary to provide direction, support, and oversight for the reconstruction program. Beginning with the creation of CPA's Program Management Office in August 2003, a succession of contracting and program management offices in Baghdad suffered under varying sets of U.S. contracting regulations poorly suited to oversight of contingency operations. A shortage of qualified contracting officers, high staff turnover, and weak program management—particularly with regard to quality assurance programs—further exacerbated the contract management challenges. Finally, contracting officers did not have adequate information systems to track contract changes.

The Project and Contracting Office (PCO), created by National Security Council Direct 36 (NSPD-36) in June 2004, as a successor to PMO, conceptually combined the contracting and program management functions for the IRRF 2 program. However, since federal regulations mandate that contracting and program management responsibilities be separate, the HCA could not report to the PCO. Rather, it reported directly to the Defense Department through the Department of the Army, its executive agent. Within weeks of establishing the Embassy, all contracting activity was effectively handled by a new contracting office, which, in November of 2004, officially was named the Joint Contracting Command-Iraq (JCC-I).[1] The PCO's program management duties merged with the USACE's Gulf Region Division (GRD). Each bureaucratic evolution in Iraq sought to improve the coordination and implementation of a reconstruction effort that involved multiple funding streams and that was being executed by several implementing agencies.

The Head of Contracting Activity

[*] SIGIR interview with Barham Salih, Deputy Prime Minister of Iraq, June 20, 2006.

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Reconstruction projects are controlled by contracts that represent a legal agreement between the government and a contractor. A good contract clearly describes the work requirements, the schedule, and the budget. Contractors perform only what the contract provides, albeit in an environment anticipating change orders. The government manages the quality-assurance program to ensure contract compliance, and the contractor manages the quality-control program to ensure that its workers effectively accomplish the requirements.

The initial contracting responsibility for IRRF 2 projects fell to the Army-supported Head of Contracting Activity (HCA) within the CPA. But this work was limited because IRRF 2 contracts were not awarded until March and April 2004. Instead, the HCA focused on writing contracts for reconstruction projects using DFI funds.

When Brig. Gen. Stephen Seay, who possessed an extensive Army contracting and program management background, took over as the CPA's Head of Contracting Activity in February 2004, he inherited an office that was "grossly understaffed" and completely "overwhelmed" by hundreds of DFI contracts. Seay's most serious problem was the dearth of qualified personnel in country who could develop good project requirements and statements of work. He quickly concluded that the HCA office was not ready to manage the approaching wave of IRRF 2 contracts. Seay thus rapidly reorganized and expanded the office, recruiting a dozen new people, including acquisition professionals, who could draft statements of work, thereby freeing contracting officers to write contracts.[2]

Seay also requested more lawyers "to troubleshoot solicitations and to support contracting so that procurement and construction delays did not result from disputes relating to the contracting process." He wanted to make sure that each solicitation and contract award process followed the rules of the Federal Acquisition Regulation (FAR) and the requirements of the legislation that created IRRF 2.[3]

Despite these improvements, Seay continued to struggle with familiar problems: personnel shortages, poor program management, and inadequate information management systems. For example, his staffing chart called for 69 people. But during his one year in Iraq, Seay was only able to fill about two-thirds of these positions.[4]

Task Orders for the Design-Build Contractors

A Pentagon team had handled the contract-award process for the twelve IRRF 2 contracts, but it was first the PMO and then the PCO that had to plan and manage their execution. Under the PMO's organizational structure, the sector program-management contractors—that is, the private firms hired to assist the Army to manage the design-build contractors in the six infrastructure sectors—were supposed to further define project requirements and prepare them for execution under task orders. Their job was to take specific projects identified by PMO and refine the work requirements, schedules, and budgets.[5] The HCA then took this information and developed task order contracts for projects assigned to the construction contractors. GRD provided the quality assurance for the projects.

Task Order Delays

Developing and managing task orders proved to be difficult in 2004-2005. The PCO did not have enough information to develop good project requirements and scopes of work. Nor did the HCA have the management or information systems that could effectively track all the task orders. Moreover, the PCO had too few career government employees capable of negotiating with contractors to define good requirements. The sector-management contractors filled this void, but, according to Brig. Gen Seay, they "were really just construction supervisors, not program managers."[6] Seay attempted to solve the problem by holding sector reviews involving the contracting officers, the program managers, and the contractors, to strengthen acquisition and coordination efforts in each sector. This remedial measure met with limited success, because the PCO had program managers who "preferred to build facilities" rather than think through the "pre-construction and task order award process."[7]

Andy Bailey, Vice President of the Louis Berger Group, which had the program management contracts for three sectors—Communications and Transportation; Building, Education and Health; and Security and Justice—thought the design-build management concept was "brilliant," but the execution was poor. The PMO/PCO had neither the systems nor the processes in place to support the effort. Moreover, there were serious disagreements regarding the proper role of private companies as program managers, with the HCA and the GRD arguing for increased government oversight.[8] As a SIGIR assessment later noted, "The many layers of

management, including program management contractors, made it difficult to determine who had ultimate authority over money, people, and projects."[9]

Information Management Challenges

The IRRF 2 legislation required the Administration to submit reports to the Congress every three months, updating the use of the funds on a project-by-project basis and including estimates of the costs required to complete each project. The Congress had provided $50 million in the IRRF 2 legislation to develop a system to manage the program and track projects.[10] But the PMO failed to develop a good information management system for IRRF 2. When Brig. Gen. Seay arrived in early 2004, he found no existing program to track contracts. "We had to scramble to assemble an automated system," he said. "There was a computer system in boxes, but there was no one who was a qualified system administrator who could set it up for us and keep it running."[11]

In the absence of a single integrated system, the implementing agencies set up their own systems. USAID used its proprietary financial and program management system, while DoD used another to track CERP projects.[12] Since these systems were not compatible, someone from the HCA had to go to IRMO and PCO every day to ensure that they all had the same information on every contract.[13]

In 2004, in response to SIGIR audits criticizing the lack of a single project-management system, the PCO created the Iraq Reconstruction Management System (IRMS), which was supposed to integrate data on all projects in Iraq.[14] PCO sought to reconcile the varying incompatible information management systems, developing a "PCO Solution" that assembled essential data, allowing managers visibility into the entire range of a reconstruction activity.[15] But it would be years before the U.S. had a reasonably integrated system to manage and monitor reconstruction. A subsequent SIGIR review found that the failure to develop a cohesive information management system "hampered the work of others who rely upon the PCO data set for reporting purposes."[16]

The Rush to Build and the Use of "Undefinitized Task Orders"

During the late spring of 2004, the IRRF 2 design-build contractors mobilized and deployed to Iraq, but most of the task orders for construction work were not ready. While the PMO and HCA struggled to develop task orders, the companies continued to charge their overhead costs, waiting for work to begin.[17] Five design-build firms during this period submitted invoices totaling $62.1 million in overhead costs and only $26.7 million in construction costs. This exemplified the waste caused by project delays.[18]

U.S. civilian and military authorities—in Baghdad and Washington—became increasingly anxious to see reconstruction projects started. They wanted to demonstrate U.S. commitment to improving essential services, building the Iraqi Security Forces, and helping the Interim Iraqi Government prepare for the 2005 elections. They also hoped to undercut the insurgency by providing electricity, clean water, and jobs while simultaneously stimulating economic progress and fostering a democratic political process that would produce a representative Iraqi government. These considerations caused the PCO to issue task orders quickly, before they had been effectively "definitized"—meaning before the government and the contractor had reached formal agreement on what would be done, how much it would cost, and when it would be completed.[19]

Contracting regulations allow "undefinitized contracts" in two instances: when there is not enough time to negotiate a definitized contract or when it is imperative to make a binding commitment that allows work to begin immediately. But these contracts must eventually be definitized.[20] A SIGIR audit found that contracting officials in Iraq erroneously believed that the definitization requirements did not apply to Iraq task orders, which resulted in millions of dollars in waste.[21]

The Creation of the Joint Contracting Command-Iraq

In November 2004, CENTCOM formally established the Joint Contracting Command-Iraq (JCC-I) to support reconstruction and military contracting in Iraq.[22] The Assistant Secretary of the Army for Acquisition, Logistics, and Technology designated Brig. Gen. Seay as new commander of the JCC-I and appointed two Principal Assistants Responsible for Contracting (PARC), one to supervise U.S. military contracting and the other to manage reconstruction contracting. The Army Corps of Engineers still maintained its own contracting office, based in

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Washington, DC, with a forward contingent in Iraq.[23] The change also did not affect USAID or the Department of State, which continued to write their own contracts and manage the IRRF 2 funds that had been apportioned to them. JCC-I assumed responsibility for managing all remaining DFI-funded contracts and for developing a training program to help Iraqi ministries strengthen their contracting and procurement procedures.[24]

New Reconstruction Strategy

During the summer of 2004, two factors caused the embassy to re-evaluate the use of IRRF 2 design-build contracts. First, the embassy had shifted its priorities—and the associated funding—from big infrastructure projects to security, governance, and economic development. Second, the design-build companies and their IDIQ contracts were proving to be very expensive and difficult to manage in an increasingly insecure environment.

Although the IDIQ contracts stipulated that task orders could be issued on either a cost-reimbursement or fixed-price basis, virtually all of them were "cost plus incentive fee" contracts. That is, the contractors would be reimbursed for all expenses for all activities, regardless of whether projects were successfully completed and a contractual formula would be used to determine an award fee on top of the guaranteed fixed fee. Contractors usually received a guaranteed base fee of three percent and were eligible for an additional award fee of up to twelve percent, meaning that up to fifteen percent of the costs of any contract could be paid in fees to the contractor.[25]

The use of cost-plus contracts in the unstable environment of Iraq in 2004 appeared to some to be tantamount to "an open check book" for contractors, allowing the payment of all contract costs, regardless of outcome, as well as very high fees.[26] Others asserted that the insecure environment led to the high payments. Although some IDIQ contracts had clauses allowing the government to convert from cost-plus to fixed-price after a percentage of design work was completed, the U.S. government never utilized that conversion provision.

High contract costs ultimately led PCO to stop issuing new task orders to the design-build firms and to begin working directly with local Iraqi contractors on smaller projects.[27] The Federal Acquisition Regulation's "simplified acquisition" rules, which require fewer bids and less cost data for contracts valued under $500,000, allowed contracting officers to rapidly award

new work to local contractors. In the late fall of 2004, the Congress increased the threshold for simplified acquisition to $1 million, making even more direct contracting possible.[28]

The high costs associated with the big contractors, a decreasing emphasis on large infrastructure projects, and the push to create more jobs for Iraqis led embassy officials, in the fall of 2004, to urge the PCO to move work away from design-build contractors and to Iraqi firms. PCO director Charles Hess opposed abandoning the design-build contractors. "My professional belief is that we are in an extremely precarious acquisition position if we attempt to move more than a modest amount of awarded work to some other contract vehicle (unless the contractor is failing to perform)," he wrote. "Work that has been awarded to the [design-build contractors] under full and open competition in accordance with the criteria established at the time of award should not be moved to accomplish other worthwhile purposes now."[29] Hess added that because of increased security risks, most of the design-build contractors had opted to work through Iraqi subcontractors anyway. "The [design-build contractors] are on the hook for contract performance whether they subcontract with one firm or many firms," he said. "On the other hand, as we attempt to move to more direct contracting with Iraqi firms, the U.S. government takes on the risk of overseeing many more contractors in terms of execution and contract administration." He cautioned that the PCO was not staffed to take on that burden.[30] But the change would prove beneficial.

Monitoring Costs and Performance

In the IRRF 2 legislation, the Congress required the Administration to provide continuing analysis on how much it was going to cost to complete IRRF 2 projects. "Cost-to-complete" estimates determine the amount of work, time, and money needed to complete an ongoing project.[31] As several SIGIR audits revealed, neither the CPA nor the Embassy was able to develop a system that provided consistent cost-to-complete analysis. Lack of an integrated program management system contributed to this shortfall. The design-build contractors used a metric called "earned-value management," but it did not provide good cost-to-complete data. As a result, PCO failed to develop and apply good data, which contributed to poor program management and waste. A 2005 SIGIR audit concluded "that IRMO, as well as GRD-PCO, MNSTC-I, and USAID (the reporting entities) failed to develop methodologies to assure reliable and transparent cost-to-complete reporting."[32]

PCO Merges with GRD

USACE-GRD provided construction management and quality assurance for IRRF 2 construction projects when the PMO was first established. The Defense Department always envisioned that USACE, which had more experience in managing projects during the construction and closeout phases, would eventually assume all the program management responsibilities for IRRF 2 infrastructure projects.[33] In March 2005, the PCO submitted a plan to merge with GRD. On October 14, 2006, PCO ceased to exist, and GRD became the sole entity responsible for overseeing the completion of the Defense Department's IRRF 2 construction program.[34]

To manage the Iraq relief and reconstruction program, the U.S. government repeatedly reformed and reorganized offices in Iraq, seeking to improve coordination within and among agencies. Some changes—such as the formation of Joint Contracting Command-Iraq (JCC-I)—incrementally helped, while some—such as the creation of the PCO and IRMO, with their ambiguous lines of authority—perpetuated problems. The various reorganizations invariably created new layers of management, interweaving public- and private-sector program managers. But none of the reforms gave anyone ultimate responsibility for the entire reconstruction program. As a result, there was plenty of management oversight, but little accountability.[35]

Contracting and program management problems—coupled with the turbulence engendered by constant organizational change—affected the ability of construction firms to build projects on time and within budget. To add to these many troubles, they were building in a war zone.

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[1] Brig. Gen. Stephen Seay, Head of Contracting Activity, comments to SIGIR, October 23, 2008.
[2] Brig. Gen. Stephen Seay, Head of Contracting Activity, comments to SIGIR, October 23, 2008.
[3] Brig. Gen. Stephen Seay, Head of Contracting Activity, comments to SIGIR, October 23, 2008.
[4] SIGIR interview with Brig. Gen. Stephen Seay, Head of Contracting Activity, November 2-3, 2005.
[5] USACE, comments to SIGIR, November 4, 2008.
[6] SIGIR interview with Brig. Gen. Stephen Seay, Head of Contracting Activity, June 29, 2006.
[7] SIGIR interview with Brig. Gen. Stephen Seay, Head of Contracting Activity, November 2-3, 2005.
[8] SIGIR interview with Andy Bailey, Vice President of Louis Berger, March 14, 2006.
[9] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 85.
[10] SIGIR Audit 06-001, "Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System," April 24, 2006, 1.
[11] SIGIR interview with Brig. Gen. Stephen Seay, Head of Contracting Activity, November 2-3, 2005.
[12] Sneaker-net is a tongue-in-cheek term used to describe the transfer of electronic information, especially computer files, by physically carrying removable media such as magnetic tape, floppy disks, compact discs, USB flash drives, or external drives from one computer to another. SIGIR interview with Brig. Gen. Stephen Seay, Head of Contracting Activity, November 2-3, 2005.
[13] SIGIR interview with Brig. Gen. Stephen Seay, Head of Contracting Activity, November 2-3, 2005.
[14] SIGIR Audit 06-001, "Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System," April 24, 2006, 3.
[15] SIGIR Audit 06-001, "Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System," April 24, 2006, 17.
[16] SIGIR Audit 06-001, "Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System," April 24, 2006, 4.
[17] The PMO and the succeeding PCO had tried to simplify tracking of design-build contractors' overhead costs through administrative task orders. These task orders were supposed to capture all the administrative costs separately from the direct costs of the task orders for project construction. Administrative task orders were only issued to five of the design-build firms, though, and "only one of the contractors had adequate accounting and billing systems to capture administrative costs." SIGIR Audit 06-028, "Review of Administrative Task Orders for Iraq Reconstruction Contracts," October 23, 2006, ii.
[18] SIGIR Audit 06-028, "Review of Administrative Task Orders for Iraq Reconstruction Contracts," October 23, 2006, iii.
[19] The Defense Federal Acquisition Regulation Supplement defines "undefinitized contract action" as "any contract action for which the contract terms, specifications, or price are not agreed upon before performance is begun under the action." Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 217.7401 (d), revised May 12, 2006.
[20] DFARS, Subpart 217.74, "Undefinitized Contract Actions," revised May 12, 2006.
[21] SIGIR Audit 06-019, "Review of the Use of Definitization Requirements for Contracts Supporting Reconstruction in Iraq," July 28, 2006, 5-6.
[22] CFC FRAGO 09-668, "Contracting and Organizational Changes," 122143Z, November 12, 2004, as cited in: SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 76.
[23] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 77.
[24] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006, 76-77.
[25] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 117.
[26] See, for example: Miriam Pemberton and William D. Hartung, eds. *Lessons From Iraq: Avoiding the Next War* (Boulder, CO: Paradigm, 2008).
[27] The DoD estimates that the shift from design-build to direct contracting with Iraqis saved between 20 to 50 percent in the electricity distribution area. GAO Report 07-30R, "Rebuilding Iraq: Status of DOD's Reconstruction Program," December 15, 2006, 9; and SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006.
[28] P.L. 108-375, Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, October 28, 2004.
[29] Charles Hess, Director of PCO, email to William B. Taylor, Director of IRMO, September, 5, 2004.
[30] Charles Hess, Director of PCO, email to William B. Taylor, Director of IRMO, September, 5, 2004.
[31] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 106, 108.

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[32] SIGIR Audit 05-027, "Methodologies for Reporting Cost-to-Complete Estimates", January 27, 2006, 9.
[33] USACE, comments to SIGIR, November 4, 2008.
[34] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 84.
[35] SIGIR interview with Linda Allen, Senior Consultant for Environment, Municipalities, Public Works, and Water, May 12, 2007.

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Chapter 18

BUILDING IN A WAR ZONE

I felt that because we instituted the program when we did, we had to spend a disproportionate amount of the money on security. I realize that's now accepted as a fact of life, but the cost seemed to me, very, very high.

- John Negroponte,
US Ambassador to Iraq (2004-2005)[*]

No aspect of the U.S. program to rebuild Iraq was left untouched by escalating violence in 2004 and 2005. Coalition troops and members of Iraq's security forces were not the only people dying. Insurgent attacks claimed the lives of many reconstruction workers. More than 400 non-Iraqi civilians had died by September 2005. Of the 147 U.S. civilian deaths that had occurred by October 2005, 117 were contractors killed by insurgents.[1] This number would continue to rise, nearing 1,300 by the end of 2008.[2]

Iraq's dangerous environment posed serious challenges for both the design-build contractors and the PCO's program managers. It made it more difficult to draft contracts with well-defined statements of work because contracting personnel could not visit project sites. Similarly, it prevented U.S. government quality-assurance personnel from monitoring project progress. Violence impinged upon communications between U.S. reconstruction officials—whose travel outside the Green Zone was increasingly circumscribed—and their Iraqi counterparts. Insurgent attacks on building sites—and on the convoys carrying supplies to them—delayed construction. Intimidation of Iraqi employees also caused frequent work stoppages. The design-build firms and their subcontractors experienced a high turnover of Iraqi staff, as people were killed or fled to escape the violence. By the end of 2005, deteriorating security had slowed work and driven reconstruction costs higher across every sector, threatening the entire rebuilding effort.

While the costs of security-caused schedule delays are hard to calculate with precision, the practical costs of violence are easy to grasp. The attacks changed the reconstruction program in two significant ways. First, the United States had to reprogram resources within IRRF 2 to fund the building of Iraq's security forces, with the result that

[*] SIGIR interview with Ambassador John Negroponte, former US Ambassador to Iraq, February 12, 2008.

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hundreds of projects planned to benefit the Iraqi people were cancelled, causing a "reconstruction gap."[3] And second, the direct security costs for every reconstruction contract escalated. A 2005 SIGIR examination of nine major construction firms which were awarded IRRF 2 contracts found that security costs accounted for between 7.6 percent and 16.7 percent of the contract price.[4]

The U.S. military mission did not include providing security protection for U.S. civilian government agencies and contractors. Therefore, these organizations had to hire private security companies to protect their employees.[5] By December 2004, government agencies and reconstruction contractors had obligated more than $766 million for private security firms.[6] Despite these large expenditures, neither the State Department nor the Pentagon had complete data in 2005 for what these companies actually cost or for the number of people they employed in Iraq. The Defense Department estimated that there were at least 60 private security providers employing as many as 25,000 people.[7] Without the protection of these firms, neither the U.S. civilian agencies nor the contractors they employed would have been able to do their jobs. In 2008, a SIGIR review found that $5.3 billion had been obligated to 77 private security contractors for contracts to provide physical security services to U.S.-funded projects and programs since 2003.[8]

Despite the growing violence, the U.S. government pressed ahead with major infrastructure projects to provide essential services. Both the military and civilian leadership hoped that improvements in the quality of Iraqis' lives would complement successes in the kinetic fight against the insurgency. However, SIGIR audits of key projects in the oil, electricity, water/sewerage, and health revealed that between June 2004 and July 2005, the United States made little progress in the infrastructure sectors because of the insecure environment.

Oil

In 2004-2005, two design-build firms—Parsons Iraq Joint Venture in the north and KBR in the south—worked on oil projects to rehabilitate pipelines, refineries, gas-oil separation plants, and export facilities. KBR, under its contract with Task Force Restore Iraqi Oil (RIO), had worked the southern oil sector since the March 2003 invasion.[9] By

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July 2005, the United States had provided about $2.7 billion in U.S. appropriated funds and another $2.7 billion in Iraqi funds to rebuild Iraq's oil infrastructure, import refined fuels, develop oil security and pipeline repair teams, and provide technical assistance.[10]

The United States had expected Iraq's oil production to pay for the country's long-term relief and reconstruction. Despite significant U.S. investment in the oil sector, production fell after reaching a peak of 2.54 million barrels per day (MBPD) in September 2004. Iraq pumped less than 2.2 MBPD between June 2004 and June 2005 and exported only 1.3 million to 1.5 MBPD during this period.[11] Several factors—including the security environment, reprioritization of projects, inadequate contractor reporting, and frequent changes in contract management—accounted for slow project implementation and declining oil production.[12] The State Department's *2207 Report* in October 2004 stated that security was driving cost estimates higher and causing delays in projects to repair export terminals, pump and compressor stations, and gas-oil separation plants.[13]

In January 2005, the State Department ascribed "a significant decrease" in the levels of oil production and exports to "the number and locations of pipelines sabotaged, combined with an inability to secure some strategic pipelines."[14] Attacks on the northern pipeline brought all exports from the Kirkuk oil fields to a halt in December 2004.[15] Iraq's Ministry of Oil reported that insurgents launched 186 attacks during 2004, causing more than $6 billion worth of damage to oil fields and pipelines. At least 138 oil-security and technical employees were also killed during this period.[16]

Security was the largest but not the only problem afflicting the oil sector. Reconstruction planners frequently failed to coordinate oil sector projects sufficiently, making it difficult to achieve production objectives. In the southern oil field, for example, years of under-investment and poor maintenance made it impossible to sustain the underground pressure needed to pump out the oil. Clean water had to be pumped into the oil fields to produce the pressure. The only source of clean water was the Qarmat Ali water treatment plant and a collection of 48-inch pipes that carried the purified water to eight pump stations.[17]

Task Force Restore Iraqi Oil began work on the Qarmat Ali water treatment plant in 2003. In January 2005, six of the eight water-injection pump stations were operational

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but repeated breakdowns of the pipes meant that the system could inject only minimal amounts of water. In the spring of 2005, the PCO finally issued a task order to repair the pipes.[18] This project continued through 2006 but experienced delays due to the degraded state of the original pumps, motors, and valves.[19]

In late 2004, the PCO became increasingly concerned about KBR's "failure to adequately control and report costs" for its work in the southern oil fields. PCO issued a "cure notice"—or intention to terminate the contract—if KBR did not respond to the government's request for a more detailed explanation of costs by January 29, 2005.[20] It took six months before the PCO was convinced that KBR had satisfactorily addressed the issues. During this period, PCO gave no additional work to KBR, shifting instead to Parsons Iraq Joint Venture, which had the oil sector design-build contract for the north. In the spring of 2005, Parsons mobilized its resources southward to conduct facilities assessments. The PCO eventually gave Parsons much of the work that had been intended for KBR.[21]

The Al Fatah Crossing

The PCO's challenges in northern Iraq were even more serious than those in the south. During the invasion that toppled Saddam Hussein, the United States inadvertently bombed the Al Fatah Bridge, destroying the fifteen oil and gas pipelines it carried across the Tigris River. These lines included the major crude-oil pipeline that originated in the rich Kirkuk oilfields and angled 100 kilometers southwest to Al Fatah, where it crossed the Tigris to supply Iraq's largest refinery and the power plant at Baiji.[22]

Al Fatah also connected to the damaged Ceyhan pipeline, the direct avenue for oil export to Turkey. The loss of this line cost Iraq an estimated $5 million per day. Since Iraq desperately needed refined fuels from the Baiji refinery, electricity for Baghdad from the Baiji power plant, and revenue from the Ceyhan crude-oil exports, repairing the pipelines at Al Fatah became a top priority for the Coalition.[23]

On June 8, 2003, a group of Task Force RIO engineers, along with representatives from KBR, USAID, and Bechtel, visited Al Fatah and concluded that the easiest and quickest option was to restore the bridge and lay new pipes across it. The engineers recommended that USAID use its contract with Bechtel to rebuild the bridge and that

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Task Force RIO have KBR install the pipes. Task Force RIO engineers estimated that the total cost for repairing the bridge and re-routing the pipes would be about $5 million and that the job would take two to four months.[24]

The first delay came when Bechtel said it could not even start the job for two months. The CPA and Iraq's Ministry of Oil, concerned that the pipes would be vulnerable to insurgent attacks, looked for an alternative solution. The CPA's oil-transportation expert suggested using a technique called horizontal directional drilling, which entailed excavating a tunnel under the river for the pipes. He contacted Laney, Inc., an American company that specialized in this kind of drilling, and Laney advised that a 40-inch crude-oil pipe could be installed in as little as six weeks, depending on soil conditions.[25]

CPA's oil expert initially proposed awarding a sole-source contract to Laney so work could begin as soon as possible. But a few days later, CPA's senior advisor to the Ministry of Oil announced that KBR would begin a competitive procurement process for the horizontal-drilling project. The competition would include companies from European partners in the Coalition.[26]

KBR posted the Al Fatah job and received responses from four qualified bidders, awarding the subcontract, valued at nearly $50 million, to a joint venture of Wilbros, Inc., and Laney, Inc. KBR also awarded a $10,000 contract to Fugro, Inc. to do a geotechnical analysis of the Al Fatah soil. The Fugro report described the geology in the area as complex and recommended that KBR do further field exploration before developing a drilling plan.[27] But KBR opted against any further field studies—a fatefully expensive decision, as time would reveal.

The subcontractors mobilized in October 2003, but refused to begin work until a secure camp was established at Al-Fatah. Insurgent activity had made the area increasingly dangerous. At the end of January 2004, the contractors finally began to drill horizontally, only to discover that the area's loose subsurface made it impossible to tunnel a hole large enough to accommodate a 40-inch pipe. KBR then approved the drilling of a smaller hole, for a 26-inch pipe, which was installed at the end of March.[28]

For the next five months, the subcontractor continued to try to drill through the crumbling shale and loose gravel, but the tunnels repeatedly collapsed. USACE finally

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cancelled the project in August 2004, a year after it had started, with just six pipes installed. KBR attributed the problems to unforeseen subsurface geologic conditions—the very issue raised by the Fugro report.[29]

A SIGIR inspection found that USACE and KBR failed to ensure that the necessary engineering studies were completed before the project began. "Because the government and the contractor failed to adequately research, plan, design, and manage the project," the SIGIR assessment concluded, "$75.7 million allocated to the project was exhausted, while only 28 percent of the drilling scope was completed."[30]

A New Collaboration

Partly as a result of its cost problems with KBR, the PCO restructured the way it managed projects in the oil sector, melding the resources of Iraqi state-owned enterprises with the expertise of design-build contractors. The design-build companies provided engineering, procurement, and technical support, while the state-owned enterprises supplied labor and equipment for construction. This collaborative approach eventually allowed the PCO to stretch remaining IRRF 2 funds for the oil sector further and complete repairs on more gas-oil separation plants.[31]

By the spring of 2005, the PCO had definitized task orders for 82 projects worth $781 million in the oil sector. It was still in negotiations for another 55 projects worth $323 million. The PCO attributed the delay in finalizing these projects to both the change in contracting strategy as a result of KBR's poor performance, and—fully two years after the invasion—an "insufficient staff to execute the workload."[32]

The U.S. emphasis on increasing oil production meant that two important and related issues—the supply of refined petroleum products and the state subsidies for those products—were left largely unaddressed. With little money in IRRF 2 for refineries, the Embassy encouraged Iraq to invest in upgrading them.[33] One estimate put the cost of replacing Iraq's existing refineries with modern equipment between $6 and $7 billion over a ten-year period.[34]

The shortage of refined fuels presented a conundrum. Iraq's economy could not function without a reliable supply of refined fuel, but the country could not pay for its operations and reconstruction without the production and export of crude oil. As a result,

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projects to boost refinery capacity and increase wellhead production competed for the same investment funds. Production, which put cash in the government's coffers, trumped refining in most cases. The policy, however, made it more difficult to rebuild another vital sector: electricity.

Electricity

Increasing Iraqi electricity production to pre-war levels was one of the U.S. government's top priorities in 2003-2004. When Ambassador Negroponte initiated his strategic review in mid-2004, the electricity sector had $5.538 billion—nearly one-third of the appropriated money—divided among generation ($2.79 billion), transmission ($1.55 billion), distribution ($998 million), an automated monitoring and control system ($150 million), and security ($50 million).[35] Negroponte's reprogrammings first reduced and then restored IRRF 2 funds for electricity projects, so that by July 2005, the sector had about $4.3 billion, down about twenty percent from original IRRF 2 allocations.[36] As of March 31, 2005, about $5.7 billion—about 4.9 billion in appropriated funds and $816 million in Iraqi funds—had been made available to provide electricity across Iraq.[37] Only the security sector would get more money.

Although the reconstruction program made some progress in rebuilding parts of the electricity infrastructure in the two years following the 2003 invasion, by the spring of 2005, Iraq's power output was still below pre-war levels.[38] Reconstruction officials attributed the shortfall to a litany of familiar problems: security, sabotage, continuing shortages of appropriate fuels to run generating facilities, limited ministerial capacity to manage the sector, inadequate operations and maintenance, poor program management, and project cancellations caused by cost over-runs and realignments.[39]

The U.S. government had awarded contracts to four design-build firms to rehabilitate and rebuild the electricity grid in Iraq. The Defense Department, through the PCO, managed three of the firms: FluorAMEC Joint Venture for nationwide generation projects, Washington International Group for transmission and distribution projects in the north, and Perini Corporation for transmission and distribution projects in the south.[40]

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About $1.1 billion in USAID money was contracted to Bechtel for the electricity sector work.[41] Bechtel was supposed to implement 22 electricity projects during the 2003 to 2005 period, but a USAID audit in 2005 found that seven Bechtel projects failed to achieve their intended outputs.[42] The Bechtel effort at the Doura Thermal Power Plant, one of the main facilities producing electricity for Baghdad, illustrated the problems design-build contractors encountered in the electricity sector.

The Doura Power Station

USAID tasked Bechtel to rehabilitate two of the four steam turbines at the Doura Power Plant, one of the main power plants providing electricity for the Baghdad area. The two turbines were designed to produce 160 MW each, but—because of poor maintenance—neither was operational. Bechtel began work at the plant on August 1, 2003, planning to complete the project within nine months. A series of delays pushed the completion date to the end of 2005, more than a year late, with cost overruns at 400 percent (from a planned $34.1 million to $121.1 million).[43] The chief reason for the delay was security.

When the security situation deteriorated in late 2003, Ministry officials and Bechtel's subcontractors refused to work. The contractor camp at Doura "was a shoot 'em up place."[44] Bechtel beefed up security and the U.S. military agreed to guard the gate. Nevertheless, by the summer of 2004, some subcontractors had pulled out of the project for security reasons and Bechtel had to obtain new assistance for the project.

The two Doura turbines were reported substantially complete by June 2005, but only one was commissioned by February 2006.[45] The other was all but ready, needing only a process called steam-blowing as the last step before hooking up all the connections. However, the project was over budget, so USAID decided to turn it over to the ministry to complete.[46] But the ministry was not ready to operate or maintain it.

In August 2006, one of the units experienced "catastrophic failure" because of poor maintenance of the exciter, a key component that supplies power to the generator's rotor. The ministry then removed an exciter from another unit to replace the broken one. The repaired unit operated until April 2007, when a second major maintenance-related failure occurred. The Gulf Regional Division then stepped in and took over the project,

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eventually bringing both units online by the end of the summer.[47] But more U.S. money had to be expended on this project, which had already been turn over to the Iraqis—a theme that would repeat itself many more times.

De-Scoping and Cancelling Projects

During 2004 and 2005, rising costs and the re-allocation of IRRF 2 funds forced the embassy to cancel or reduce the scope of several large projects undertaken by Bechtel and Perini Corporation in the electricity sector. These included building new power generation plants as well as restoring transmission and distribution lines.

Bechtel: In September 2004, as part of the first realignment of IRRF 2 resources, IRMO asked USAID to cancel the $100.6 million Bechtel project to rehabilitate Units 4 and 5 of the Baiji Thermal Power Plant. The project had been expected to increase the plant's output by 275 MW in 2005. USAID halted the project in late September 2004, just three months after it started. At the time, Unit 4 was producing about 125 MW, or just 57 percent of its design capacity. Unit 5 was out of commission as the result of a boiler explosion.[48]

USAID cancelled another Bechtel effort—the $381 million Mansuria Natural Gas Power Plant project—after a very substantial U.S. investment. Bechtel contracted to build two new electric plants utilizing the natural gas in the Mansuria fields about 65 miles northeast of Baghdad. After an urgent request from CPA in February 2004—which wanted a quick increase in the Baghdad electricity supply—USAID fast-tracked the project in the spring of that year, but halted it in the wake of the mid-2004 IRRF 2 realignment.[49]

The Mansuria project was finally cancelled in the spring of 2005, but not before $62.7 million was spent on a base camp and the purchase of much of the material and machinery—including turbines, generators, transformers, and gas-gathering and gas-treatment equipment. In June 2005, USAID transferred two combustion turbines, two generators, accessory equipment, and line piping to the Ministry of Electricity, which the ministry said it would install at another location in the Najaf area.[50]

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Perini: The Defense Department awarded Perini a $500 million IRRF 2 contract in March 2004 to repair the electrical transmission and distribution lines in southern Iraq. By late 2004, however, the PCO concluded that the Perini's overhead costs—which included costs for security—were too high and began to cut back on task orders issued to the design-build firm. PCO eventually terminated half the task orders it had issued to the company, reducing the contractor's scope of work for three reasons: deteriorating security conditions, cost proposals that "significantly exceeded budgets and available funding," and "concerns about the company's management of project schedules."[51]

Perini received its first task order in May 2004 for eight projects to improve the reliability of Basrah's electricity-distribution network. The PCO budgeted $36 million for these projects, which included rebuilding five substations and rehabilitating the distribution network. Substations convert high-voltage electricity from transmission lines to low-voltage electricity that feeds distribution lines for local communities. In July 2004, Perini submitted a cost proposal for $105 million. In response, the PCO reduced the scope to just the substation work, and Perini reduced its proposal to about $44 million. By October 2004, further negotiations brought the cost down to about $23.7 million. Perini completed the substations at a cost of $28.8 million by September 2005.[52] A March 2006 SIGIR inspection of these substations found that, while the construction met the "standards of the design," the substations were not operating because the Ministry of Electricity had failed to install transmission and distribution lines as agreed.[53] A follow-up visit found the substations operational in October 2006—more than a year-and-a-half after Perini completed them.

Between June and October 2004, the PCO issued additional task orders to Perini to build substations and distribution networks in Babylon, Anbar, Thi Qar, Najaf, Umm Qasr and Basrah. But by the end of the year, PCO had cut back on much of this work. Of the ten task orders issued under the $150 million contract, Perini completed five and the PCO terminated the remainder. The U.S. ultimately paid $123 million—including Perini's mobilization costs and its $8 million award fee—for a contract that completed just $26 million worth of projects.[54]

<u>An evolving reconstruction strategy</u>

In late January 2004, the Embassy used money freed up by de-scoping design-build contracts to initiate a new "Rapid Recovery Program" with the Ministry of Electricity. The program sought to increase the hours of available power in advance of the January 2005 elections by completing projects started during the CPA period that had been turned over to the ministry before completion because of cost overruns.[55]

Recognizing that the Iraqis did not have the capacity to manage and maintain new infrastructure, IRMO and PCO shifted away from the "design-build-handover" model developed by the IRRF 2 architects and turned to a "build-train-handover" approach that emphasized not just completing projects, but also ensuring that Iraqis could operate and maintain them.[56]

Water/Sewerage

The original IRRF 2 plan earmarked $4.3 billion for the water sector, giving it the second-highest priority, behind electricity. The 2004-2005 strategic reviews, however, cut $2.2 billion from the sector.[57] Nearly $1.5 billion of the remaining funds went to projects that would provide clean drinking water for Iraq's population. The rest was used to build sewerage systems, improve irrigation, and to repair the 149-mile Sweetwater Canal in southern Iraq that delivered fresh water to Basrah.[58]

Three design-build contractors worked on U.S. water projects: Bechtel, FluorAMEC, and a joint venture between Washington Group International and Black & Veatch. By the summer of 2005, USAID had assigned 34 water and sanitation rehabilitation projects worth $369 million in IRRF 1 money to Bechtel.[59] Meanwhile, the PCO issued IRRF 2-funded task orders to FluorAMEC and to Washington Group International/Black & Veatch to provide potable water, build sewage systems, and help Iraq manage its water resources.[60]

As of June 2005, Bechtel had completed eighteen task orders which covered the repair of six sewage treatment facilities, the rehabilitation of two water treatment plants, and the primary water supply for a city in southern Iraq but a dozen of these task orders were delayed by six months or more.[61] PCO's water contractors similarly fell behind schedule.

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A GAO assessment identified several reasons for water-sector project delays. In addition to the ubiquitous security challenges, the initial assessments prepared by the CPA had underestimated water-project costs by 25 to 50 percent, which required the re-scoping of some projects and the cancellation of others. Other causes of delay included the PCO's high staff turnover and inadequate or unusable project sites.[62] A SIGIR audit of the FluorAMEC contract found that of the four water sector task orders that the PCO awarded Flour in 2004, two were terminated by July 2005 because of funding constraints induced by project delays.[63]

FluorAMEC's biggest project—and the largest single IRRF 2 project—was the Nassriya water supply system. When the PCO awarded the task order in April 2004, it estimated the project would cost between $90 and $120 million. Shortly after FluorAMEC began construction in August 2004, the PCO's water-sector manager recognized that project costs would greatly exceed the budget and recommended combining the Nassriya water plant and two smaller water plant projects into one larger project. In January 2005, the task order for the combined project was definitized at $172 million. Five separate modifications over the next year increased the price tag to more than $244 million. The Nassriya water system was eventually finished in October 2007, at a price tag of $277 million, almost three times its original projected cost.[64]

In March 2005, the State Department reallocated money from an electricity-generation project to support a program to provide a year's worth of operations and maintenance support for the water and sanitation projects completed by Bechtel. At the same time, the PCO established a $10.56 million program to help the Ministry of Municipalities and Public Works develop its capacity to manage water projects.[65] Despite these changes, a September 2005 GAO assessment concluded that "the long-term outlook for sustaining reconstructed Iraqi [water] facilities remains unclear."[66] GAO's concerns were substantiated in late 2008 when SIGIR inspectors found that the Nassriya water treatment plant was operating at just twenty percent of its capacity three months after its commissioning and transfer to Iraqi control.

<u>The Falluja waste water treatment system</u>

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Fierce fighting between Sunni-backed insurgents and Coalition forces erupted in Falluja in the spring of 2004 and continued through November, when U.S. military officials finally secured the city. Although the fighting had forced many residents to flee, Falluja's population was then still estimated at around 180,000. With no existing wastewater treatment system, much of the city's raw sewage was dumped directly into the Euphrates River. Sewage ran in the streets, exposing the city's residents to serious public health problems.[67]

The U.S. Embassy, seeing the city a "hub for the campaign of violence aimed at destabilizing Iraq's interim government and driving foreign military forces from the country," wanted to launch a reconstruction project that would directly benefit the population.[68] In June 2004, the PCO issued a $32.5 million task order to FluorAMEC to design and construct a new wastewater system that would serve most of the city. The U.S. Mission rated the project a priority and identified it as a "key national reconciliation issue."[69] It was supposed to be completed in eighteen months.[70]

FluorAMEC experienced a series of security problems as it attempted to build the Falluja waste water treatment system. Ongoing insurgent activity prevented it from conducting proper site evaluations. One member of a survey team was wounded by gunfire. Contractors had to deal with unexploded ordnance, improvised explosive devises, and intimidation.[71]

Security was not the only obstacle. Fluor based its design on an Iraqi engineering firm's plans for a typical wastewater stabilization pond—known as a lagoon system—which recycles water that is then used for irrigation. The system's principal advantages were "simplicity, low cost, and high efficiency.[72] But in August 2005, the new Iraqi Ministry of Municipalities and Public Works notified the U.S. Mission that the lagoon system was unacceptable; it wanted more-sophisticated compact sewage-treatment units.[73] IRMO and PCO spent the next three months arguing with ministry officials about which waste-water treatment system best suited Falluja. Finally, in November 2005, the United States agreed to abandon the lagoon-system design and the investment made and to build the more modern system.[74] This change led to substantial cost increases and more delay. It also raised serious sustainability issues.

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Because of slow progress, the U.S. government terminated the FluorAMEC task order in September 2005, after expending $18.7 million—just over half of the cost of the original task order. Between 2005 and 2008, the U.S. government spent an additional $79.3 million—drawn from IRRF, CERP, and DFI funds—on 45 other contracts in an attempt to complete the system. When finally finished, the waste-water treatment system—which was supposed to serve the entire population of Falluja—will serve just over a third of the city's population, will have cost three times its original price, and will have been completed three years later than originally planned. Moreover, serious questions remain about whether the Iraqis can sustain it after transfer to their control.[75]

Health

IRRF 2 allocated $786 million for Iraq's health sector. The CPA designated $439 million of that money for a program to build 150 new primary health care clinics (PHCs) across Iraq and renovate seventeen hospitals. Another $297 million would be used to procure medical supplies and equipment for the clinics and to provide training. Fifty million dollars would support construction of a modern pediatric hospital in Basrah.[76] None of the reprogramming affected this allocation. Nevertheless, no single U.S. construction program encountered more problems than the PHC effort.

Fundamental disagreements between U.S. officials and the Iraqi Ministry of Health in 2003-2004 over the approach to health care stymied sector progress from the outset. U.S. experts sought to move Iraq away from a hospital-based national health care system to one that emphasized preventive medicine through primary care at clinics. This would ensure health care delivery to rural areas, where access to basic services had been minimal.[77] The Iraqi medical community resisted this change, urging reconstruction officials to put more money into renovating hospitals rather than in new clinics.

In March 2004, the Defense Department awarded a $243 million design-build contract to Parsons Delaware to upgrade seventeen hospitals, repair three ministry buildings, and build 150 new primary health care centers across Iraq.[78] The contract required Parsons to provide and install medical and dental equipment for each of the primary health care centers.[79] In May 2004, Parsons received three task orders from

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PMO, initially valued at $88 million, to build 41 health centers in central Iraq, 49 in the northern region and 60 in the south. The equipment was to cost an additional $70 million.

A SIGIR audit concluded that the contractor and the U.S. government agencies in charge of managing the contract—IRMO, PCO, and the Army Corps of Engineers—shared responsibility for the program's failure. SIGIR cited the high turnover in personnel, poor program management, and weak quality assurance as the primary factors that caused the program to fail.[80] Between May 2004 and the end of 2005, there were eight different contracting officers, six different program managers, and five different PCO sector leads working on the clinic program.[81] This constant turnover made it very difficult to resolve the many problems that arose among the contractor, the U.S. government, and the Iraq Ministry of Health.

SIGIR auditors found that the program managers lost track of program costs as well as how far behind schedule things had fallen by early 2005. In September 2005, the Joint Contracting Command-Iraq (JCC-I) reduced the scope of the project and formally notified Parsons that it had lost confidence in the company's ability to deliver the projects on schedule and within budget.[82] PCO soon terminated the contract because Parsons had completed only six clinics, while spending $186 million on the program.[83]

SIGIR inspections of five primary health care centers in Kirkuk later revealed that clinic construction was so shoddy that it "raised questions as to the safety of occupancy of the structures." The inspection concluded that "inadequate quality control and quality assurance on the part of the contractor and the U.S. government, respectively, resulted in not properly identifying and correcting construction deficiencies."[84]

Parsons also had a $70 million contract for the delivery and installation of medical equipment to each of the primary health centers. The equipment included X-ray machines, exam tables, patient beds, ventilators, defibrillators, incubators, dental chairs, lights, and cabinets.[85] The clinic supplies began arriving in Baghdad in the spring of 2006, long before any clinic was open, but the U.S. government did "not fully know the type, quantities, and condition of the equipment" it received. By June 2006, Parsons had delivered 115 "full or partial medical equipment sets to the warehouse in Abu Ghraib."[86]

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Jack Holly, a retired Army Colonel recruited during the CPA period to set up a logistics operation, said he had to build a new storage facility with climate control to house the medical supplies.[87] Holly cited the Parsons equipment-delivery fiasco as one example of how little coordination existed in the Iraq reconstruction enterprise. It turned out that the U.S. imported a lot of beds for Iraq. A representative of the Canadian company that produced them all told Holly that he had received "4.8 miles of electric hospital beds." Over time, the beds were distributed to various hospitals and clinics—to be operated manually in many cases because of the inadequate power supply.[88]

Reconstruction across the sectors faced similar challenges: deteriorating security; poor project integration; insufficient collaboration with and acceptance by Iraqis; lack of Iraqi capacity to sustain projects; and weak contract and program management. Overhead costs skyrocketed as all reconstruction contracts required increasing security. Many projects were thus de-scoped and then declared complete, while others were simply cancelled. Virtually every project ended up over budget and behind schedule.

By June 2005, PCO, IRMO, and the JCC-I had decisively moved away from the design-build model. Using task-order revisions or new task orders, the PCO reduced the scope of many projects and terminated others. Reallocated funds frequently went to support security initiatives, operations and maintenance, and programs promoting democracy. But Iraq's security forces were far from ready for the task that confronted them.

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[1] SIGIR, *Quarterly Report to the United States Congress*, October 2005, 12. The Defense Base Act provides disability compensation and medical benefits to employees and death benefits to eligible survivors of employees of U.S. government contractors who perform work overseas. For contractors working overseas, the Defense Base Act requires contractors to provide insurance coverage for employees performing work on contracts funded by the U.S. government. The insurance provides lost wages and survivor benefits for death, injury, or other work interruptions, such as kidnapping. If war risk is found, the U.S. government reimburses insurance carriers for their costs and assumes responsibility for future payments. Defense Base Act death and injury claims are filed with the Department of Labor. Department of Labor, "Defense Base Act (DBA) Frequently Asked Questions (FAQ)," May 2005.
[2] SIGIR, *Quarterly Report to the United States Congress*, October 2008, 14.
[3] SIGIR Audit 08-020, "Key Recurring Management Issues Identified in Audits of Iraqi Reconstruction Efforts," July 27, 2008, 4-7.
[4] SIGIR Audit 08-020, "Key Recurring Management Issues Identified in Audits of Iraqi Reconstruction Efforts," July 27, 2008, 6.
[5] SIGIR Audit 09-005, "Agencies Need Improved Financial Data Reporting for Private Security Contractors," October 30, 2008, 1-2; and GAO Report 05-737, "Rebuilding Iraq: Actions Needed to Improve the Use of Private Security Providers," July 2005, 3.
[6] GAO Report 05-737, "Rebuilding Iraq: Actions Needed to Improve the Use of Private Security Providers," July 2005.
[7] GAO Report 05-737, "Rebuilding Iraq: Actions Needed to Improve the Use of Private Security Providers," July 2005, 3, 8. By 2008, SIGIR identified 322 companies who provided security services with contracts totaling more than $6 billion. SIGIR Audit 09-005, "Agencies Need Improved Financial Data Reporting for Private Security Contractors," October 30, 2008, 3.
[8] Over $662 million was obligated to contracts for another 233 companies for tasks that could have included physical security, but the descriptions of work were too general to be sure that the funds did not go for other services. SIGIR Audit 09-005, "Agencies Need Improved Financial Data Reporting for Private Security Contractors," October 30, 2008, i-ii, 3.
[9] SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," 19, 60.
[10] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 14.
[11] DoS, *Section 2207 Reports*, July 2005, 11-12; April 2005, 9-10; and January 2005, 4-5.
[12] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 13, 17.
[13] DoS, *Section 2207 Report*, October 2004, I-47; and GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 14. The gas-oil separation plants, or GOSPs, separate crude oil from natural gas liquids at well sites. Some of these liquids are processed to produce liquefied petroleum gas, used primarily for cooking and heating in Iraq.
[14] DoS, *Section 2207 Report*, January 2005, I-79.
[15] Lawrence Kumins, Congressional Research Service Report RS21626, "Iraq Oil: Reserves, Production, and Potential Revenues," updated April 13, 2005, 4-5.
[16] Ariel Cohen, "Reducing U.S. Dependence on Middle Eastern Oil," Heritage Foundation backgrounder no. 1926, April 7, 2006, 5-6.
[17] DoS, *Section 2207 Report*, April 2005, I-55; and DoS, *Section 2207 Report*, January 2005, I-80.
[18] DoS, *Section 2207 Report*, January 2005, I-80.
[19] SIGIR, *Quarterly Report to the United States Congress*, October 2006, 34.
[20] DoS, *Section 2207 Report*, April 2005, I-55.
[21] DoS, *Section 2207 Report*, July 2005, I-57.
[22] SIGIR Inspection SA-05-001, "Pipeline River Crossing: Al Fatah, Iraq," January 27, 2006, 2.
[23] SIGIR Inspection SA-05-001, "Pipeline River Crossing: Al Fatah, Iraq," January 27, 2006, 2.
[24] SIGIR Inspection SA-05-001, "Pipeline River Crossing: Al Fatah, Iraq," January 27, 2006, 4.
[25] SIGIR Inspection SA-05-001, "Pipeline River Crossing: Al Fatah, Iraq," January 27, 2006, 4-5.
[26] SIGIR Inspection SA-05-001, "Pipeline River Crossing: Al Fatah, Iraq," January 27, 2006, 5.
[27] SIGIR Inspection SA-05-001, "Pipeline River Crossing: Al Fatah, Iraq," January 27, 2006, 5-6.
[28] SIGIR Inspection SA-05-001, "Pipeline River Crossing: Al Fatah, Iraq," January 27, 2006, 8.
[29] SIGIR Inspection SA-05-001, "Pipeline River Crossing: Al Fatah, Iraq," January 27, 2006, 8.

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[30] SIGIR Inspection SA-05-001, "Pipeline River Crossing: Al Fatah, Iraq," January 27, 2006, i, 8.
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[32] DoS, *Section 2207 Report*, April 2005, I-56.
[33] ORHA/CPA historian interview with Michael Stinson, senior advisor to the Minister of Oil 2003- 2004, June 12, 2004.
[34] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 19.
[35] OMB, *Section 2207 Report*, April 2004, 45-49.
[36] DoS, *Section 2207 Report*, July 2005, 48-56.
[37] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 20.
[38] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 20.
[39] Compiled from DoS, *Section 2207 Reports*, October 2004, January 2005, April 2005, and July 2005; and GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 20.
[40] American Military Engineers, "Engineering and Construction Efforts to Rebuild Iraq," August 19, 2004.
[41] USAID Audit E-267-05-003-P, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005, 3.
[42] USAID Audit E-267-05-003-P, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005, 4.
[43] USAID Audit E-267-05-003-P, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005, 8-9.
[44] SIGIR interview with Dick Dumford, Program Manager for USAID, May 18, 2007.
[45] SIGIR Report PA-07-103, "Doura Power Station Units 5 and 6, Baghdad, Iraq," July 18, 2007, 7.
[46] SIGIR interview with Dick Dumford, Program Manager for USAID, May 18, 2007.
[47] SIGIR Inspection PA-07-103, "Doura Power Station Units 5 and 6, Baghdad, Iraq," July 18, 2007, i.
[48] USAID Audit E-267-05-003-P, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005, 7.
[49] USAID Audit E-267-05-003-P, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005, 7; and SIGIR Audit 05-024, "Management of the Mansuria Electrical Reconstruction Project," January 23, 2006, 2-4.
[50] SIGIR Audit 05-024, "Management of the Mansuria Electrical Reconstruction Project," January 23, 2006, 3.
[51] SIGIR Audit 08-011, "Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation," April 29, 2008, iii-iv.
[52] SIGIR Audit 08-011, "Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation," April 29, 2008, 5, 23.
[53] SIGIR Inspection PA-05-008, "Al Seraji Substation, Basrah, Iraq," March 10, 2006; SIGIR Inspection PA-05-007, "Al Kaffat Substation, Basrah, Iraq," March 10, 2006; SIGIR Inspection PA-05-006, "Hamdan Substation, Basrah, Iraq," March 10, 2006; and SIGIR Inspection PA-05-005, "Al Hakamia Substation, Basrah, Iraq," March 10, 2006.
[54] SIGIR Audit 08-011, "Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation," April 29, 2008, ii, 1, 3-4.
[55] DoS, *Section 2207 Report*, January 2005, I-65-67.
[56] DoS, *Section 2207 Report*, April 2005, I-43.
[57] OMB, *Section 2207 Report*, January 2004, Funding Table; and DoS, *Section 2207 Report*, July 2005, Funding Table.
[58] DoS, *Section 2207 Report*, July 2005, I-62-70.
[59] USAID Audit E-267-05-004-P, "Audit of USAID/Iraq's Water and Sanitation Rehabilitation Activities," June 30, 2005, 17.
[60] SIGIR Audit 08-018, "Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC," July 15, 2008; and GAO Report 05-872, "Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities," September 2005, 11.
[61] GAO Report 05-872, "Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities," September 2005, 2, 11.
[62] GAO Report 05-872, "Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities," September 2005, 21-25.

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[63] SIGIR Audit 08-018, "Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC," July 15, 2008, ii.
[64] SIGIR Audit 08-018, "Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC," July 15, 2008, 5-6.
[65] DoS, *Section 2207 Report*, July 2005, 61, 63.
[66] GAO Report 05-872, "Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities," September 2005, 28.
[67] SIGIR, PA 08-144, PA08-145, PA08-146, PA08-147, PA 08-148, "Fallujah Waste Water Treatment System, Falluja, Iraq," October 27, 2008, 1-2, 13-14.
[68] SIGIR, PA 08-144, PA08-145, PA08-146, PA08-147, PA 08-148, "Fallujah Waste Water Treatment System, Falluja, Iraq," October 27, 2008, 7.
[69] SIGIR, PA 08-144, PA08-145, PA08-146, PA08-147, PA 08-148, "Fallujah Waste Water Treatment System, Falluja, Iraq," October 27, 2008, 4.
[70] The initial completion date was set to three and a half years but the CPA chose to accelerate the date to 18 months. SIGIR, PA 08-144, PA08-145, PA08-146, PA08-147, PA 08-148, "Fallujah Waste Water Treatment System, Falluja, Iraq," October 27, 2008, 9.
[71] SIGIR, PA 08-144, PA08-145, PA08-146, PA08-147, PA 08-148, "Fallujah Waste Water Treatment System, Falluja, Iraq," October 27, 2008, 8-9.
[72] SIGIR, PA 08-144, PA08-145, PA08-146, PA08-147, PA 08-148, "Fallujah Waste Water Treatment System, Falluja, Iraq," October 27, 2008, 11, 14.
[73] SIGIR, PA 08-144, PA08-145, PA08-146, PA08-147, PA 08-148, "Fallujah Waste Water Treatment System, Falluja, Iraq," October 27, 2008, 11-12.
[74] SIGIR, PA 08-144, PA08-145, PA08-146, PA08-147, PA 08-148, "Fallujah Waste Water Treatment System, Falluja, Iraq," October 27, 2008, 16.
[75] SIGIR, PA 08-144, PA08-145, PA08-146, PA08-147, PA 08-148, "Fallujah Waste Water Treatment System, Falluja, Iraq," October 27, 2008, i.
[76] DoS, *Section 2207 Report*, April 2005.
[77] DoS, *Section 2207 Report*, July 2005, I-81.
[78] SIGIR Audit 06-011, "Management of the Primary Healthcare Centers Construction Projects," April 29, 2006, i, 1.
[79] SIGIR Audit 06-025, "Review of the Medical Equipment Purchased for the Primary Healthcare Centers Associated with Parsons Global Services, Inc." July 28, 2006.
[80] SIGIR Audit 06-011, "Management of the Primary Healthcare Centers Construction Projects," April 29, 2006, 5.
[81] SIGIR Audit 06-011, "Management of the Primary Healthcare Centers Construction Projects," April 29, 2006, 7.
[82] SIGIR Audit 06-011, "Management of the Primary Healthcare Centers Construction Projects," April 29, 2006, 14.
[83] SIGIR Audit 06-011, "Management of the Primary Healthcare Centers Construction Projects," April 29, 2006, i, 1, 5.
[84] SIGIR Inspections PA-06-042, SIGIR PA-06-043, SIGIR PA-06-044, SIGIR PA-06-045, SIGIR PA-06-046, "Primary Health Care Centers Numbered KE-01, KE-02, KE-03, KE-04, and KE-05, Kirkuk, Iraq," April 25, 2006, i-ii.
[85] SIGIR Audit 06-025, "Review of the Medical Equipment Purchased for the Primary Healthcare Centers Associated with Parsons Global Services, Inc.," July 28, 2006, 34.
[86] SIGIR Audit 06-025, "Review of the Medical Equipment Purchased for the Primary Healthcare Centers Associated with Parsons Global Services, Inc.," July 28, 2006, ii.
[87] SIGIR interview with Jack Holly, Project and Contracting Office logistics, May 2007.
[88] SIGIR interview with Jack Holly, Project and Contracting Office logistics, May 2007.

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Chapter 19

STRENGTHENING IRAQ'S SECURITY FORCES FOR COUNTERINSURGENCY

In the fall of 2004, it was very difficult. I remember a day of 55 dead bodies of soldiers who were trying to go on leave from Mosul… Ambushes of three minibuses full of recruits who had just completed basic training and going home. Just endless challenges during that time on the security front.

- Lt. Gen. David Petraeus,
Commander of MNSTC-I (2004-2005)[*]

The scope and nature of U.S. support to Iraq's security forces changed dramatically after the June 2004 transfer of sovereignty. The Multi-National Force-Iraq (MNF-I)—which was assigned responsibility for training all Iraqi security forces in late 2004—designed an ambitious new program to train, equip, employ, and support Iraq's forces. Faced with escalating violence across the country, MNF-I aimed to boost the Iraqi security forces' capacity and effectiveness so that Iraq could assume responsibility for security in all eighteen provinces.

MNF-I divided responsibilities for Iraq's security forces between two subordinate commands. The Multi-National Security Transition Command-Iraq (MNSTC-I) was responsible for training and equipping Iraqi security forces. The Multi-National Corps-Iraq (MNC-I) was responsible for the operational control of trained and equipped units.[1]

Reassessing Iraq's Security Environment and Training Needs

In July and August of 2004, a formal "troops-to-task" assessment was conducted by a team of senior military officers under the leadership of MNF-I's commander, Gen. George Casey and the commander of the Multi-National Security Transition Command-Iraq (MNSTC-I), Lt. Gen. David Petraeus. "We started by figuring out what we wanted those forces to do," Lt. Gen. Petraeus said. "What are their tasks and purposes? Number two, based on certain assumptions, what types of forces do you need? How are you going to organize them?"[2] The assessment concluded that the Iraqi forces were not prepared to combat the violent insurgency then threatening the fledgling democracy. The country urgently that needed more forces—both police and military—to be trained, equipped, and prepared for counterinsurgency operations.

[*] SIGIR interview with Gen. David Petraeus, Commander of MNF-I and former Commander of MNSTC-I, March 2, 2008.

The CPA designed the Iraqi police and military to deal with the mundane missions of domestic law enforcement and national defense; they had not trained and equipped the police to face heavily-armed, organized insurgents, nor had they prepared Iraq's army to provide internal security. The April 2004 uprisings made clear that Iraq's security forces did not have the capacity to combat effectively the growing insurgency.[3] Significant change was needed immediately.

MNF-I called for three major initiatives to bolster the Iraqi Security Forces (ISF) structure. The Iraqi Police Service would expand from 90,000 to 135,000; the Iraqi Civil Defense Corps—renamed the Iraqi National Guard—would add 20 battalions, for a total of 65; and the number of border patrol officers would double to 32,000.[4] In all, the plan called for bringing the number of trained and equipped personnel to approximately 271,000.[5] Virtually all Iraqi security forces—from the local police to the Army's special operations forces—would receive counterinsurgency training.

IRRF 2 Reprogramming

Gen. Casey and Lt. Gen. Petraeus's conclusion that the growing insurgency required a substantially-larger Iraqi force heavily influenced Ambassador Negroponte's strategic review of reconstruction funds.[6] The IRRF 2 legislation provided $3.24 billion of the total $18.44 billion to support Iraqi security, but the expansions to meet the security requirement proposed by MNF-I's troops-to-task assessment immediately created a huge funding need.[7] Ambassador Negroponte's first reallocation included $1.81 billion to strengthen Iraq's military and police forces.[8] By June 2005, $5.04 billion had been designated for the security sector, 50 percent more than the initial IRRF 2 allocation.[9]

Building Iraqi Capacity for Training and Equipping

MNSTC-I faced enormous challenges in preparing the ISF for its many missions: equipment lagged behind training and logistical support was nonexistent. MNSTC-I commander Lt. Gen. Petraeus, knew that building institutions to enable the ISF to prevail in the field would be "very, very painful and very difficult."[10]

Petraeus began improving MNSTC-I's flexibility, funding, and contracting capacity, allowing it to quickly increase the ISF's rate of expansion.[11] By October 2004, security

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construction was booming. Work had begun on nine new defense facilities; was rapidly progressing at Al Kasik, An Numaniyah, Tallil, and Kirkuk Military Bases; and was completed at Umm Qasr Naval Base. Police academies in Mosul, Baghdad, al Sulaymaniya, Al Hillah, Al Kut, Al Asad, and Basrah were built or refurbished; Taji was expanded to accommodate the new elite Special Police Forces; and hundreds of police stations across the country were under construction.[12]

The equipping of Iraq's security forces similarly accelerated. Contracts awarded in early 2004 finally began to deliver materiel, with the Iraqi National Guard receiving 310 vehicles, nearly 30,000 AK-47s, 969 PKM machine guns, and other much-needed equipment in the summer of 2004.[13] The Ministry of Interior forces began receiving equipment as well, including trucks, sport-utility vehicles, AK-47 assault rifles, Glock pistols, radios, and body armor.[14]

Transforming the ISF

Through the second half of 2004 and into 2005, Iraq's Armed Forces (IAF) and the Iraqi Police Service (IPS) grew rapidly. MNSTC-I developed new units with greater capabilities, making the possibility of Iraqi participation in counterinsurgency activities a reality.

Ministry of Interior Forces

The CPA had envisioned the IPS as a traditional law-and-order force accountable to local authorities. This vision reflected a community-policing model, where the primary police task is upholding the rule of law by conducting criminal investigations, questioning witnesses, and arresting suspects.[15] As in most insurgencies, however, the police bore the brunt of the violence. Pitted against heavily-armed and motivated foes, the IPS experienced high casualty and desertion rates in 2004. The insurgency also undermined their rule-of-law function: training was disrupted, morale was low, and increasing attacks on the police kept many of them confined to their stations.[16]

One of the main conclusions of MNSTC-I's troops-to-task assessment was that the Iraqi police needed better training and equipment. This required more funding.[17] Petraeus recommended that the Congress reprogram $849.3 million, on top of the $1.04 billion already allocated, to expand the force and improve police training, equipping, and employment.[18]

MNSTC-I also added specialized courses in leadership, internal affairs, negotiation, investigation, and crowd control.[19] The new program combined traditional counterinsurgency training with new courses in survival skills and counterterrorism.[20]

There were limits to how much the Civilian Police Assistance Training Team (CPATT) could remake the regular police. Casualty and desertion rates underscored the need for counterinsurgency training, but they also needed skills in criminal investigation, arrest procedures, protection of human rights, and community policing to fulfill their law enforcement mandate. The CPA's efforts to create Ministry of Interior (MoI) paramilitary units for special operations had achieved minimal results. The Emergency Response Units—based on U.S. SWAT teams—were well-trained and equipped, but only 40 personnel were operationally ready by July 2004.[21] MNSTC-I and the MoI thus created additional heavily-armed, specially-trained police units called the Special Police Forces, consisting of the Special Police Commandos, Mechanized Police, and the Public Order Battalions. In April 2006, these forces were reorganized into the National Police.[22]

Iraq's Minister of Interior, Bayan Jabr, created the Special Police Commandos in September 2004 as an elite paramilitary force for indigenous counterinsurgency support.[23] When Lt. Gen. Petraeus was given a demonstration of their abilities later in 2004, he was impressed and committed more MNSTC-I funds to support them. MNSTC-I used the funds to develop a six-week intensive training course at the Special Police Commando Academy in northern Baghdad.[24]

The MoI created the Mechanized Police for rapid response deployment, fixed-site security, and cordon-and-search operations. Training in operations, communications, and maintenance began at Taji Military Base in November 2004.[25] Once trained, these forces were stationed mostly in and around Baghdad, where they conducted vehicle-mounted operations to secure high-value routes, such as "Route Irish," the road to Baghdad International Airport.[26] MNSTC-I awarded a $43.9 million contract to build permanent facilities for the Mechanized Police.[27]

Public Order Battalions rounded out the MoI elite civil-security forces. They were meant to be a lighter force that could operate in environments that did not need the greater combat power of the Special Police Commandos and Mechanized Police, but where regular Iraqi police were still unable to maintain law and order.[28] Although Public Order Battalions conducted

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counterinsurgency operations, their primary role was to perform traditional police functions in very hostile environments.[29] The first six-week training program began in late-September 2004, at An Numaniyah Military Base. Nearly 1,110 students graduated in mid-November, comprising the first three battalions of the new force.[30]

Ministry of Defense Forces

The size and capability of the security forces under the Ministry of Defense (MoD) increased dramatically during 2004-2005. The IAF grew from three divisions to ten by incorporating the Iraqi National Guard (ING)—formerly the Iraqi Civil Defense Corps—and adding specialized counterinsurgency units. The Iraqi special operations forces attained more proficiency and the Iraqi navy and air force took their first formative steps.

The Iraqi Civil Defense Corps (ICDC) had been a key CJTF-7 initiative, but it performed disastrously during the April 2004 uprisings, when almost half its personnel deserted. Local commanders reconstituted much of the force, implementing new vetting and training procedures to make the ICDC more reliable and more effective.[31] On June 20, 2004, newly-elected Prime Minister Allawi renamed the ICDC the ING and made it a permanent institution under the MoD.[32]

The 2004 troops-to-task assessment identified the ING as critical to the counterinsurgency effort, and Ambassador Negroponte reallocated $442 million in IRRF 2 funds to support its growth.[33] By January 2005, 42 of the 45 ING battalions were manned above 70 percent—a major recovery from their April 2004 collapse.[34] The professionalization of the ING was recognized on January 6, 2005, when the Interim Iraqi Government announced that it would be integrated into the Iraqi Armed Forces.[35]

Like the MoI, the MoD developed new special counterinsurgency units following the April 2004 uprisings. CMATT pulled together Iraqi army personnel who had demonstrated a willingness to fight other Iraqis, and organized them into the Iraqi Intervention Force (IIF), which began operating in Baghdad in June 2004.[36] Though smaller than the Iraqi National Guard, the IIF was specifically designed for counterinsurgency operations. Its members would receive an extra five weeks of training, better equipment, and more tactical support from MNC-I.[37]

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In 2004-2005, the nascent Iraqi Air Force and Navy were the weakest components of the IAF. MNSTC-I, following the CPA's original plan, did not equip the Air Force with fixed-wing fighters or bombers, considering them "unnecessary and incapable of influencing the counterinsurgency fight," instead favoring aerial reconnaissance and transport aircraft.[38] By August 2004, two Iraqi Air Force reconnaissance aircraft were making Iraqi oil-pipeline damage assessments. The fledgling Iraqi Navy policed Iraq's waterways to deter smuggling and other illicit activities and to protect Iraq's port and oil assets in the Persian Gulf.[39] As with the Air Force, the Navy's operational effectiveness was limited.[40]

The MoD established the Iraq Special Operations Force (ISOF) in July 2004 as an elite Ministry of Defense force operating outside the Iraqi Armed Forces chain of command.[41] The ISOF consisted of a Commando Battalion, which was trained to conduct raids and seize airfields, and the Iraqi Counter Terrorist Task Force (ICTF), which trained to fight high-threat terrorist organizations.[42] U.S. Special Forces provided training to the ISOF, using the U.S. Ranger program for the Commando Battalion and basing ICTF training on U.S. elite counterterrorism forces programs. The Iraqi Special Operations Force became the most effective counterinsurgency force in Iraq.[43]

The Training Mission Adapts

After being trained and equipped by MNSTC-I, Iraqi units were transferred to the control of MNC-I, which deployed them in support of the counterinsurgency campaign. In the fall of 2004, Special Police Commandos acquitted themselves well in offensive operations in Baghdad, Fallujah, Samarra, Mosul, North Babil, and elsewhere.[44] An ISF high-water mark came on January 30, 2005, when 130,000 security force personnel provided security at over 5,200 polling sites throughout the country so that over 8 million Iraqis could vote.[45]

Between November 2003 and November 2004, the number of U.S. soldiers whose primary mission was to advise Iraqi units grew from 350 to 1,200.[46] Many of these new advisors came from the Army Reserve 98th Division, an institutional-training division known as the "Iroquois Warriors," which had been filling many of MNSTC-I's headquarters billets.[47]

MNSTC-I designed the new advisory program so these U.S. teams partnered with Iraqi military units in basic training, then stayed with them during deployments.[48] Between ten and

fifteen U.S. military personnel supported each team. The advisory teams mentored their Iraqi counterparts and served as a critical link to U.S. logistics, communications, medical, and fire-support capabilities.[49]

Retired Gen. Gary Luck's early 2005 assessment reaffirmed the importance of these advisory teams. He advocated doubling or tripling the number of advisors partnered with Iraqi units. This increase would allow Iraqi units to take the lead sooner in the counterinsurgency campaign.[50] In late spring 2005, MNSTC-I changed the advisory teams' name to Military Transition Teams to reflect more accurately their role in the Iraqi security sector.[51]

Measuring Progress

During the CPA's tenure, the primary metric used to measure the ISF's progress was the number of security force personnel "on duty." But this metric obscured the distinction between trained and untrained personnel, leading to exaggerated expectations and credibility problems regarding the actual size of the ISF.[52] For example, of the 83,789 IPS personnel reportedly on duty shortly before the transition of sovereignty in June 2004, only 26,876 (32.1 percent) had received any training. Of those trained, more than three-quarters had received just the short Transition Integration Program training, meaning that only 5,857 academy-trained personnel were in the IPS.[53] MoI manning data were further skewed because personnel who were absent without leave or deceased were not removed from the "on duty" rolls. Corrupt Iraqi officials collected the payments to these "ghost employees," who accounted for 20 to 30 percent of the MoI staff.[54]

During 2004, MNSTC-I made a number of important reforms that improved U.S. policymakers' ability to measure progress. Immediately after the transition, MNSTC-I replaced the "on duty" metric with a "trained and equipped" personnel metric.[55]

In the winter of 2004-2005, MNSTC-I developed the Transition Readiness Assessment (TRA), based on the U.S. military's readiness-reporting system.[56] MNC-I Transition Teams administered the TRAs every month, reflecting MNF-I's belief that "the best measure of the capabilities of Iraqi units and improvements in the security situation comes from commanders on the ground."[57] The TRAs graded units on a four-level scale assessing their ability to conduct counterinsurgency operations. At level one, they could operate independently. At level two, Iraqi units needed MNC-I "enablers"—such as medical evacuation, transport, and fire support—to

operate. At level three, Iraqis could operate only alongside MNC-I forces. And at level four, ISF units were still in training or otherwise not capable. Transition teams used the TRAs to estimate how many months it would take a unit to advance to the next level.[58] By July 2005, only one IAF unit was rated at level one, although 24 were judged at level two.[59]

Iraqi Security Forces Fund

Properly training and equipping the ISF was expensive. The $1.81 billion reallocation approved by the Congress in September 2004 had helped, but MNSTC-I needed more. By January 2005, MNSTC-I had obligated $1.44 billion (62.0 percent) of the $2.32 billion available in IRRF 2 funds for the Ministry of Interior security forces. It had also obligated $1.69 billion (64.0 percent) of the $2.64 billion available to the Ministry of Defense security forces.[60] Even so, the expanding Iraqi security forces were unable to stem the rising violence and the Iraqi Ministries of Defense and Interior could not sustain and support the forces without U.S. assistance.[61] It was clear that transitioning security responsibilities would cost much more than the IRRF 2 could provide.

In Washington, the Departments of Defense and State and the Office of Management and Budget worked to devise a method for providing security assistance that would enable Iraqi forces to assume more responsibility for securing the country. National Security Presidential Directive 36 (NSPD-36) had addressed many of the ISF training and equipping problems by putting the Defense Department in charge of all security force development in Iraq.[62] But it had not solved the resource problem. MNF-I still depended on IRRF 2 to fund most of its training programs.[63]

On May 11, 2005, the Congress appropriated $5.39 billion to the Iraqi Security Forces Fund (ISFF). The fund provided flexibility to the Defense Department, which could reallocate large amounts of money for different ISF purposes without seeking congressional approval, as was required with IRRF 2.[64] Additional appropriations through 2008 would bring the total value of ISFF appropriations to $17.9 billion.[65] Coupled with nearly $5 billion in IRRF 2 allocations, investment in Iraq's security sector was by far the single largest Iraq reconstruction expense.[66]

Perilous Progress

By the end of June 2005, a total of $544 million had been spent on construction projects for the Iraqi Armed Forces, up from $57 million a year earlier. An additional $346 million had been spent on military equipment, compared to just $11 million the previous year.[67] Despite these increases, disturbing new problems came to light. A lack of accountability for equipment and poor logistics threatened the sustainability of the Iraqi security forces, while personnel vetting problems and sectarian infiltration threatened their integrity.

Logistics

In June 2004, the capacity of the Iraqi Ministries of Interior and Defense to support security forces in the field was very weak. "There wasn't even a Ministry of Defense building, much less something that you would call a Ministry of Defense," said Lt. Gen. Petraeus. Only "about five guys with cell phones and a couple of old generals" remained.[68] The Ministry of Interior "was nascent, to put it mildly."[69] IAF units could not sustain independent operations for any significant period of time without U.S. support.[70] Meanwhile, the police grappled with such issues as vehicle maintenance and the distribution of equipment and supplies.[71] As a consequence, the Iraqi security forces remained heavily dependent on MNF-I funding, logistics, transportation, and fire support even as their mission and structure was transformed and they became more proficient in all counterinsurgency operations.[72]

Security problems made strengthening the ministries' logistical capacity secondary to equipping and training the security forces. Unfortunately, MNSTC-I was also unprepared to perform many of the oversight functions necessary to account for equipment. For example, it failed to implement mechanisms to track distributed weapons. MNSTC-I did not have an officer accountable for the property until the spring of 2005, and the absence of an operational distribution network hindered MNSTC-I's ability to collect and maintain equipment records.[73]

A process was eventually developed whereby an MNF-I officer catalogued equipment by serial number, vehicle identification number, or some other unique identifying number. The equipment was then transferred directly to the Iraqi recipient, who had to sign for it.[74] Even with these policies, security constraints prevented MNSTC-I officials from consistently collecting physical records, which led to weak accountability. As a consequence, MNSTC-I could not account for many of the weapons it issued.[75] Thus, a significant number of U.S.-supplied weapons intended for the Iraqi security forces may have ended up in militia or insurgent hands.[76]

In time, MNSTC-I established a fixed-base logistics doctrine for Iraq.[77] This meant that Iraqi supply, transportation, and maintenance capabilities above the unit level would be centrally located and directed to units as needed. In support of the program, MNSTC-I constructed a logistics depot for weapons and equipment at the Taji Army Base and started training a transportation regiment to deliver equipment to the Iraqi security forces.[78]

MNSTC-I emphasized "good enough" tactical capabilities: sufficient transportation, supply, life support, and other logistics, to enable Iraqi units to sustain combat operations in their geographic areas of responsibility for five days without being resupplied.[79] Even that was difficult to achieve, however, since logistics personnel still came after security personnel in the training queue, and many trained logistics soldiers were assigned to combat roles rather than serving in logistics.[80] More significantly, authority to advise the Ministries of Defense and Interior on logistics and other issues still resided with Iraq Reconstruction Management Office and the U.S. mission. It was not until October 1, 2005, that MNSTC-I became responsible for institution-building at the ministerial level, thus ending the bifurcated approach that had hindered progress.[81]

Sectarianism

As the ISF grew, a number of serious recruiting and manning problems also arose. MNSTC-I recruited for the IAF nationally, with the goal of creating a diverse security force whose personnel were not tied to any particular province, ethnic, or tribal group.[82] Recruiting was more complicated for the MoI because it was difficult for MNSTC-I to vet recruits for Iraq's police forces.[83] It therefore relied on other Iraqis, especially community leaders, for vetting, but this approach tended to politicize the ISF manning process. The huge expansion of the police payroll during Ambassador Negroponte's tenure and beyond stemmed in part from the growth of these new patronage networks.[84]

The CPA's Transitional Administrative Law outlawed militias and CPA Order 91, issued in March 2004, established a process to integrate them into ISF, but the program was underfunded and understaffed.[85] The larger sectarian militias, particularly the Kurdish Peshmerga militias and the Shi'a Badr Corps, remained largely intact. Muqtada al Sadr's Mahdi Army—one of the main adversaries during the April 2004 uprisings—was not part of the integration plan.[86] Compounding the problem, many Iraqis viewed militias as the primary

guarantors of security in certain areas, and some members of the Iraqi parliament depended on militias for protection.[87]

Some militia members who integrated into the ISF retained their old loyalties, and thus sectarian agendas undermined certain segments of the ISF, especially within the Ministry of Interior.[88] Sectarian infiltration was especially prevalent in the IPS, because they were recruited locally with little U.S. oversight.[89]

The Special Police Force (later the National Police) proved most problematic regarding sectarianism. The Ministry of Interior's need for experienced recruits caused them to piece together units from Saddam-era commandos and Shi'a militia, each of which were likely to have sectarian agendas.[90] The result was a force "riddled with corruption and sectarian influence," whose members engaged in routine shakedowns for private gain, and committed appalling human rights abuses.[91] These elite Iraqi units, trained and equipped by MNSTC-I for the counterinsurgency mission, were regularly accused of human rights abuses. Moreover, sectarian and militia influences in Iraq's security forces fed the country's growing communal violence, and threatened to recreate the abuses suffered under Saddam.[92]

Security Redux

In its first year of existence, MNF-I made significant progress in training, equipping, and employing the ISF. MNF-I and the Iraqi Ministries of Interior and Defense expanded the size of the various Iraqi forces and added new counterinsurgency units that could better address Iraq's security needs. Improved measures of training and equipping and unit effectiveness helped MNF-I and Washington track progress, adjust policy, and allocate resources. Over the course of the year, MNF-I also initiated a large-scale advisory program to mentor and support Iraqi forces in the field, and made critical first steps in developing Iraq's logistical capabilities, so that security responsibility could eventually be transferred.

Progress was expensive. Between July 2004 and July 2005, MNF-I spent $1.15 billion improving the MoI forces and $1.44 billion improving the MoD forces. This represented a significantly-higher rate of reconstruction spending than the under the CPA. By July 2005, 56.3 percent of the total budget for MoI and MoD forces had been spent, compared to just six percent at the end of the CPA era in July 2004. This remarkable improvement takes into account the rapid growth in allocations that resulted from Ambassador Negroponte's review of

reconstruction budgets. Between July 2004 and July 2005, an additional $945 million had been allocated to the MoI forces (increasing the law enforcement allocation from $1.35 billion to $2.30 billion) and an additional $752 million had been allocated to the MoD forces (increasing the national security allocation from $1.88 billion to $2.63 billion).[93] Under MNF-I, reconstruction of the Iraqi security forces became both better funded and better managed than it had been under the CPA.

The adjustments in strategy and resources improved the ability of the Iraqi security forces to fight the insurgency, although progress was uneven. Under the command of MNC-I, Iraqi units performed well in Falluja in November 2004, and again when they provided security for the elections at the end of January 2005. In May 2005, the Iraqi Ministries of Defense and Interior led their first coordinated counterinsurgency operation without any significant U.S. assistance. During "Operation Lightning," Iraqi security forces coordinated across Baghdad to detain 108 suspected insurgents.[94]

Problems nonetheless remained. Iraqi ministerial capacity remained weak.[95] MNC-I commanders reported that some Iraqi units who assumed control over their own territory subsequently collapsed. In March 2005, for example, an Iraqi unit that deployed to the border "virtually disintegrated, allowing foreign fighters to enter Iraq from over the Syrian border."[96] The new counterinsurgency mission assigned to the ISF placed them in direct contact—and often confrontation—with the Iraqi populace, and they increasingly became the target of insurgent attacks. A total of 296 Iraqi police and military personnel were killed in June 2005—nearly ten per day.[97]

Most alarming, the ISF was not the national, professional force that the CPA had first envisioned. Many of the elite forces created to fight the insurgency were increasingly implicated in human rights abuses themselves.[98] Factions within the Iraqi security forces became increasingly politicized, feeding the potential for civil conflict.[99] MNF-I faced a moving target: as it trained and equipped Iraqi security forces for counterinsurgency, it unwittingly fed the sectarianism that wracked Iraqi society.

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[1] House Armed Services Committee Subcommittee on Oversight and Investigations, "Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces," July 2007, 93-94.
[2] Combat Studies Institute interview with Lt. Gen. David Petraeus, former commander of MNSTC-I, December 11, 2006.

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[3] SIGIR interview with Col. Chris King, former MNSTC-I Deputy J5, June 12, 2008.
[4] DoS Report ISP-IQO-05-72 and DoD-IG Report IE-2005-002, "Interagency Assessment of Iraq Police Training," July 15, 2005, 9; and DoS, *Section 2207 Report*, October 2004, I-1.
[5] House Armed Services Committee Subcommittee on Oversight and Investigations, "Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces," July 2007, 94.
[6] GAO Report 06-788, "Rebuilding Iraq: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals," July 2006, 11.
[7] OMB, *Section 2207 Report*, July 2004, 17.
[8] P.L. 108-309, Making Continuing Appropriations for the fiscal year 2005, and for Other Purposes, September 30, 2004.
[9] DoS, *Section 2207 Report*, July 2005, 18.
[10] SIGIR interview with Gen. David Petraeus, Commander of MNF-I, March 2, 2008.
[11] Donald. P. Wright and Timothy R. Reese, *On Point II: Transition to the New Campaign* (Ft. Leavenworth, KS: Combat Studies Institute Press, 2008), 453-454; Combat Studies Institute interview with Col. Peter DeLuca, former J7 (Engineer) for MNSTC-I, June 1, 2006; and SIGIR, Audit 08-005, "Differences in Services and Fees for Management and Administration of Iraq Reconstruction Contracts," January 29, 2008.
[12] DoS, *Section 2207 Report*, January 2005, 5-8; and DoS, *Section 2207 Report*, April 2005, 4-5. SIGIR inspections later revealed improper design practices and poor construction at the Baghdad Police College. SIGIR Inspections PA-06-078.2 and PA-06-079.2, "Baghdad Police College: Baghdad, Iraq," January 29, 2007.
[13] DoS, *Section 2207 Report*, July 2004, I-12.
[14] DoS, *Section 2207 Report*, October 2004, I-14
[15] GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 56.
[16] Donald. P. Wright and Timothy R. Reese, *On Point II: Transition to the New Campaign* (Ft. Leavenworth, KS: Combat Studies Institute Press, 2008), 467.
[17] Donald. P. Wright and Timothy R. Reese, *On Point II: Transition to the New Campaign* (Ft. Leavenworth, KS: Combat Studies Institute Press, 2008), 467.
[18] DoS, *Section 2207 Report*, October 2004, I-1-3.
[19] GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 60; and DoS, *Section 2207 Report*, October 2004, I-4.
[20] Donald. P. Wright and Timothy R. Reese, *On Point II: Transition to the New Campaign* (Ft. Leavenworth, KS: Combat Studies Institute Press, 2008), 467.
[21] DoS, *Weekly Status Report*, July 27, 2004, 24.
[22] Gen. (Ret.) James L. Jones, Chairman, "Report of the Independent Commission on the Security Forces of Iraq," September 6, 2007, 109.
[23] DoD, *Measuring Stability and Security in Iraq*, October 2005, 39; and MNF-I, "Iraqi Special Police," July 22, 2006.
[24] DoD, *Measuring Stability and Security in Iraq*, October 2005, 39.
[25] DoS, *Section 2207 Report*, January 2005, I-7.
[26] MNF-I, "Iraqi Special Police," July 22, 2006; and DoS, *Section 2207 Report*, April 2005, I-2.
[27] DoS, *Section 2207 Report*, April 2005, I-5.
[28] DoD, *Measuring Stability and Security in Iraq*, October 2005, 39.
[29] MNF-I, "Iraqi Special Police," July 22, 2006.
[30] DoS, *Section 2207 Report*, January 2005, I-7.
[31] DoS, *Section 2207 Report*, July 2004, I-2, I-11.
[32] DoS, *Section 2207 Report*, October 2004, I-13.
[33] DoS, *Section 2207 Report*, October 2004, 4.
[34] DoS, *Section 2207 Report*, January 2005, I-20.
[35] DoS, *Section 2207 Report*, April 2005, I-11.
[36] House Armed Services Committee Subcommittee on Oversight and Investigations, "Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces," July 2007, 93; and DoS, *Section 2207 Report*, July 2004, I-9.
[37] By January 2005, the IIF comprised twelve of the army's 27 battalions and was integrated as the 1st Division of the IAF. DoS, *Section 2207 Report*, January 2005, I-3, I-18.

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[38] House Armed Services Committee Subcommittee on Oversight and Investigations, "Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces," July 2007, 98.
[39] DoD, *Measuring Stability and Security in Iraq*, July 2005, 16.
[40] DoS, *Section 2207 Report*, October 2004, I-2; and House Armed Services Committee Subcommittee on Oversight and Investigations, "Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces," July 2007, 99.
[41] GlobalSecurity.org, "Iraqi Intervention Force, New Iraqi Army, 1st Division," http://www.globalsecurity.org/military/world/iraq/iif.htm, accessed on April 17, 2008.
[42] House Armed Services Committee Subcommittee on Oversight and Investigations, "Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces," July 2007, 99-100.
[43] Anthony Cordesman, *Iraqi Security Forces: A Strategy for Success* (Westport, CT: Praeger Security International, 2006), 172; and DoD, *Measuring Stability and Security in Iraq*, July 2005, 13.
[44] DoS, *Section 2207 Report*, January 2005, I- 2-3.
[45] DoS, *Section 2207 Report*, April 2005, I-1.
[46] Donald. P. Wright and Timothy R. Reese, *On Point II: Transition to the New Campaign* (Ft. Leavenworth, KS: Combat Studies Institute Press, 2008), 456.
[47] Combat Studies Institute interview with Lt. Gen. David Petraeus, former commander of MNSTC-I, December 11, 2006.
[48] Donald. P. Wright and Timothy R. Reese, *On Point II: Transition to the New Campaign* (Ft. Leavenworth, KS: Combat Studies Institute Press, 2008), 461.
[49] House Armed Services Committee Subcommittee on Oversight and Investigations, "Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces," July 2007, 14-15, 130-132. After the transition teams moved under MNC-I control with their Iraqi units, a coordination line was maintained between the advisory teams and MNSTC-I, because MNSTC-I's mission still included recruiting replacement soldiers and providing the bulk of individual equipment for Iraqi personnel. Combat Studies Institute interview with Lt. Gen. David Petraeus, former commander of MNSTC-I, December 11, 2006.
[50] Eric Schmitt, "General Seeking Faster Training of Iraq Soldiers," *New York Times*, January 23, 2005; and DoD News Transcript, "Media Availability with Secretary Rumsfeld; General John Abizaid and General George W. Casey, Jr.," February 11, 2005.
[51] Donald. P. Wright and Timothy R. Reese, *On Point II: Transition to the New Campaign* (Ft. Leavenworth, KS: Combat Studies Institute Press, 2008), 462.
[52] Anthony Cordesman, *Iraqi Security Forces: A Strategy for Success* (Westport, CT: Praeger Security International, 2006), 157.
[53] DoD, *Weekly Status Report*, June 22, 2004, 29.
[54] GAO Report 07-308SP, "Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight," January 2007, 23, 45. SIGIR found that many of these problems persisted in Defense Department reporting on the Iraqi security forces as late as October 2008. SIGIR Audit 08-015, "Interim Analysis of Iraqi Security Force Information Provided by the Department of Defense Report, Measuring Stability and Security in Iraq," April 25, 2008; and SIGIR Audit 09-002, "Challenges in Obtaining Reliable and Useful Data on Iraqi Security Forces Continue," October 21, 2008.
[55] House Armed Services Committee Subcommittee on Oversight and Investigations, "Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces," July 2007.
[56] Joseph A. Christoff, GAO Director, International Affairs and Trade, Testimony before the House Committee on Government Reform Subcommittee on National Security, Emerging Threats, and International Relations, March 14, 2005. "Geographic areas secured by ISF forces" was added as a third indicator of progress by October 2005. This came to be known as the Provincial Iraqi Control (PIC) Process. DoD, *Measuring Stability and Security in Iraq*, October 2005, 27.
[57] GAO Report 07-308SP, "Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight," January 2007, 31.
[58] DoD, *Measuring Stability and Security in Iraq*, July 2005, 13.
[59] DoD, *Measuring Stability and Security in Iraq*, October 2005, 30. DoD provided aggregate information on unit readiness to oversight agencies, but did not release unit-level reports, despite repeated requests by GAO. Questions remained about how TRAs influenced training and equipping policy. GAO Report 07-308SP, "Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight," January 2007, 31.

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[60] DoS, *Section 2207 Report,* January 2005, 11.
[61] DoD, "FY 2005 Supplemental Request for Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF), and Operation Unified Assistance," February 2005, 78.
[62] National Security Presidential Directive 36, "United States Government Operations in Iraq," May 11, 2004.
[63] SIGIR interview with Col. John Ferrari, former CJTF-7 strategic planner and OMB program examiner, September 10, 2008.
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Chapter 20

BUILDING DEMOCRACY: ELECTIONS, THE RULE OF LAW, AND ANTICORRUPTION

Corruption is a disease which is connected with many aspects of the government and in this society. It has become now associated predominantly from the low rank and class to the higher rank in government…and for that reason there is no remedy for that except privatization. I think the government failed to defeat the corruption.

Ali Baban, Minister of Planning, Government of Iraq (interview with Stuart Bowen November 23, 2008)

United States policy in Iraq was to build "strong and democratic" national and local governments. Notwithstanding this noble goal, the original IRRF 2 plan allocated few resources for democracy programs. Support for democracy, rule of law, anticorruption, and governance programs was divided between two sectors; $1.3 billion went to the Justice, Public Safety Infrastructure, and Civil Society sector; and $280 million went to the sector incorporating Education, Refugees, Human Rights, and Governance. Most of the money in the justice sector was allocated for physical infrastructure projects, including courts and prisons. Democracy-building activities initially received $100 million—about one-half of one percent of the $18.4 billion IRRF 2.[1] Just $10 million in IRRF 2 funding was allocated to civil-society programs.[2]

Although the new constitution and the 2005 elections were signal achievements for Iraq, sustaining democratic institutions required a strong foundation: the rule of law. As with many programs in Iraq, several U.S. government agencies were involved in this effort, but nobody was in charge. Support for Iraq's anticorruption entities, necessary to protect Iraq's resources from being wasted or stolen, was similarly disjointed.

The U.S. poorly managed and resourced its governance initiatives, including elections, rule-of-law programs, and anticorruption initiatives. Although any progress in the volatile Iraqi political environment might be considered a success, inadequate resources and increasing violence meant that these programs would produce at best a weak and divided government.

Building Democracy: Elections

In 2003-2004, both the CPA and the U.S. Mission realized that they needed more money for democracy and governance projects to support the multi-step political process outlined in the

Transitional Administrative Law (TAL).[3] CPA moved money into democracy projects just after the November 15, 2003 agreement to return sovereignty to Iraqis by the end of June 2004. The CPA realigned $358 million from infrastructure projects to programs aimed at helping to "establish the democratic foundations of the new Iraq." The Office of Management and Budget divided these funds among the Defense Department, the State Department, and USAID for implementing a wide range of projects to help Iraqis develop political parties, build governance capacity, and promote transparency in political and civic life.[4]

Following Ambassador Negroponte's mid-2004 strategic review, the State Department moved another $380 million into democracy building, bringing the total reallocation to over $830 million. This shift included placing $180 million in four new democracy and governance programs: $40 million to help the new Iraqi Electoral Commission prepare for the elections, $20 million to establish a national election-monitoring program, $20 million to assist the Interim Iraqi Government set up new offices, and $100 million to strengthen local and provincial governments. It also added $200 million to fund projects aimed at reducing sectarian conflict.[5] By the summer of 2005, additional adjustments had increased funding for democracy projects to $942 million.[6]

In 2004 and 2005, the United States obligated approximately $130 million for non-security assistance to support the two national elections and the constitutional referendum scheduled for 2005. Almost a third of the money—$41.1 million—went to the International Foundation for Election Systems for technical support to the Iraqi Electoral Commission. The Department of State awarded $30 million to the National Democratic Institute and the International Republican Institute to organize political parties and provide training to build their capacity.[7]

At the end of May 2004, the CPA established the Independent Electoral Commission of Iraq to "organize, oversee, conduct, and implement all elections" called for by the TAL.[8] A week later, the CPA promulgated Order Number 96, delineating the "legal framework for genuine and credible elections" to determine the membership of the Transitional National Assembly, the body that would serve, in effect, as Iraq's constitutional convention. The order stipulated that the elections take place by the end of January 2005. Any "political entity" could present a list of candidates to the Electoral Commission. One-third of the candidates on every list had to be women.[9]

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The UN team that advised the Iraqi government on voter registration and the technical aspects of holding elections recommended dealing with the entire country as a single electoral district, because there was not enough time to draw geographical districts for the 275 assembly seats before the mandated elections.[10] Although easier to organize, the single-list approach had several disadvantages. The most significant was that members elected to the assembly would be primarily accountable to their parties, not the voters.

The International Foundation for Election Systems, with $40 million in U.S. funding, helped the Independent Electoral Commission of Iraq draft regulations, train staff, plan logistics, and procure voter registration forms.[11] The commission began distributing voter registration materials in October 2004 and registered more than 14 million Iraqis. The ballot had 256 political entities and nearly 19,000 candidates running for the National Assembly, the provincial councils, and the Kurdistan National Assembly.[12]

Elections: Increasing Violence

The period preceding the elections was marked by increasing violence. Anti-Coalition groups targeted Iraqi civil servants and police, as well as international humanitarian workers, in an effort to sabotage the elections and undermine the Iraqi Interim Government. At the same time, sectarian violence simmered, with Sunni and Shi'a groups taking turns striking mosques and individuals as their leaders pursued their disparate political agendas.

During the summer and fall of 2004, the Iraqi Interim Government and the U.S-led Coalition faced renewed conflicts with the followers of Shi'a leader Moqtada al Sadr in Najaf, as well as with insurgents in the Sunni cities of Fallujah and Samarra. Grand Ayatollah Ali al-Sistani had to step in to end the Najaf standoff between Moqtada al Sadr and the Coalition-backed Iraqi security forces.[13] In the wake of the Najaf crisis, al Sistani forged a coalition—the United Iraqi Alliance—of the major Shi'a parties to compete for seats in the January 2005 elections. The battles against Sunni extremists in Samarra and Fallujah, though, only hardened Sunni sentiment against the Coalition.

In November 9, 2004, in the wake of the Coalition attacks on Falluja, Iraq's most prominent Sunni political party—the Iraqi Islamic Party—announced its withdrawal from the Interim Iraqi Government and its decision not to participate in the upcoming elections.[14] Sunni Arabs, the minority twenty percent of the Iraqi population that had dominated Iraq's governing

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and economic institutions under Saddam Hussein, had the least to gain from participating in a single-list election.[15] At least one outside observer, though, predicted that if elections took place without their participation, Sunni Arabs "would be cut out of the process of governing and constitution-making for the duration of the transition, leaving them little option but violent resistance."[16]

The elections took place as scheduled on January 30, 2005. About 130,000 members of Iraq's security forces, backed by U.S. troops, guarded polling stations around the country. The Iraqi Interim Government banned vehicle traffic and closed the country's borders two days before the election. Although insurgents launched about 300 attacks, killing at least 35 people and wounding more than 100 others, the violence was far less than anticipated.[17] Some 8.5 million Iraqis, nearly 60 percent of the registered electorate, cast ballots. President Bush hailed the results: "Today, the people of Iraq have spoken to the world, and the world is hearing the voice of freedom from the center of the Middle East."[18]

Twelve political groups won seats in the Transitional National Assembly (TNA). The United Iraqi Alliance, with its coalition of predominantly-Shi'a groups, received more than 50 percent of the vote, giving it 140 of the 275 seats. The Kurdish bloc earned 27 percent of the vote, giving it 75 seats. Ayad Allawi's Iraqi List, with about 14 percent of the vote, garnered 40 seats.[19] Only 17 Sunni Arabs were elected, giving them slightly over six percent of the seats in the new body.[20]

Six weeks later, the TNA gathered for the first time in the heavily-fortified Green Zone, but factional disputes delayed the formation of the government until April 2005, when the Presidency Council was named. Kurdish leader Jalal Talabani would be president, Sunni Sheikh Ghazi al-Yawar and Shi'a Adel Abdel Mahdi vice presidents, and the council named Shi'a leader Ibrahim al-Ja'afari as prime minister.[21]

At the end of April, the assembly approved a cabinet that was complete except for the heads of the five critical ministries of defense, oil, electricity, industry, and human rights. Although some of these key cabinet positions remained unfilled, Iraq's first elected government was sworn into office on May 3, 2005. A week later, the TNA named a 55-member committee to draft the country's permanent constitution.[22] Only two of its members were Sunnis.[23]

Although many Iraqis and international observers called for an extension of the deadline for producing a new constitution, the United States urged the drafting committee to meet the

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August 15 deadline. To speed the process, the Shi'a and Kurdish leaders removed the negotiations from the drafting committee and put them in the hands of a new Leadership Council. At the end of August, the Council formally submitted a draft constitution to the Transitional National Assembly.[24]

The Sunnis, who had been largely cut out of the negotiations by the Shi'a alliance and the Kurds, opposed the constitution. Former Prime Minister Ayad Allawi, a Sunni, and Moqtada Al-Sadr, a Shi'a, criticized the content and the hurried and secretive process by which the document was drafted.[25] Sunnis objected to the federal model embraced by the both the Kurds and the Shi'a alliance, favoring instead a stronger central government. The Shi'a pushed for the right to create an autonomous region in the south, much like what the Kurds had in the north.[26]

Building Democracy: The Rule of Law

As the United States sought to help Iraq form a representative government based on a constitution that protected the rights of all Iraqis, it also used reconstruction dollars to try to rebuild Iraq's justice system. A mix of U.S. government agencies—the Department of Defense, the Department of State, USAID, and the Department of Justice—bore responsibility for various rule of law programs in Iraq, but none was in charge of coordinating their disparate efforts.

It was not until October 2004 that the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) assigned a rule-of-law professional to the embassy in Baghdad "to bolster strategic planning and to monitor the programs receiving INL funding."[27] Eight months later, in June 2005, the State Department finally appointed a senior advisor to the Ministry of Interior who would also serve as the rule of law coordinator within the embassy.[28]

Two-and-a-half years after Coalition forces toppled Saddam Hussein, the State Department's Inspector General found a lack of coordination "within Washington, among U.S. elements in Iraq, between Washington and the field, and between the United States and coalition partners and potential donors or NGO implementers."[29] The State Department report also concluded that the government had been slow to disburse funds for rule-of-law projects, particularly when it came to capacity building.[30] As a result, many rule-of-law initiatives were still on the drawing board, with three major project proposals "yet to be offered for competitive

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bidding."[31] The delays in launching these programs meant that most of the funds obligated in 2004 and 2005 in the justice sector went for infrastructure projects under the $900 million IRRF 2 contract awarded to Parsons Delaware to build border control posts, police and civil defense facilities, fire stations, and courthouses and prisons.[32]

Reopening the Prisons

A Department of Justice team surveyed 21 of Iraq's 151 prisons and detention facilities in May and June of 2003 and found that "all of the correction facilities located in the central Baghdad area and throughout the country, with only a few exceptions, have been looted, trashed, burned, and everything of any value has been either destroyed or stolen."[33] The CPA estimated that the total cost of prison repairs would range from $50 million to $100 million.[34] Despite its history as a brutal detention center under Saddam, Abu Ghraib, the country's largest prison, was the only facility capable of housing dangerous maximum-security inmates.[35] During the first months after the invasion, the Coalition housed prisoners in temporary facilities—tents or plywood buildings—and in hastily-rehabilitated detention centers. In July 2003, the CPA re-opened Abu Ghraib, which had the capacity to hold 400 people.[36]

The Iraqi prison system had no trained staff. Most of the former wardens and guards were disqualified because they had been part of Saddam's repressive, cruel, and inhumane system. In the summer of 2003, the CPA had only one official on staff with a prison management background.[37] As a stop-gap measure, the Justice Department team developed a one-day training program for former Iraqi correctional officers and a three-day training module to educate new Iraqi prison personnel in operating and managing prisons.[38]

Between March and November 2004, the PMO/PCO issued 53 task orders to Parsons Delaware for construction projects in the security and justice sector. Due to concerns over Parsons poor progress, the U.S. government cancelled 26 of these task orders by December 2004, before much work had been accomplished. A SIGIR audit found that of the 53 original task orders, only eighteen were successfully completed, including new or refurbished border posts, courts, fire stations, and military or protective service academies. The government terminated nine Parsons' task orders, seven for "convenience" and two for default. The two terminated for default involved two Western-style prisons—the Nassriya Corrections Facility and the Khan

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Bani Sa'ad Corrections Facility. The SIGIR audit concluded that the "terminated and canceled task orders accounted for approximately $142 million of the $366 million disbursed to Parson.[39]

Parsons completed about 45 percent of the work on two security buildings at the Nassriya prison, but much less was accomplished at the Khan Bani Sa'ad prison complex north of Baghdad. The Khan Bani Sa'ad project—perhaps the single greatest failure in Iraq reconstruction—illustrates many of the problems the U.S. government and its contractors faced in Iraq. The unstable security environment in Diyala Province, where Khan Bani Sa'ad was located, made it difficult to visit job sites to develop realistic plans or to remediate construction deficiencies. Too few contracting officials, high turnover of government personnel, and poor record-keeping also contributed to the project's failure.[40]

Khan Bani Sa'ad Prison

In May 2004, the CPA awarded a task order for $73 million to Parsons to build a maximum-security prison in Diyala Province. The project was scheduled to begin immediately and be completed by November 2005. There were problems from the start.[41] Construction did not begin until November 2004 and progressed slowly, chiefly because of poor security and subcontractor performance. In the spring of 2006, Parsons notified the U.S. Army Corps of Engineers Gulf Region Division that the prison would not be completed until September 2008, three years late.

Parsons attributed the delays to poor security and contended the U.S. government had said at the time of the initial contract award that Iraq would be relatively stable. The company said that its subcontractors faced daily threats that either shut down work or curtailed worker performance. The U.S government disagreed, pointing out that neither the base contract nor the task order suggested that Parsons would be working in a permissive environment.[42]

In June 2006, the U.S. government terminated the contract for default, noting that "Parsons has endangered completion both by continued schedule slips and by incurring massive cost overruns that cannot be sustained by the Government…The circumstances that have caused the vast majority of the schedule slips have, in fact, been within Parsons' control."[43]

The U.S. Army Corps of Engineers Gulf Region Division (GRD) then awarded a fixed-price bridge contract to a Parsons subcontractor to continue construction, and awarded two more contracts in September 2006 to an Iraqi contractor to finish construction on the prison and to

Secure Global Engineering to rehabilitate the prison's existing electrical system. In March 2007, GRD sent the Iraqi company a list of items it had failed to deliver and, in June 2007, terminated the contract. At this point, the U.S. government stopped all work, having spent three years and approximately $40 million on the project, which was just 52 percent finished. Moreover, the completed work had major structural problems, including improperly-laid concrete floors and poorly-built walls. GRD informed Iraq's Deputy Minister of Justice that it would turn Khan Bani Sa'ad prison over to the Iraqi government on August 1, 2007, but the deputy minister refused to accept it, stating that the ministry had no plans to "complete, occupy, or provide security for this facility."[44]

When SIGIR inspectors visited Khan Bani Sa'ad in June 2008, they found an unoccupied, insecure site with numerous construction problems, and $1.2 million worth of material missing.[45] The Iraqis in Diyala derisively referred to the failed project on the flatlands north of Baghdad as "the whale."[46]

The Courts

The Ba'athist constitution consolidated Iraq's civilian court system within the Ministry of Justice, giving Saddam strict executive control over the judicial system. Saddam further tightened his grip on the legal system by creating military and security courts.[47] CPA Order Number 2, which disbanded the Iraqi military and intelligence services, also abolished these courts.[48] An array of courts—appellate, criminal, civil and juvenile—also fell under the jurisdiction of the Ministry of Justice. In 2003, the CPA and the Department of Justice estimated that the country had 130 courthouses, 570 courts, and 710 judges.[49] But, echoing a theme found throughout the entire reconstruction effort, U.S.-led judicial reform initiatives often floundered because the Iraqi legal establishment felt detached from the entire process. Sermid Al-Sarraf, a member of the Iraqi Jurists Association, testifying before the U.S. Congress at the end of June 2003, said that the CPA had largely left Iraqi lawyers and judges out of discussions about how to reform the country's legal system. He pointed out that a Department of Justice assessment team had not included a single Iraqi legal professional and that the CPA had inexperienced people making arbitrary decisions affecting Iraqi law. "Iraqis are feeling like strangers in their own country," Al-Sharraf said. "Either through neglect, lack of understanding, or for the sake of

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expediency, current efforts seem to be avoiding direct Iraqi involvement and their opinions in important decisions."[50]

In June 2003, the CPA created a critically-important new court: the Central Criminal Court of Iraq (CCCI). The CPA empowered the CCCI to try serious offenses committed since the invasion and gave it jurisdiction over "any and all criminal violations," regardless of where they occurred within Iraq. By August 2003, the new court was operating in the Green Zone and trying its first cases. The CCCI concentrated its limited resources on cases related to "terrorism, organized crime, government corruption, and acts intended to destabilize democratic institutions."[51]

In order to ensure the justice was administered fairly in the new Iraq, the issue of what to do with judges loyal to the deposed Ba'ath party had to be resolved. Here, the CPA made some progress. One of its first orders suspended the Iraqi Organization of the Judiciary Act of 1979 and established a Judicial Review Committee to vet judges and prosecutors for connections to the Ba'ath Party. The committee had the power to "remove judges and prosecutors from office, confirm their continued holding of office" and to name replacements.[52] Over the next year, it removed about 180 judges because of their Ba'athist backgrounds.[53]

By the fall of 2003, though, too few Iraqi courts were up and running. At the end of November, Judge Daniel L. Rubini, a senior advisor to the Ministry of Justice, sent a memo to the CPA's front office noting that there had only been 20 criminal convictions in Baghdad since the criminal courts re-opened in May and only 80 trials nationwide. Many investigative judges feared bringing cases to trial because of potential attacks. Corruption was a major problem. "Police, court investigators, and investigating judges hold out for bribes before acting upon a defendant's case," said Rubini.[54]

In addition to building the capacity of Iraq's legal system, the CPA also sought to repair and build courthouses, but once again it did not initially devote sufficient resources to accomplish either task. It was not until April 2004 that the White House Office of Management and Budget allocated $135 million to repair and increase security at courthouses.[55] By then, judicial security became an enormous problem. In November 2003, gunmen kidnapped and killed Muhan Jabr al-Shuwaili, the top judge in Najaf, who had supported the creation of a judicial commission to investigate former Ba'ath Party officials.[56] A month later, insurgents killed Youssef Khoshi, a senior judge in Mosul, firing six bullets into his back.[57] In June 2004,

when the CPA era ended, the courthouses remained inadequately fortified to ensure the safety of court personnel and several judges had been assassinated.[58]

Building Democracy: Anticorruption Initiatives

The Costs of Corruption

Saddam Hussein's Iraq was riddled with corruption that extended from the highest to the lowest levels of government, benefiting the ruling elite of the Ba'ath party and those who served them. The fact that the problem of corruption persisted after the U.S. invasion is no surprise. According to a study published by the International Monetary Fund: "corruption thrives in the environment of post-conflict reconstruction," which combines "large public procurement projects, major funding infusions, and inadequate government economic management."[59] Throughout the reconstruction period, corruption "exerted a corrosive force upon Iraq's fledgling democracy," contributing to a flight of capital that "directly harmed the country's economic viability."[60]

Corruption fundamentally impeded U.S. efforts to develop ministry capacity.[61] Institutions of government were "undermined by the widespread association of political elites with corrupt activities."[62] Corruption in the oil sector was particularly egregious. A GAO report noted in 2006 that "about 10 percent of refined fuels are diverted to the black market, and about 30 percent of imported fuels are smuggled out of Iraq and sold for a profit."[63] Oil-smuggling money sometimes ended up in the hands of insurgents.[64] The cost of corruption to Iraq during 2004-2005 was estimated at $4 billion per year.[65] Prime Minister Maliki himself referred to corruption as the "second insurgency."[66]

The U.S. Restructures Iraq's Anticorruption System

To combat this "second insurgency," U.S. officials embarked on a comprehensive reorganization of Iraq's anticorruption system, setting up new institutions and drafting new laws. Begun under the CPA, U.S. efforts to assist Iraq in building effective anticorruption institutions continue to this very day. Results, however, have been decidedly mixed due to underfunding and a lack of coordination among the U.S. agencies involved in administering anticorruption initiatives in Iraq.

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Prior to the U.S. invasion, the Board of Supreme Audit (BSA) served as Iraq's primary governmental oversight agency. Roughly equivalent to the General Accountability Office (GAO), the BSA, created by Great Britain in 1927, had become a paper tiger under Saddam.[67] To augment the Board of Supreme Audit, the CPA established two new anti-corruption institutions: the Commission on Public Integrity (CPI) and the ministerial inspectors general (IGs).[68]

The vision of how these new entities would function was simple and quintessentially American. An IG would notice something amiss that he suspected could be the result of corruption. Then, the IG would forward a file documenting his suspicions, and whatever evidence he managed to gather, to the CPI. The CPI would conduct an American-style criminal investigation, much as the FBI does upon receiving a referral from a federal inspector general in the United States. Once the CPI completed its investigation, it would deliver its findings to the investigative judges (IJs) who sat on the CCCI. The IJs, in turn, would function much like U.S. prosecutors and decide whether to bring the case to trial, close it, or send it back to CPI for further investigation. In practice, things rarely ran this smoothly.

To begin with, the CPA failed to provide adequate resources, either in money or personnel. Ambassador Bremer gave these anticorruption initiatives a budget of just $35 million—$20 million in DFI money and $15 million from IRRF 2, including $5 million for a witness protection program.[69] But most of the funds went to the CPI, with the IGs receiving nothing until the very end of the CPA's tenure.

Compounding these funding troubles was the fact that nothing like either institution had ever before existed in Iraq. The United States created the CPI and the IGs and attempted to shoehorn them into the Iraqi system. Modeled on Hong Kong's much-lauded Independent Commission Against Corruption, the CPI was intended to be Iraq's primary anticorruption agency. The IGs were modeled on the U.S. system of federal inspectors general and were designed to be the front-line anticorruption watchdogs in every ministry.

The perception of foreign taint, however, plagued the CPI and the IGs from their inception. High-ranking Government of Iraq (GOI) officials often expressed confusion about where these two institutions fit within Iraq's highly-formalized legal hierarchy. Many Iraqis mistakenly believed that CPI had independent arrest authority; it did not. Similarly, many GOI

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ministers mistrusted their IGs and perceived them as unwanted spies for either the Prime Minister's Office or the Americans—or sometimes both.

Grafted on to the existing Iraqi legal system and inadequately supported by their U.S. creators, the CPI and the IGs have struggled to find their footing in the new Iraq. Anticorruption efforts by the CPA and the U.S. Embassy must be seen in this context, but the absence of progress in fighting corruption in Iraq is disappointing.

The Commission on Public Integrity

CPA Order Number 55, dated January 28, 2004, established the CPI. Under the order, CPI possesses the statutory authority to investigate allegations of corruption against GOI officials and forward those cases which merit judicial action to the CCCI. Moreover, CPA Order 55 charged the CPI with educating the Iraqi populace about the dangers of corruption, drafting and administering financial disclosure regulations for all GOI employees, and revising Iraq's public employee Code of Conduct.[70]

Although established in January 2004, the CPI remained leaderless until the waning days of the CPA. Finally, in June 2004, the last month of the CPA's existence, Ambassador Bremer appointed a Commissioner to lead the CPI. Bremer wanted someone who was "bright, energetic, and courageous beyond belief. Someone who wouldn't back down—even if his life was in danger." The choice was Judge Radhi Hamza al-Radhi, who had served as a judge under the Saddam regime and, because of his independence and integrity, had been imprisoned and tortured by Saddam.[71]

Almost from day one of its existence, American trainers were intimately involved with the CPI. The State Department's Bureau of International Narcotics and Law Enforcement Affairs committed $11 million to train CPI investigators and purchase equipment for the new organization. This money was allocated to the U.S. Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP).[72] By the summer of 2005, more than 150 CPI investigators were being trained under the auspices of this program.[73] At its peak, ICITAP had more than 20 advisors dedicated specifically to building the investigative capacity of the CPI. Significant INL-funded training programs for CPI continued until 2008, when their scope was drastically reduced, due in part to CPI's diminishing effectiveness as a law enforcement institution.

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The CPI and Iraq's Legal System

During the eighteen months following its formation, the CPI filed 541 cases with the CCCI, including 42 against ministers, their deputies, and ministerial directors general. Judge Radhi later told a congressional oversight committee that, for perhaps the first time in Middle East history, "a minister was arrested, in accordance with the Rule of Law, in a non-political, non-sectarian manner on corruption charges." He noted, however, that early cases like this enflamed strong opposition to the CPI and resulted in efforts limit its powers.[74]

The CCCI, to which all corruption cases had to be referred, turned out to be an unsatisfactory vehicle for prosecuting such cases. The overburdened court—whose main charge was prosecuting terrorism, organized crime, and ethnic and sectarian violence—was either unwilling or unable to devote adequate attention to the corruption cases CPI provided.[75] Of the 3,000 cases forwarded to the court by CPI between 2004 and 2007, only 241—about eight percent—were adjudicated with guilty sentences. "However, the cost of corruption that my Commission has uncovered so far across all ministries in Iraq has been estimated to be as high as $18 billion," Judge Radhi said.[76]

Article 136(b) of the Iraqi Penal Code—first enacted in 1971— also hampered CPI's ability to investigate corruption. This law provides that no case against a ministry official or former official can go to trial without the permission of the minister of the agency involved. The CPA suspended the law in a revised version of Memorandum Number 3 on Criminal Procedure issued in June 2004, but the Iraqi government, under Prime Minister Maliki, reinstated it.[77]

In the six months between September 2006 and February 2007, Article 136(b) was invoked to block investigations by the CPI in 48 cases involving 102 defendants.[78] CPI Commissioner Radhi believed that the use of Article 136(b) "prevented CPI from transmitting many corrupt employees' cases to court until CPI received permission of the agency it was investigating…presenting obvious problems." In the spring of 2007, the prime minister similarly ordered that no action be taken against any minister without permission of the prime minister's office. Radhi stated that many corruption cases had been blocked, "at an estimated worth of 100 billion Iraqi dinar [approximately $80 million]."[79]

Despite often being stymied by these and myriad other roadblocks, the CPI's modest efforts to enforce the law soon made it a target. Between 2004 and the 2007, 31 CPI employees

were assassinated and twelve family members murdered. Judge Radhi himself lived under constant threat. He ultimately had to flee Iraq, seeking political asylum in the United States in August of 2007.[80] Since then, the CPI has struggled to open new investigations and has been unable to establish a true nationwide presence. It remains an open question whether the CPI is now rooted firmly enough in the Iraqi political structure to survive the eventual withdrawal of U.S. support.

Iraq's Inspectors General

CPA Order 57, signed by Ambassador Bremer on February 10, 2004, "established within each Iraqi ministry an Office of Inspector General . . . headed by an Inspector General [IG]."[81] The IGs were initially appointed by Ambassador Bremer to serve a five-year term, which could be renewed for an additional five-year period. Upon the restoration of Iraqi sovereignty, the power to appoint and re-appoint IGs shifted to the Prime Minister's Office.[82] By the time the CPA folded up its tent in June 2004, Bremer had named 29 IGs to five-year terms.

The duties of Iraqi IGs are strikingly similar to those of their American counterparts. These include, but are not limited to: auditing the ministry's records and activities, conducting administrative investigations; receiving and assessing allegations concerning waste, fraud, and abuse that affect the ministry's interests; recommending corrective actions to the minister; and cooperating with investigative agencies and the judiciary in matters requiring their attention.[83] To accomplish these broad and admirable objectives, the IGs are supposed to be accorded "[f]ull and unrestricted access to all [ministerial] offices." Further, Order 57 provides IGs with the power to subpoena witnesses and documents. Ultimately, the IGs are supposed to report their findings to their minister and issue an annual report to the Iraqi public.[84]

Today, there are approximately 35 IGs serving in Iraq. Most of them are housed within the Government of Iraq's ministries, with the remainder working at quasi-ministerial government entities, such as the Shi'a, Sunni, and Christian Endowments. Each IG has a staff ranging in size from the very small (the Ministry of Foreign Affairs IG has approximately 20 employees) to the very large (the Ministry of Defense IG is authorized a staff of several thousand, on paper). The budget to pay staff and fund other expenses comes from the IG's parent ministry through the Ministry of Finance.

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The perception of the IGs as a foreign antibody inserted into Iraq's body politic by the Americans, however, persists. State Department officials who served in Embassy Baghdad's anticorruption office in 2007 reported that the IGs and their staffs believed that "everyone assumes we're just spies for the American," and that "no one at the ministry seems to know why I'm there or what I am supposed to do." One IG noted: "If we're too active, our minister will fire us," and the chilling, "if I do my job, they'll kill me."[85]

U.S. Assistance to Iraq's IGs

Since 2004, the US government has supported a variety of efforts aimed at building the capacity of Iraq's IG system. CPA Order 57 stated that "to be effective" the IGs required "adequate resources."[86] The CPA, however, budgeted no DFI funds for the IGs, nor was any money forthcoming from the Departments of State or Justice. It fell to the Department of Defense to lead the way. The Department of Defense's Office of the Inspector General (DoD OIG) deployed its first representative to Iraq in March 2004, Dr. Charles Johnson. Johnson— in conjunction with David Kirk, the advisor to the Board of Supreme Audit—put together a request for $11 million to the CPA Program Review Board and brought in three IGs to support it. The proposal lost by one vote.[87] But on June 27, 2004, the day before the CPA closed shop, Bremer overturned the vote and directed that $11 million from Iraqi funds be allocated to stand up the IG system. This included $3 million to establish an Academy of Principled Governance, which never materialized. Johnson concluded that "the IG offices were anything but operational at the time of the transition" to Iraqi sovereignty on June 28, 2004.[88]

In 2005, a team from DoD OIG's Investigations and Evaluations Directorate traveled to Baghdad to train and advise the IGs from the GOI's two largest ministries, the Ministry of Interior (MoI), which controls all police forces, and the Ministry of Defense (MoD). To this day, DoD, through the Multi-National Security Transition Command – Iraq (MNSTC-I), continues to train, mentor, and advise the MoI and MoD IGs. DoD's involvement with Iraq's IG system, however, has always been limited to two (MoI and MoD) of the 35 OIGs. From 2004 through early 2007, scant formal U.S. assistance was provided to any of the other OIGs. Meanwhile, the State Department was pouring millions of dollars and dozens of personnel into capacity building efforts at the CPI. Finally, in early 2007, DoS appointed a Senior Consultant to Iraq's Inspectors General. He alone was responsible for training, mentoring, and advising the non-security ministry IGs—all 35 of them.

An Uneasy Partnership: The IGs and the CPI

The CPA envisioned Iraq's IGs as one of that newly liberated country's three main anticorruption institutions, along with the CPI and the BSA. In this tripartite system, the IGs are the only ones who have regular, daily involvement with the ministries. Therefore, they are often the first to uncover potential misconduct or criminal activity on the part of ministerial employees. When an IG determines that a matter may involve corruption, fraud, embezzlement, or outright theft, Order 57 requires the IG to refer this information to CPI, along with whatever evidence has been gathered to date.[89] However, several impediments disrupt the smooth flow of information between the IGs and the CPI. First, there is no established evidentiary threshold that triggers a case referral from an IG to the CPI. This has created substantial confusion. Naturally, the CPI thinks that certain IGs are being uncooperative because they forward little or any case data to the CPI, while the IGs are often unsure of how much evidence they need to gather before they send a case file to the CPI. Second, the CPI does not have the investigatory capacity to deploy its agents to the ministries to gather evidence and take testimony. Rather the CPI usually just receives a file from an IG and then sends back a written list of questions for the IG to answer, if he can. This exchange of paper – and all they use is paper—can drag on for years. Not surprisingly, the IGs often resent being asked to do the CPI's job. Third, institutional distrust often limits cooperation. In the post-Saddam era, acute political rivalries have seriously hampered the relationship between leading IGs and the CPI. Finally, no formal information sharing process exists among the GOI's anticorruption agencies. Data requests are usually handled in person and at the highest levels.

Recognizing these coordination problems, the GOI, with advisory assistance from the U.S. Embassy, established the Joint Anticorruption Council (JACC) in 2007. Its members include the CPI Commissioner, the BSA President, representatives from the IG community, and representatives from the Prime Minister's Office. The JACC is a coordinating body and does not have the power to set policy or allocate funds. Beset by political infighting, the JACC has not lived up to initial expectations.

Board of Supreme Audit

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CPA Order Number 77, signed by Ambassador Bremer in April 2004, reconstituted the Board of Supreme Audit (BSA), the oldest and most highly-regarded anticorruption institution in Iraq.[90] The CPA's establishment of the CPI and the IG system redistributed some of the BSA's responsibilities, but it remained the sole government-wide auditing agency in Iraq, with "jurisdiction to oversee all public contracts."[91] Mindful of its 70-year history, the BSA guards "jealously what it perceives as its prerogatives." It has been a reluctant player in the "U.S.-imposed anticorruption structure…often hesitant about providing its audit findings to the two other anticorruption agencies."[92]

When the CPA ended, the BSA remained "severely antiquated in terms of its methodology, in terms of its requirements, and in terms of its abilities." With a staff of 1,200, it had only five computers and "only between 100 and 150 real…auditor[s]—for an entire nation."[93] The first head of the BSA, Dr. Ihsan Karim Ghanem, appointed by the CPA, was targeted by a suicide bomber on the streets of Baghdad in 2004.[94]

U.S. support for the BSA, like that for the IGs, was meager. The State Department's Bureau of International Narcotics and Law Enforcement allocated money to the GAO for an Arabic translation of its Government Auditing Standards. The GAO also trained a small number of mid-level auditors, but other than that, very little capacity-building funding was allocated to the BSA.[95] International funding was also limited. The UN Development Group gave $4.8 million for a project in which the Audit Board of Jordan conducted training for the BSA and the British Board of Audits did some training of BSA auditors in Amman, Jordan.[96] Today, the BSA is functional, but its ability to provide effective oversight of GOI expenditures remains limited.

<u>The Uphill Battle</u>

The institutional framework for Iraqi anticorruption activities put in place by the CPA was "fragile," according to a 2006 State Department IG survey. The absence of adequate financial support added to this problem. The survey found that, "despite the fact that attacking corruption is among the top U.S. priorities in Iraq," the total amount allocated through June 15, 2006, was only $65 million, "less than .003 percent of the total IRRF funding to date." These modest funds have been unevenly allocated and uncoordinated. SIGIR reviews of the Anti-Corruption Working Group formed by the Embassy to oversee U.S. anticorruption programs found that the entire effort suffered from a lack of leadership. In 2008, a SIGIR audit noted that,

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despite a continued commitment to improving the U.S. anticorruption program, "more remains to be accomplished to fully establish and implement a comprehensive and effective program."[97]

In the spring of 2005, while the Transitional National Assembly was organizing itself, establishing yet another temporary government, and standing up a committee to write a new constitution, the United States mission underwent another change. In March, President Bush announced the appointment of Zalmay Khalilzad, the U.S. ambassador to Afghanistan, to replace John Negroponte. Ambassador Negroponte departed in March 2005, after nine months on the job, to return to Washington to become the new Director of National Intelligence. Ambassador Khalilzad arrived at the end of June, and over the next six months, he shepherded Iraq through a constitutional referendum and general elections for a permanent government. Confronted with growing sectarian conflict, the new ambassador would have to adapt the reconstruction program again to advance new policies aimed at reducing violence and moving Iraq out of chaos.

~ *Essential Services – Transition from Negroponte to Khalilzad* ~

Outputs[98]

Service	Pre-invasion	Post-invasion	CPA Transition	Negroponte Era
Electricity Production	4,075 megawatts	711 megawatts	3,621 megawatts	4,262 megawatts
Oil Production	2.58 million barrels per day	.30 million barrels per day	2.16 million barrels per day	2.13 million barrels per day
Access to Potable Water				
citizens	12.9 million	4.0 million	8.4 million	8.25 million
Iraqi Security Forces				
soldiers and police	1,300,000	7,000-9,000	87,000	171,300
Telecommunications				
landline subscribers	833,000	0	791,000	998,000
mobile subscribers	80,000	0	461,000	2,422,000
Education				
schools opened	14,121	0	14,121	14,159
schools rehabilitated	0	0	2,358	3,100
Human Toll				
U.S Troop Fatalities	-	139	862	1,745
Civilian contractors[99]	-	1	46	217
U.S. civilians	-	~9	52	113
Iraqi civilians	-	7,413	16,848	29,155
Financial Cost (in billions)				

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U.S funding	-	$3.45	$22.93	$29.21
Iraqi funding	-	$0	$16.00	$21.03
International funding	-	$0	$13.60	$13.87
Total funding	-	$3.45	$52.53	$64.11

In October 2004, half of the initial IRRF 2 allocation for the electricity sector was reallocated into security programs. In June 2005, the average monthly electricity production was 4,262 MW, an increase of approximately 600 MW from the year before.[100] A variety of problems—including security and decisions to defer maintenance in favor of short-term generation—made these levels of production impossible to sustain.

More than $5 billion had been appropriated from IRRF 2 and Iraqi funds for the oil sector, but the insecure environment—including pipeline attacks—delayed projects and reduced production and exports. Oil production would not reach pre-war levels before Ambassador Negroponte left Iraq in mid-2005.[101]

Progress in the water sector was also slow. A 48 percent cut in the IRRF 2 water-sector allocation severely curtailed the program. Moreover, accurate data on access to potable water was difficult to obtain, making it hard to substantiate any estimates of progress.[102]

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[31] DoS-OIG Report No. ISP-IQO-06-01, "Inspection of Rule-of-Law Programs, Embassy Baghdad," October 2005, 8.

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[83] For a complete list of IG duties see: CPA Order 57, "Iraqi Inspectors General," Section 5, February 5, 2004.
[84] CPA Order 57, Section 6(1) details the IGs' powers. CPA Order 57, "Iraqi Inspectors General," February 5, 2004. Subpoena power is better understood as "request" power. Oftentimes, the individual suffers no legal consequences for failing to provide the documents or show up for interviews.

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[100] DoS, *Section 2207 Report*, July 2005, 10-11; October 2005, 12; and IMF, "Iraq: Statistical Appendix," August 2007.
[101] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 14-17.
[102] GAO Report 05-876, "Rebuilding Iraq: Status of Funding and Reconstruction Efforts," July 2005, 3, 26-30.

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Chapter 21

U.S. CONTRACTING FRAUD IN IRAQ

If an IG team was in there from the get-go, we may have had free reign but it would not be the Wild West. They could have told us, if you do A, B, C, D, you won't get in trouble. It might have been a pain in the butt, but we would live with it.

- Robert J. Stein,
- Comptroller, CPA-South Central[1]
- (2003-2004)
- Now serving 9 years in prison

Since April 2003, hundreds of thousands of U.S. civilian and military personnel have participated in the Iraq reconstruction effort, and virtually all of them served honorably. But some did not. Some took advantage of the chaotic circumstances that evolved after the March 2003 invasion. And some of those circumstances were, to a certain extent, enabled by the CPA's weak management controls. The absence of any meaningful U.S. fraud-fighting presence in Iraq until the CPA-IG (SIGIR's predecessor organization) began to deploy in March 2004 also contributed to the crime-prone circumstances in Iraq during 2003-04.

In the dangerous environment that characterized Iraq in 2003-04, opportunities for peculation, petty and grand, were everywhere present. An unscrupulous few took advantage of these opportunities, pilfering what was essentially a loosely guarded treasure chest. Gradually, though, SIGIR and other U.S. oversight agencies grew their investigative presence on the ground in Iraq, gradually increasing the deterrence of potential criminals and promoting better conduct through forward-leaning, comprehensive oversight. Of note, the incidence of criminal corruption within the U.S. reconstruction program compromised a relatively small component of the total U.S. investment in Iraq and was incomparably less than that which has afflicted Iraq's government over the past five years and still does to this day.

The Bloom-Stein Conspiracy

In the first months of the U.S. occupation in Iraq, rumors of brazen theft and fraud were rife within the CPA and contractor communities. Once the CPA-IG established a presence in the Republican Palace in March 2004, whistleblowers had a place to go to

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report alleged crimes. In April 2004, one such whistleblower walked into the CPA-IG offices in the Green Zone to report extraordinarily troubling financial practices that he had witnessed within the CPA Comptroller's Office. He pegged the locus of improper conduct at the CPA's South Central Regional Office, located in Al Hillah, about an hour's drive southwest of Baghdad. Thus, began the unraveling of a criminal conspiracy that eventually led to the conviction of seven U.S. citizens for fraud. In the end, the so-called "Bloom-Stein conspiracy" resulted in the theft of at least $8.6 million, with another $88 million not properly accounted for.

The Scam Unfolds

Robert J. Stein, Jr. served as Comptroller for CPA's South Central Region in Iraq in late 2003 and 2004. Stein, who liked to dress in black and tell people he had been a member of Delta Force (one of many false statements Stein made), had been hired by S&K Technologies, a company with a $5 million contract with the U.S. Army to provide administrative staff support to the CPA in Iraq. Despite a federal credit-card fraud conviction in 1996 – for which he had served eight months in prison -- Stein was cleared by S&K Technologies and the CPA to serve in Iraq. He had also been sued for allegedly embezzling $750,000 from a previous employer. CPA-IG auditors later learned that Stein reportedly had an accomplice on the inside who had helped him hide these disqualifying facts.

Robert Stein arrived in Baghdad in November 2003 and was sent to the CPA's South Central Region headquarters, located in Al Hillah, the home to the ancient city of Babylon and Nebuchadnezzar's Palace. Stein's first assignment was as Director of security, logistics, and re-supply operations for all CPA staff operating in South-Central Iraq.[2] In December 2003, he was promoted to Comptroller for the region, giving him responsibility for overseeing, disbursing, and accounting for millions of reconstruction dollars. The previous Comptroller had unexpectedly departed and no qualified replacement had been found.[3] "I was supposed to be the operations specialist," Stein said, "I wasn't there to be Comptroller."[4]

Stein entered into a crime scheme with Philip Bloom, a corrupt contractor with burgeoning businesses in Iraq, almost immediately upon acceding to the Comptroller

position in Al Hillah. From December 2003 to June 2004, Stein rigged bids for and funnel contracts to Bloom, who received more than $8.6 million in cash from the fraudulent activity. Bloom repaid Stein's illegal favors by providing a variety of exotic and mundane kickbacks, including jewelry, deluxe cars, weapons, business-class airline tickets, Romanian prostitutes, and cash.[5] Bloom also laundered more than $2 million in stolen funds for Stein and his fellow criminals, using bank accounts in Iraq, Romania, and Switzerland.

The Scheme Unravels

On the day the CPA-IG was appointed--January 20, 2004--Stein emailed Bloom: "I love to give you money." The Bloom-Stein conspiracy was still in full tilt when the CPA-IG opened its Baghdad office in early March 2004.

The Bloom-Stein fraud might have gone undetected but for a whistleblower from the CPA Comptroller's office who told CPA-IG auditors in early May 2004 that certain CPA paying agents were refusing to comply with the CPA's established financial accountability guidelines. CPA guidance required regional comptrollers and paying agents to provide signed contracts, receipts, invoices, and statements of project completion for each dollar disbursed for reconstruction projects. The whistleblower told the CPA-IG's auditors: "We can't get people to account for their funds." When asked why he was clearing the regional comptrollers and paying agents, the CPA Comptroller representative stated he was under pressure to get money out the door. Upon learning this information, the IG immediately deployed auditors to Al Hillah to investigate.

When they arrived there, a female lieutenant escorted them to the South Central Regional headquarters' office of Lt. Col Deborah Harrison, the South Central Region's Deputy Comptroller,. Harrison--known as the "bird lady of Hillah" because of the large bird cage in her office with more than 20 birds--told the auditors that Stein was on emergency leave in the States because his son had brain cancer. The auditors would later learn that Stein was actually on an all-expense paid trip to Disneyland with his son, paid for by Bloom. The auditors immediately begin pressing Harrison for documentation on the use of money by the South Central region for reconstruction projects. She was unable to provide the requested documentation but attempted to allay the auditors' concerns by

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assuring them that all the required documentation was located somewhere in the building and she would get it from Stein when he returned.. Harrison emailed Stein warning him warned that SIGIR's auditors were onto his criminal schemes. "Don't worry," Stein replied, "SIGIR will never figure it out." (need footnote)

The Audits Begin

The auditors' suspicions that fraud was occurring at Al Hillah were now very high. They initiated an audit to track every dollar spent by the South Central Region, and sought first to determine the amount of money the CPA Comptroller had given Stein for reconstruction activities in the South Central Region. The CPA Comptroller's documents indicated that Stein had received three disbursements totaling $57.8 million in cash[6]. But the lead CPA-IG auditor found a computer picture in Al Hillah showing $58.8 million. When the CPA-IG's auditors alerted the then CPA Comptroller to the fact Stein had receive at least one disbursement of $58.8 million in cash, the Comptroller responded, "I have no idea how much [money] Stein got." The auditors found other incriminating photos, including one showing several hands reaching into a suitcase containing millions of dollars in cash, with one hand - Stein's - sporting a brand new Breitling watch, which he had recently received from Bloom.

The auditors confronted Stein about the amount of DFI funds entrusted to his care. He told them that he had traveled to Baghdad in January 2004 with three others from Al Hillah in two unarmored SUVs to pick up millions of dollars in cash from the CPA Comptroller's vault. According to Stein, he met with the Comptroller's staff, signed a receipt (which the Comptroller could not produce), backed up his SUV to the Palace entrance, and loaded over $58 million in cash into the back. "It's amazing," he said. "The vault had pallet upon pallet of hundred dollar bills. This was more cash than Donald Trump has ever seen in his life. When you work around money like that it becomes 'so what,' it's just paper. The procedures were so lax it was unbelievable. I worked government contracts before in the States, so I know," Stein said.[7]

The alarmed CPA-IG auditors then called the IG with the bad news: evidence of fraud was rampant in Al Hillah. The IG promptly deployed investigators to Hillah to support the auditors' work. The CPA-IG's the lead auditor had documented a litany

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various acts of alleged fraud, waste, and abuse by Stein and Bloom. The most flagrant examples were two pet projects of Stein's: the Babylon Police Academy and the Karbala Library, which were used as vehicles to transfer the lion's share of illegal money to Bloom.

The Babylon Police Academy

The Babylon Police Academy was intended to be the leading police training institute for the South Central Region. Stein awarded eleven contracts and four grants to Bloom for demolition work, barracks and classroom construction, generators, and other equipment.[8] Upon review of the contracts and grants, the CPA-IG's auditors found that Stein had kept the costs of each below the $500,000 mark to avoid having to seek approval from the CPA Comptroller. Moreover, the learned that he disbursed all the contract and grant funds before they were signed. A Stein accomplice issued Bloom certificates of completion, stating that all required work was done. But when the CPA-IG auditors visited the academy, they found that much of the work had not been accomplished.[9] The auditors concluded that Stein "needlessly expended almost $1.3 million in contract funds for duplicate construction; equipment not needed, not delivered, and overpriced" and "could not account for more than $2 million of disbursed grant funds."[10] They were also "unable to clearly determine" whether the remaining $4 million had been used to meet contract obligations.[11]

The Karbala Library

Located in the Shi'a holy city of Karbala, the Karbala Library houses southern Iraq's most important collection of Arabic translations of western literature, as well as books on history, philosophy, politics, and science. Stein awarded five contracts to Bloom ostensibly for the repair of the aged facility, to purchase furniture and new bookcases, to provide internet services and landscaping, and to train librarians. Stein also approved a $210,000 grant to pay librarian salaries and issued 33 micro-contracts to Bloom, worth approximately $535,000, to purchase 30,000 books.[12] When auditors visited the library, they found problems similar to those uncovered at the Babylon Police Academy: little work had been done but all the funds had been disbursed The library's

manager told the auditors that he never received the grant money for salaries or books. The CPA-IG auditors concluded that more than $1.8 million was potentially fraudulently disbursed for on contracts and grants for the Karbala Library.[13]

End-Game

SIGIR auditors spent months in Al Hillah carefully reviewing documentation, visiting alleged project sites, and interviewing South Central Region personnel. A series of SIGIR audits issued in 2005 detailed numerous egregious findings, including that the CPA's "management controls" of cash disbursements to the South Central Region were so weak that "the South-Central Region paying agents and the DFI Account Manager could properly account for or support $96.6 million in cash and receipts."

SIGIR's investigators, along with partners from the Internal Revenue Service and Immigration and Customs Enforcement, soon pieced together the spectacular array of evidence that the auditors had uncovered, proving a complex fraud conspiracy that embraced a number of senior officials in Al Hillah. They took their case to Department of Justice prosecutors and a grand jury was empanelled. Subpoenas were issued and, in November 2005, Robert Stein was arrested at his home in Fayetteville, North Carolina.

Seven people were convicted for their roles in Stein-Bloom criminal scheme, and another has been charged and is awaiting trial. The two ringleaders, Stein and Bloom, received jail sentences of nine years and 46 months respectively. Stein was convicted on money laundering and fraud charges, while Bloom pleaded guilty to three counts of conspiracy, bribery and money laundering.[14] Lt. Col. Bruce Hopfengardner, who conspired to direct contracts to Bloom and received $100,000 in kickbacks, was convicted and sentenced to 21 months in prison. Lt. Col Debra Harrison, the acting Comptroller at CPA-Hillah who oversaw the expenditure of CPA funds for reconstruction projects and eventually pleaded guilty to fraud. She is awaiting sentencing. After a lengthy October 2008 trail, Colonel Curtis Whiteford, once the second-most senior official at CPA-Hillah, and Lt. Colonel Michael Wheeler, an advisor on CPA reconstruction projects, were convicted of conspiracy to commit bribery and interstate transportation of stolen property. Whiteford and Wheeler are also awaiting sentencing. Steven Merkes, a civilian DOD employee in Stuttgart, Germany, and operational support

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planner in the Future Operations Division of the U.S. Army Headquarters, Special Operations Command–Europe, pleaded guilty to a charge of accepting an illegal gratuity from Bloom and was sentenced to 12 months in prison.

Although Federal prosecutors proved beyond a reasonable doubt that that the Hillah criminal gang stole at least $8.6 million, the full extent of their fraud was probably greater. "We'll never know how much they really stole," said SIGIR's lead investigator

The Cockerham Case

In 2006, agents from the Departments of Defense, Treasury and Justice and SIGIR helped break up a multi-million dollar fraud scheme at Camp Arifjan, Kuwait . On July 22, 2007, U.S. Army Major John Cockerham, the chief perpetrator of the scheme, was arrested by federal agents for bribery, money laundering, and conspiracy. While serving as a contracting officer in Kuwait, Cockerham solicited and received more than $9 million in bribes from Defense Department contractors in exchange for steering them contracts for bottled water and other goods and services. Cockerham's wife and sister were also charged for their money-laundering roles in the conspiracy. Major Cockerham and his wife pleaded guilty on January 31, 2008, and his sister is scheduled to go on trial in March 2009.[15]

Major James Momon, Jr., the officer who replaced Cockerham in Kuwait and continued the crime scheme, also pleaded guilty to bribery and conspiracy to commit bribery. According to his plea agreement, entered on August 13, 2008, Momon was accepted $5.8 million in bribes from five defense Department contractors supplying goods and services to U.S. military bases in Kuwait. Momon awaits sentencing.[16]

The Cockerham case exemplifies the importance of joint law enforcement oversight efforts, especially in the fluid environment of a contingency relief and reconstruction operation.

Investigation Results

Over the past five years, SIGIR has built a robust investigative capacity, with 26 investigators on staff, six of whom are deployed to Iraq. SIGIR investigations, which often involve teaming with other law enforcement organizations, have produced 18

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indictments, 13 convictions, 5 imprisonments, and more than $17 million in fines, forfeitures, and restitution payments. The investigative program continues to develop new cases and many new indictments are expected in 2009.

SIGIR and the other law enforcement agencies operating in Iraq have secured a notable number of convictions. The following table provides an overview of those cases.

[INSERT UPDATED VERSION OF TABLE CONTAINED ON PAGE 202 OF APRIL 2008 QR.]

Fighting Fraud in Future Contingencies

Weak or absent oversight in contingency relief and reconstruction operations can permit the unscrupulous to prosper. This was the case early on in Iraq. Future contingency operations must include a robust law enforcement element from the outset to ensure that U.S. taxpayers' dollars are not subject to criminal abuse – and, when they are, to ensure that the perpetrators are brought to justice. Although maintaining the proper balance between operational effectiveness and strong oversight will always be challenge in a contingency operation, the balance should favor more oversight. Corruption can derail well-laid operational plans, and thus every measure must be taken to deter it.

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[1] SIGIR interview with Robert Stein, former Comptroller of CPA-South Central, Petersburg Federal Correction Institution (Virginia), [date?].
[2] Interview conducted at federal penitentiary, Petersburg, VA, June 13, 2007, by Ginger Cruz, witnessed by Roy Johnson, SIGIR DAIG Investigations.
[3] Interview conducted at federal penitentiary, Petersburg, VA, June 13, 2007, by Ginger Cruz, witnessed by Roy Johnson, SIGIR DAIG Investigations.
[4] Rand National Defense Research Institution, *Developing Iraq's Security Sector: The Coalition Provisional Authority's Experience*, 2005, prepared for the Office of the Secretary of Defense (written by Andrew Rathmell, Olga Oliker, Terrence K. Kelly, David Brannan, Keith Crane).
[5] United States of America v Philip Bloom, In the United States District Court for the District of Columbia, Criminal No. 05-604, February 7, 2006.
[6] "Control of Cash Provided to South-Central Iraq," SIGIR Report No. 05-006, April 30, 2005.
[7] SIGIR interview with Robert Stein, former Comptroller of CPA-South Central, Petersburg Federal Correction Institution (Virginia), [date?].

[8] "Management of the Contracts and Grants used to Construct and Operate the Babylon Police Academy," SIGIR Report No. 05-016, October 26, 2005.
[9] Management of the Contracts and Grants used to Construct and Operate the Babylon Police Academy," SIGIR Report No. 05-016, October 26, 2005.
[10] Management of the Contracts and Grants used to Construct and Operate the Babylon Police Academy," SIGIR Report No. 05-016, October 26, 2005.
[11] Management of the Contracts and Grants used to Construct and Operate the Babylon Police Academy," SIGIR Report No. 05-016, October 26, 2005.
[12] "Management of the Contracts, Grants, and Micro-Purchases used to Rehabilitate the Karbala Library," SIGIR Report No. 05-020, October 26, 2005.
[13] "Management of the Contracts, Grants, and Micro-Purchases used to Rehabilitate the Karbala Library," SIGIR Report No. 05-020, October 26, 2005.
[14] United States of America v Philip Bloom, In the United States District Court for the District of Columbia, Criminal No. 05-604, Plea Agreement, February 7, 2006
[15]
[16] The case continues to unfold. In September 2008, federal courts indicted a DoD contractor and a civilian contractor for their roles in the fraud.

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Chapter 22

KHALILZAD'S ADAPTATIONS

We must not forget the importance of improving Iraqi lives in their communities across the country. Iraq requires not only good government at the center, but also effective local government and strong coordination between the provincial and central governments.

- Zalmay Khalilzad
United States Ambassador to Iraq (2005-2007)[*]

The Iraq that Zalmay Khalilzad left in the spring of 2003—when he had served as special presidential envoy and ambassador-at-large to the free Iraqis—was not the country to which he returned as the new U.S. Ambassador in June 2005. Khalilzad's attempt to piece together an interim Iraqi government with Jay Garner in April 2003 was superseded by an occupation in which the CPA assumed all governing responsibilities. Iraqi factions reacted violently, turning against each other and the Coalition. Two years later, the violence had claimed the lives of nearly 25,000 Iraqi civilians, 1,328 coalition soldiers, and 330 contractors.[1] "Security," Ambassador Khalilzad said, "was a defining issue, shaping everything, and it got more complicated over time."[2]

Khalilzad—the Bush Administration's highest-ranking Muslim official—is an American of Afghan descent, born in Afghanistan and raised as a Sunni. He watched Iraq's descent into violence from the country of his birth, where he had served as ambassador since November 2003. During his Ambassadorship in Kabul, Khalilzad succeeded in helping Afghani leaders draft a constitution and strengthen their new democratic government. Most notably, Khalilzad pioneered Provincial Reconstruction Teams (PRTs), a novel approach to stabilizing Afghan provinces that mixed military units with civilian development experts.[3]

The U.S. reconstruction program that Khalilzad took over in Iraq was several orders of magnitude larger than the effort he had supervised in Afghanistan. In the economy-of-force operation that Khalilzad had led in Kabul, all the relevant high-level military and civilian staff could fit around a single table. In Baghdad, Khalilzad arrived to an immense, sprawling

[*] Ambassador Zalmay Khalilzad, "Remarks by Ambassador Zalmay Khalilzad for the Inauguration of the Salah ad Din PRT," Baghdad Embassy Press Release, October 12, 2006.

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enterprise, with separate military and civilian headquarters on opposite sides of the city managing separate—and frequently disconnected—reconstruction missions.

Iraq's desperate political and security situation required Khalilzad's immediate intervention. The Sunni boycott of the January 2005 elections left the Interim Iraqi Government dominated by Shi'a and Kurdish factions, who maneuvered to consolidate control over federal and provincial institutions. The increasing polarization fueled an escalation in sectarian violence that slowed the pace of reconstruction and dimmed prospects for national reconciliation. Khalilzad needed a new strategy.

A Strategic Reassessment

Before the new ambassador's arrival, the Departments of Defense and State had begun independent reviews of reconstruction strategy. Secretary Rumsfeld dispatched retired General Gary Luck to Iraq to review security force training. Luck's assessment advocated a significant expansion in U.S. advisory support to Iraq's security forces. His call to expand in-the-field training of Iraq's army and police seconded an emerging consensus in Washington for increased investment in the security sector.[4] In response the Congress created the Iraq Security Forces Fund (ISFF) in May 2005, appropriating $5.7 billion to it.[5] The ISFF opened a second stream of reconstruction funding that would, in time, rival the IRRF in size.[6]

In early February 2005, newly-confirmed Secretary of State Condoleezza Rice sent a team to Iraq led by Ambassador Richard Jones, the former CPA Deputy Administrator.[7] Jones concluded that violence and fragmentation had caused the Iraqi state to fail and called for the reconstruction effort to pivot from a direct capital-investment approach to a capacity-building focus. The Jones report reached troubling conclusions about the civilian element of the program, finding that reconstruction efforts as currently configured—with personnel generally restricted to the Green Zone and only four regional outposts—was ill-suited to revive Iraq's provincial and local governments. Jones called for new joint civil-military teams to deploy into the provinces, possibly placing one in every combat brigade.[8] The Jones team also found that the lack of on-the-job mentoring of police forces led to poor neighborhood policing, a critical weakness in a country seized by an insurgency.[9]

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Ambassador Khalilzad used these and other reviews to develop a new strategy.[10] First, Khalilzad sought to broaden Sunni participation in the political process, hoping to convince Sunni insurgents to view the United States as an "honest broker" and thus to encourage them to lay down their arms. Khalilzad believed that only if Sunnis re-engaged with the government could he shepherd the country's leaders through the difficult process of writing a constitution. Its goal was to forge a "national compact" that would yield at least a truce among Iraq's sects and lay the groundwork for longer-term peace building.[11]

Khalilzad's second priority was to defeat the burgeoning insurgency, a task that demanded close collaboration with General George Casey, commanding general of MNF-I. After considering several counterinsurgency strategies, Khalilzad favored the "oil-spot" approach advocated by defense-policy analyst Andrew Krepinevich, which called for the targeted application of military force to create safe havens from which stability could be extended.[12] The success of the oil-spot approach hinged upon the delivery of reconstruction aid immediately after military clearing operations that suppressed violence. Local populations would support Coalition efforts only if they saw tangible, sustainable improvements in their quality of life. Whether to adopt a more-aggressive country-wide counterinsurgency posture or keep the military mission focused on transition to Iraqi security forces would later become the subject of intense debate between Secretaries Rumsfeld and Rice, with Rumsfeld favoring the latter.[13]

Khalilzad also had to grasp the complexities of the disjointed reconstruction effort.[14] Upon his arrival in Baghdad, Khalilzad's first act—like Negroponte before him—was to freeze all IRRF 2 obligations while he conducted a bottom-up review. "He was not convinced that the decisions of 2002 and 2003 were relevant to the world of summer 2005," said Ambassador David Satterfield, Khalilzad's Deputy Chief of Mission.[15] Khalilzad wanted to move funding into civilian stability operations that would help support a counterinsurgency campaign and emphasize IRRF projects that would have an immediate impact. "I came to do a job," said Khalilzad of his IRRF 2 review, "And the question was really, 'how much did I have of the $18 billion?'"[16]

IRRF 2 Winds Down

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Khalilzad landed in Iraq as the actual rebuilding work under IRRF 2 peaked. By the end of June 2005, the United States Congress had appropriated almost $30 billion in taxpayer dollars for Iraq's reconstruction to various accounts, including IRRF 1, IRRF 2, the Economic Support Fund, the Commander's Emergency Response Program, and the Iraq Security Forces Fund.[17] The Development Fund for Iraq and international donors who had pledged $13.87 billion in loans and grants at the Madrid Donor Conference also funded reconstruction, but only a small percentage of the Madrid pledges were being kept.[18]

After a long planning and mobilization phase, the sweeping reconstruction program initiated by Ambassador Bremer's CPA—and modified by Ambassador Negroponte's re-programming—was running in high gear, with a thousand projects finished and a thousand more underway. Tens of thousands of private contractors from hundreds of firms were now at work across Iraq, with an estimated 180,000 Iraqis employed on U.S.-funded projects.[19] Of the $18.44 billion IRRF 2 appropriation, nearly three-quarters had been obligated and a third disbursed.[20] Under the structure set up in Baghdad, State Department officials directed most programs, while the Defense Department officials executed the lion's share of their funding, managing seventy cents of every U.S. dollar spent, with the rest divided among USAID, the Department of State, and Treasury.[21]

Despite extraordinary outlays of cash and other resources, IRRF 2 was not achieving its goal of stabilizing Iraq or improving infrastructure outputs. Delivery of essential services continued to lag behind targets established by reconstruction managers.[22] Oil revenues were not yet sufficient to fund Iraqi government operations or a nationwide reconstruction program.[23] The power grid remained unreliable; fuel shortages, sabotage, and a fragile distribution system caused frequent blackouts, including one nation-wide in August 2005.[24] Rising security costs and the cancellation or delay of dozens of water-sector projects made it unlikely that the Coalition's original goals for potable water and sewage would be met.[25] In all sectors, rebuilding was more difficult, more expensive, and more time-consuming than anticipated, primarily because of continuing violence, but also due to contracting snarls and quality-control shortfalls. Maintaining what the U.S. built—what officials called the challenge of sustainment—emerged as yet another problem for reconstruction managers.. Some completed projects transferred to Iraqi control were falling apart, raising concerns that Iraqi administrators—with their outmoded

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technical skills, limited management capacity, and uneven access to spare parts and supplies—would be unable to maintain the new facilities.[26]

Despite some significant local successes, the reconstruction effort had yet to generate the hoped-for nationwide goodwill that might temper attacks against Coalition forces and calm tensions among Iraq's rival groups. Most Iraqis perceived their lives as no better than under Saddam; for some, life seemed worse.[27]

IRRF 2 Design Flaws and the "Reconstruction Gap"

By the spring of 2005, policymakers were beginning to identify internal weaknesses in the reconstruction program. Poor interagency cooperation across the vast enterprise was plainly evident. At least a dozen offices representing six U.S. agencies directly spent IRRF 2 funds. According to a SIGIR report, there was "minimal, if any, integration among the various systems that these offices used to manage information on contracting, finance, and projects."[28]

Incompatible data systems made generating a reliable, consolidated view of all activities a virtually impossible task. The reconstruction program lacked the basic elements of integrated program management, including a database that could match projects with the contracts that fund them and estimate how much their completion would cost. The organizational fragmentation made it difficult to present an accurate picture of progress.[29]

How the institutions that managed reconstruction interfaced with each other was also a leading cause for concern. The July 2003 decision by CPA to create an ad hoc contracting and management structure—the Program Management Office—had by 2005 led to many degrees of separation among Coalition officials, contractors, and the mid- and lower-level Iraqi officials who would inherit what had been built or rebuilt.

At the very bottom of this administrative ladder was an army of contractors who actually did the bricks-and-mortar work. The project scopes and requirements to which they built frequently were not determined in partnership with the ultimate customer—the Iraqis—as should ordinarily happen. Instead, the attempt by U.S. program officers to work on the Iraqis' behalf frequently ran afoul of what they wanted. By 2005, U.S. reconstruction officials were concentrated in the Project and Contracting Office (PCO). But USAID, State, the Multi-National Force–Iraq, the Joint Contracting Command-Iraq, and USACE also had contracting and/or

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program officers, and for most projects, USACE/GRD provided quality assurance and independent verification of the results.[30]

Yet another player was the Iraq Reconstruction Management Office (IRMO). The Ambassador made IRMO responsible for overall policy guidance on reconstruction programs and granted its director the additional title of "Strategic Director of Economics and Governance," with broad responsibilities for ensuring program coordination.[31] Despite this mandate, the execution of individual projects continued to fall to PCO. Through the complicated reporting relationship decreed in NSPD-36, both IRMO—an office of the State Department—and PCO—an office of the Defense Department—reported to the Ambassador through the Deputy Chief of Mission. But PCO also had a "support chain" through the Army, which meant its director also reported to the Secretary of the Army. In the opinion of Lt. General Peter Chiarelli, who returned to Iraq as MNC-I commander in November 2005, IRMO "became another layer that I felt, in many instances, was detached from reality."[32] To Ambassador Khalilzad, however, IRMO was a central node that helped him manage the massive reconstruction enterprise.[33]

The complex of administrative structures that managed Iraq's reconstruction in 2005 and 2006 would have been difficult to navigate in peacetime. But Iraq was not safe, and the violence was killing more contractors each month. MNF-I did not have enough forces to provide fixed security for Iraq's critical infrastructure—oil pipelines, refineries, and electrical substations—and still conduct its other counterinsurgency operations. Thus, contractors and civilian government officials relied on the private sector for security.

Private security services, provided by dozens of companies, protected reconstruction programs, with security pushing up a typical project's price-tag by an average of between 12 and 22 percent.[34] The need to guard Coalition advisors as they worked within Iraqi ministries drove security costs for capacity-building projects higher still, ranging from 24 to 53 percent.[35] Because contracts let under IRRF 2 assigned responsibility for security to the contractor, expenses for guards and hardening facilities were taken directly from funds that would otherwise have been used for "brick and mortar" work. To make up the difference, projects had to be de-scoped or given additional funds.

The insurgency had a powerful second-order effect. By restricting most reconstruction personnel to the Green Zone, the violence disrupted the oversight relationships necessary to ensure a project's successful completion. Program managers, contracting officers, contractors,

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and the engineers who conduct quality assurance normally work together in the field, but insurgent activity made such face-to-face collaboration impossible. What would ordinarily have been done onsite was now done via email, sometimes through hired Iraqi surveyors using digital cameras to take pictures, or not at all. Teams from GRD continued going on missions from their offices in south, central, and northern Iraq, but security conditions drastically curtailed their size and number.

Although a number of Iraqis found employment as subcontractors, IRRF 2 did not bring about the large-scale job creation that had been originally envisioned. Rather than hiring local firms directly, IRRF 2 introduced a competitive contracting process similar to what was used in the United States. Letting contracts under the Federal Acquisition Regulations put Iraqi firms—most of whom knew nothing about federal contracting—at a severe disadvantage. The acquisition regulations mandated by federal law thrust web-based personal identification numbers and thousand-page rulebooks on family-run businesses years removed from the global business environment. Contracting by web, with the submission of hundred-plus-page bids, bewildered Iraqi contractors used to sealing a business deal with a handshake. Ruth-Ann Ijames, a senior advisor to JCC-I, described the challenge as "trying to make U.S. rules work in a non-U.S. country to mobilize a non-U.S. economy."[36]

A second roadblock to the use of Iraqi contractors was the need for start-up capital, which Iraqis could not easily obtain. IRRF 2 contracting used a purchase-order system in which payment was rendered upon delivery of services, not in advance. As a result, Iraqi contractors who had performed satisfactory work on a pay-as-you-go cash basis for military contracting officials in the pre-IRRF 2 days were relegated to the role of subcontractors, working for other firms—often from Gulf States—who mastered the art of bidding on projects and had sufficient capital for start-up costs.[37] This subsidiary position, combined with their unfamiliarity with the complexities of modern contracting, left Iraqi companies vulnerable to predatory business partners from the U.S. and elsewhere.[38]

IRMO director Ambassador Daniel Speckhard explained that "layers of middlemen" emerged as large multinationals "tried to find local partners to be able to implement their programs."[39] Even as the U.S. objective to "employ Iraqis" grew more pressing, the Coalition's actual capacity to do so trended in the opposite direction. IRRF 2 was allowing too many reconstruction dollars to exit Iraq into the coffers of non-Iraqi firms.

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IRRF 2 had emphasized capital expenditures—the building of new facilities—rather than improving existing infrastructure and the ability of Iraqis to sustain it. The end result was that the U.S. invested billions of dollars for only marginal gains in essential services. In the view of one assessment, Iraq was a bleeding patient, hemorrhaging blood at an alarming rate, and only kept alive by expensive American transfusions.[40]

At the time of Khalilzad's arrival, many planned reconstruction projects had yet to start and a significant number that were underway would not be finished, giving rise to what became known as the "reconstruction gap."[41] Increased spending on security needs, higher costs for materials, project delays, cost overruns, multiple reprogrammings, and added expenses for maintenance were identified as causes.[42] All of this left Khalilzad a stark bottom line: "There was very little money left," he said.[43]

The program of reconstruction set in motion by Bremer, and amended by Negroponte, had yet to achieve its goal of giving Iraq a reasonably modern infrastructure upon which a stable economy could be built. It also had not produced the hoped-for reduction in sectarian conflict or a decrease in attacks against Coalition forces. Khalilzad knew it was time to rethink the role of reconstruction in Iraq.

Devising a New Strategy

To assess the situation and propose a way forward, Khalilzad formed the Joint Civil-Military Strategic Planning Group, known informally as the Red Cell. "I took a couple of months to take a top-to-bottom look," Khalilzad said.[44] The Joint Mission Plan issued by Ambassador Negroponte and General Casey in February 2005, and a cable sent in April by the Secretary of State, were the basis of the current strategy.[45]

Khalilzad asked the Red Cell to devise a plan that would break the back of the insurgency in one year and defeat it in three. The Red Cell assessment was more pessimistic: it would take three years to break the insurgency and five years to defeat it.[46] Moreover, the existing strategy—overly focused on transitioning security responsibilities to the Iraqis—would fail if it was followed. A new approach was needed—one that recognized that it was unwise to hand-off security responsibilities to provinces that were at best only marginally ready to perform them. A different way of linking security and reconstruction was also necessary, one that would require

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tighter integration of civil and military efforts and greater focus on civilian stability operations in support of a counterinsurgency campaign.[47]

The heavy reliance on private-sector firms to carry out civilian operations meant that major change would come slowly. "The instruments were pretty constrained," one senior advisor to Khalilzad recalled. "On the civilian side, almost nothing is done directly. Virtually everything is done through a contractor. It's much tougher. If we didn't have a primary contractor on the scene, you can imagine the delay that there would be to put a bid out and get someone over. It's a very tough way to do business."[48]

Ambassador Khalilzad's first impulse was to request a new appropriation from the Congress for civilian stabilization operations. While he was exploring this option, Hurricane Katrina struck New Orleans. After the scale of the devastation became apparent, Khalilzad realized it was unlikely that the Congress would fund new civilian programs for Iraq and instructed his staff to craft a strategy based on the appropriations that had already been made.[49] The strategy they produced focused on three crucial areas: military and civilian integration, achieving the right balance of reconstruction programs, and returning a civilian presence to the provinces.

Military and Civilian Integration

Like Ambassador Negroponte before him, Khalilzad recognized the existing fundamental imbalance between civilian and military assets. Civilian agencies, because of their comparatively small size and concentration in the Green Zone, had limited insight into Iraqi society. Military personnel at the brigade level, on the other hand, ventured daily into Iraqi neighborhoods, but were not as cognizant of the political process playing out in Baghdad or as expert in economic and political development as their civilian colleagues.[50] This mismatch of expertise and reach, along with poor agency integration, existed from the occupation's earliest days. The challenge in 2005, as it was in 2003, was to pair the knowledge of civilian experts with the military's on-the-ground presence.

The concerted movement toward greater integration of civilian and military reconstruction began in mid-2004, when military representatives were encouraged to attend meetings of the embassy country team—composed of the Ambassador and his major subordinates—and the Joint Steering Committee, another Embassy coordinating mechanism.

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After Gen. Casey's arrival, a new Deputy Chief of Staff for Political-Military-Economics at MNF-I worked closely with the embassy's Political-Military Counselor and the Director of IRMO on economics, governance, and reconstruction issues. General Casey also established an interagency Strategic Operations Center, which hosted regular briefings for senior military and civilian staff.[51]

Khalilzad and Casey further augmented these joint staff structures. In 2005, IRMO established "post-kinetic" coordinators whose job was to bring civilian reconstruction resources to bear once military operations had stabilized an area. Key civilian and military staff met weekly in "core groups" on reconstruction, economic policy, political issues, and public communications, each of which became part of an integrated line of operation and reporting in support of goals established in the campaign plan.[52] Joint participation was nurtured, to a degree, in standing committees the military uses to evaluate effects, including the Effects Synchronization Board. Khalilzad also created the Joint Strategic Planning and Assessment office (JSPA) to conduct strategic planning, provide independent analysis, and act as a liaison to the MNF-I planning and assessment offices.[53] JSPA gave civilian analysts more scope to evaluate strategy options in partnership with the military, whose planning staff dwarfed that of their civilian counterparts. "As Zal always said," Ambassador Speckhard remembers, "he wanted to talk about integration, not coordination."[54]

Balance in Reconstruction Programs

"Jointness" was not an end in itself. Above all, U.S. policymakers were asking what combinations of civilian and military operations would produce the desired effects. The Jones assessment team, and later Khalilzad, examined how the panoply of individual reconstruction projects, stove-piped under various categories, could work better as an integrated whole. Military and civilian strategists, in short, pushed for an examination of the approaches underlying reconstruction, and of how civilian operations could be better incorporated into overall strategy.

By 2005, five functional types of reconstruction projects were being executed: public infrastructure; quick-impact, high-visibility; democracy building; transitional stabilization; and capacity building. Each had a role in seeking to pacify Iraq and enabling its newly-elected government to function independent of coalition support.

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Public Infrastructure Projects: Public infrastructure projects, underwritten largely by IRRF 2, are for the most part complex. With the exception of road building and other simple construction, they require specialized engineering and design capabilities, and call for international firms who many times employ non-Iraqi workers. Although a boon to economic development over the long term, upgrades to the water, sewer, electricity, transportation, communication, and oil sectors are expensive, take a long time to complete, generally generate little local employment, and are often invisible to the public.

Quick-Impact, High-Visibility Projects: Small, quick-impact projects undertaken by military commanders are at the other end of the reconstruction spectrum. The military has long used "walking around money" to help tactical units on the ground gain community support, thus improving public perceptions of the Coalition ("winning hearts and minds") and enhancing troop safety (force protection). In Iraq, the Commander's Emergency Response Program (CERP) fulfilled this purpose. Typical projects include trash clean-ups—which improve local sanitation, but also can eliminate hiding places for improvised explosive devices—construction of soccer fields, and building health clinics.[55] While many of these were congruent with broad coalition goals, they were not often coordinated with IRRF 2 programs or the Iraqi government.[56] CERP projects do not tend to foster long-term change on their own but rather are a vehicle for allowing the military to operate with greater local cooperation in the short-term.

Democracy-Building Projects: A small portion of IRRF 1 and 2 funds went to programs to build democracy and civil society, and to foster reconciliation. The community action and local governance programs developed by USAID specifically for post-conflict situations were the primary instruments of this approach. They encouraged participatory politics at the community level, with the goal of helping a viable democratic infrastructure take root. The goal of these "soft" programs was to help Iraqis develop a process for managing their affairs in a democracy and to train civil servants and political leaders at all levels. The impact of programs seeking to instill an understanding of, and allegiance to, the principles of participatory democracy is always hard to measure. Evaluating their success or failure posed a challenge for both embassy management and oversight organizations.

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Transitional Stabilization Projects: The Coalition pioneered another type of intervention. Aimed at stabilizing violent cities, transitional stabilization projects sought to bridge quick-impact projects and longer-term development efforts. In a prototypical partnership in the spring of 2004, USAID's Office of Transition Initiatives worked with the 1st Cavalry Division in Baghdad's Sadr City—a key stronghold of the militant Shi'a cleric Moqtada al-Sadr—to repair battle damage and jump-start economic rebuilding in the wake of major clearing operations.[57] On-the-spot grant-making authority and the ability to let contracts without having to comply with some of the more-cumbersome parts of the Federal Acquisition Regulation—mostly for projects employing people in the neighborhood—led to quick results.[58] These projects—which ranged from sewer repair to grants to local businesses—were typically initiated and monitored exclusively by Iraqi employees of the Coalition, who operated with relative freedom in their own society. Keeping the Iraqi employees who spearheaded these collaborations safe from insurgent attack often meant disguising the project's source of funding; keeping the projects themselves safe meant not advertizing their location, even within the Coalition. The full impact of USAID transitional stabilization projects thus remained hidden from both Iraqis and many U.S. officials.[59]

Capacity-Building Projects: For infrastructure projects to produce the desired essential services, and for the Iraqi government to function effectively, personnel at all levels must be properly trained and have at their disposal working systems for planning, budgeting, and operations. Some IRRF 2 projects aimed to build this "capacity" where it did not exist and to strengthen existing administrative systems. Capacity-building programs undertaken with IRRF funds ranged from classroom training for operators of electrical power plants to installing systems of accounting and information management inside government ministries. Only by building this institutional capacity within Iraqi ministries and the infrastructure they oversee can the U.S. investment in Iraq be sustained.

Ambassador Khalilzad's advisors concluded that they needed a framework for analyzing what mixture of these various approaches to apply and how to match funding and support for them in the constituent parts of the reconstruction effort.[60] IRMO consultants to Iraqi ministries, USAID program managers, MNF-I personnel, and soldiers on the ground each worked according

to their own priorities, used their own funding streams, and were only loosely bound by any overarching plan. Integration was missing.

Returning to the Provinces

Ambassador Khalilzad and his staff moved to expand civilian operations in the provinces, reversing a trend that had started after June 2004, when concerns about deteriorating security and anticipated budget shortfalls led the State Department to close most CPA provincial offices and consolidate a small number of civilian personnel in four Regional Embassy Offices—Basrah, Hillah, Mosul, and Kirkuk.[61]

When Iraq gained sovereignty in June 2004, the number of senior advisors working inside Iraqi ministries was also cut significantly. Under IRMO, they were no longer powerful "shadow ministers," but served more as consultants. The draw-down reflected the views of incoming State Department personnel who argued for the development of a normal embassy structure, in which fewer Coalition personnel would be involved in Iraqi affairs. In the prevailing State Department view, this would push the Interim Iraqi Government to take responsibility for its actions. Consolidating the smaller number of advisors within political and economic sections would also enhance the embassy's in-house ability to manage political and economic affairs. "The State Department tried to make it a normal mission," strategic analyst Andrew Rathmell said, but "quickly discovered this would not be possible."[62] Hopes of returning to a normal embassy stayed alive, however. Khalilzad had to rebut calls for traditional State Department structures and protocols so often that he came up with a one-line riposte: "As soon as we have a normal mission," Khalilzad would shoot back, "we'll have a normal embassy."[63]

In contrast to the removal of U.S. advisors from ministries and provincial institutions in 2004, the number of Coalition personnel assisting in developing the Iraqi security forces increased as MNSTC-I began embedding teams of advisors in Iraqi units down to the battalion level. The opportunity to forge enduring relationships between Coalition and Iraqi personnel and fine-tune operations from within the system proved to be "a formula for success" in the eyes of its practitioners.[64]

In reconstruction, the strategy of "pulling back to let the Iraqis do it themselves" failed to stabilize Iraq.[65] Iraqi provincial governments remained weak and disconnected from the central

government. Improving the delivery of essential services—and the credibility of Iraq's government—would only occur if provincial institutions were strengthened.

By the spring of 2005, the U.S. embassy reached consensus on two courses of action: to reconstitute its ability to influence and monitor provincial affairs and to return to the concept of embedding U.S. personnel in Iraqi institutions in order to develop their capacity for self-rule. Khalilzad seized on the consensus that more should be done and launched two far-reaching initiatives: Provincial Reconstruction Development Councils and Provincial Reconstruction Teams

Provincial Reconstruction Development Councils: In the spring of 2005, the U.S. mission reinforced the Provincial Reconstruction Development Councils (PRDCs), the first joint Iraqi-American vehicle explicitly aimed at building capacity in regional governing institutions.[66] The councils, which had existed in fifteen provinces in various forms since the CPA days, became an important instrument of coordination that brought together local Iraqi officials and the Coalition personnel overseeing reconstruction in their province. Everyone had a seat at the table: elected Iraqi officials and their municipal staffs, USAID representatives, Civil Affairs soldiers, and U.S. embassy representatives. The development councils became a forum where these stakeholders could collectively evaluate provincial needs and match them with available U.S. and Iraqi resources.[67]

In most provinces, PRDCs drew up prioritized lists of projects in line with national and provincial development plans. They then worked to secure funding. In June 2005, IRMO allocated $241 million to the PRDC partnership—$80 million through CERP and $161 million through USAID's Community Action Program and Local Governance Program.[68] Councils also had their own funding provided by the Iraqi government that, together with U.S. funding, eventually amounted to about $10 million per province.[69] This was a relatively modest amount, but it marked the start of a trend towards greater spending and control by provisional governments.

Provincial Reconstruction Teams: Khalilzad's introduction in Iraq of Provincial Reconstruction Teams—a concept he brought from Afghanistan—would be his most enduring contribution to the reconstruction program.[70] Building on the PRDC concept and recommendations of the Jones

review to project civilian power beyond the Green Zone, he and Gen. Casey deployed mixed teams of military and civilian reconstruction personnel in the regions. Their mission was to work directly with provincial governments and military brigades. Although some advisors—including then-Lt. Gen. Raymond Odierno and Philip Zelikow, the State Department's Counselor—called for small teams to be embedded in every brigade, Khalilzad preferred fielding fewer larger teams that remained under Embassy control and maintained their own arrangements for basing and support.[71].

The Provincial Reconstruction Team (PRT) initiative in Iraq was originally conceived as a two-phase program over four years. It was to have a complement of ten PRTs, seven led by the United States and one each by the UK, Italy, and Korea.[72] The PRTs' mission, set forth in a Joint Cable to the Secretary of State, was to "assist Iraq's provincial governments with developing a transparent and sustained capability to govern, promote increased security and rule of law, promote political and economic development, and provide the provincial administration necessary to meet the basic needs of the population."[73] PRTs harkened back to the CORDS program in Vietnam, in which USAID and military personnel worked on rural development as part of a counterinsurgency campaign.[74]

Secretary of State Condoleezza Rice delayed announcing the PRT program until the Iraqi constitution was ratified by national referendum on October 15, 2005, not wanting to give the impression that the U.S. government presumed the existence of the regional governance structure before the Iraqis had approved it. In a surprise visit to Iraq, she inaugurated the first PRT in Mosul on November 11, 2005.[75]

The PRT program established a formal framework in which military and civilian personnel could work as an integrated team, rather than as a partnership between separate military and civilian offices. Coaxing the Departments of State and Defense to set the terms of their first major operational collaboration in Iraq required a herculean effort that touched off frequent arguments between MNF-I, the embassy, and Washington. A patchwork quilt of memoranda of agreement, cables, and military orders—many of them at cross-purposes—evolved to codify policy for PRTs. More than a year elapsed before basic issues of budgets, the provision of security, and command and control relationships were resolved, delaying the PRTs' full deployment and limiting their early effectiveness in the field.[76]

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—*PRTs: Control and support:* The original PRT command structure put the Department of State in charge of the program, with a military deputy assigned to each civilian team leader. The chain of command and the legalities of program support, however, were ambiguous. By law, State Department officials do not have a place in the military's chain of command. Some Defense Department officials thought the PRT guidelines gave the State Department more control over military assets than was acceptable under Title 10 of the U.S. Code.[77]

The exceptionally high cost of providing security for PRTs led to a second disagreement. Throughout Iraq, civilians and their movement teams donned armor-plated vests when they ventured "outside the wire," traveling on roads that at times were mined with explosives and through neighborhoods where ambushes sometimes occurred. Only when supported by platoon- and company-level firepower could the PRTs carry out their mission in an active combat zone. Whether PRTs were to be supported by military units, as the Department of State wanted, or by private security details, as the Department of Defense advocated, remained unsettled for some time.[78] Early consideration was given to the use of civilian security contractors for all PRTs, but the notion was abandoned because of the unsustainable price tags.[79]

There were also debates over budget resources. According to the original agreement reached in Baghdad, the Department of State would pay for establishing and hosting PRTs at Regional Embassy Office (REO) sites, while MNF-I would fund those located on forward operating bases.[80] In April 2006, the MNC-I Staff Judge Advocate General ruled that the Department of State is responsible for the mission and that Department of Defense operation and maintenance funds could not be used to support PRTs.[81]

The operational impact of this administrative stalemate was immediate. When the Regional Embassy Office in Mosul closed, it left the Mosul PRT without security or housing, forcing the team to relocate to Forward Operating Base Marez. The first PRT, personally launched by the Secretary of State, lost its dedicated budgetary and movement support, forcing it to rely on the support of the base commander, who redirected funds intended for other purposes as a stop-gap. For months the PRT had no budget for office supplies or for maintaining its network of computers, and no dedicated funds of its own for reconstruction.[82]

The unexplored frontier of civil-military operations in Iraq was the root problem, leading to shortfalls in integrated financial and policy support on the part of two departments unaccustomed to working together. "The PRT policy emerged well before resources started

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flowing," Andrew Rathmell explained.[83] Thus began what one officer called "the REO-PRT shell game."[84] To end the impasse, Maj. Gen. Bill Caldwell, the MNF-I Deputy Chief of Staff for Strategic Effects, proposed that Ambassador Khalilzad and Gen. Casey sign a memorandum declaring PRTs a joint mission. The draft, however, included a cost-sharing formula that increased the burden on the Department of State. State Department officials in Washington sought redress from the National Security Council and the Joint Staff, who in turn left it to the embassy and MNF-I to negotiate a solution. It took nearly a year before lawyers at the Departments of State and Defense negotiated a security cooperation agreement for the PRTs.[85]

—*PRTs: Personnel:* Staffing the PRTs proved to be another enormous challenge. Finding individuals with the right combination of experience, expertise, and judgment was difficult. The Department of State and other civilian agencies struggled to field adequate numbers of civilian advisors, leaving many PRTs at half capacity and forcing the military to fill the positions with soldiers who could not be expected to have the right expertise or experience.[86]

The mismatch of needs and staff had significant consequences in the field. A SIGIR review of the PRTs' first year of operation found a veterinarian developing agriculture programs, an aviation maintenance manager as a PRT co-leader, and advisors to Iraqi provincial governors that included a Navy submariner, an ultrasound technician, and an infantry drill sergeant.[87] PRTs, on the whole, were short of personnel who could best assist Iraqis in developing the capacity to administer the economy, establish the rule of law, and foster good governance. Staffing challenges, the unresolved budget issue, and troop shortages at prospective PRT sites hindered the operations of several PRTs and canceled the deployment of another. SIGIR's 2006 audit found that of the nine PRTs and four satellite offices reviewed, four were "generally able," four were "somewhat able," three were "less able" and two were "generally unable" to carry out their mission.[88]

~ *Iraq and Afghanistan: A Brief Comparison* ~

Early success in Afghanistan in 2002 suggested a model that might work in Iraq in 2003. The U.S. goals in the two countries were similar—to establish new

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democracies and defeat terrorism. But the geopolitical, economic, historical, and cultural differences between the two countries complicated applying the Afghan model to Iraq.

Soon after Afghanistan's Taliban government was toppled in late 2001, the U.S. installed a new government led by Afghan expatriate Hamid Karzai. Under Karzai's leadership, the Afghan Transitional Authority sought to set the country on a path toward democratic stabilization. Karzai was formally elected president on November 3, 2004, and was still in that position at the end of 2008.[89] ORHA's leader Jay Garner and Presidential Envoy Zalmay Khalilzad aimed to replicate the Afghanistan model, including the rapid transfer of control to an Iraqi interim authority. But, no "Karzai-like" figure emerged and thus the quick creation of a sovereign interim government was abandoned. After more than a year of CPA-led occupation, the U.S. transferred sovereignty the Interim Iraqi Government in late June 2004. Iraq has since been successively led by Prime Ministers Ayad Allawi, Ibrahim Ja'afari, and Nouri al-Maliki.[90]

In 2002, the vast majority of Afghans had no access to essential services such as water and electricity. By contrast, Iraqi citizens were accustomed to such services under Saddam and expected them to continue after his fall. Afghanistan's literacy rate was less than 30 percent when the Coalition invaded, while Iraq's was 74 percent (though it had fallen during Saddam's rule).[91] Twenty-five years of conflict had driven educated Afghans abroad, but Iraq retained a large professional class and a capable workforce during Saddam's reign (although many left during the violence after his fall).[92]

After the U.S. invasion of Afghanistan, U.S. military forces built upon the existing Afghan National Army, with a ceiling of 70,000 soldiers.[93] In Iraq, the CPA disbanded the Iraqi Army shortly after the 2003 invasion and began to build a New Iraqi Army of 40,000.[94] The training of the New Iraqi Army was not initially overseen by the U.S. military but by the CPA. That changed in 2005, and by late 2008, the U.S. military had trained well over 200,000 individuals for Iraq's military.[95]

Provincial Reconstruction Teams (PRTs), initially developed in Afghanistan, were adapted in Iraq in late 2005, but with different missions and organizational structures. In Afghanistan, the PRT mission was to "extend the authority of the Afghan government into the provinces in order to develop a stable and secure environment, enable security sector reform and economic and social development." In Iraq, the PRTs worked with Iraqi provincial and municipal officials and civil-society groups to build local governance capacity, carry out reconstruction projects, and improve security in the provinces.[96] In both countries, PRTs were manned by civilian and

military personnel, but in Afghanistan staffing was weighted toward the military, while in Iraq PRT staffing has been chiefly civilian. Since 2001, the Congress appropriated over $50 billion for Iraq's relief and reconstruction, while just over $30 billion has been appropriated for Afghanistan.[97]

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Clear-Hold-Build

By the fall of 2005, many of the threads of civil-military operations were starting to come together. The growing recognition in military circles that reconstruction is a tactically useful "non-lethal effect" was expressed in a handbook for commanders, "Money as a Weapons System (MAAWS)." Published by MNC-I in October 2005 and distributed widely across Iraq, MAAWS embraced reconstruction as a "critical enabler of everything we do on the battlefield." "Effective application of all available resources," the handbook begins, "is vital to the success of our mission."[98]

At the same time, MNF-I and the Embassy made progress in employing civilian reconstruction resources in the military counterinsurgency campaign. Using the partnership between USAID's Office of Transition Initiatives and the military in Fallujah, Najaf, Samarra, and Baghdad as a model, officials developed a more robust package of civilian stability operations for the Strategic Cities Initiative.[99] In the initiative, MNF-I, in coordination with the National Security Council, periodically designated Iraqi cities for targeted intervention.[100] Now, civilian resources would play a major role in what was primarily a military-led operation.

While the use of reconstruction resources as part of a military-led campaign gained traction with lower-level ground commanders in Iraq, a debate erupted in Washington over the plan. High-level backing for a robust counterinsurgency strategy that blended military and civilian resources materialized in the National Security Council and in the Office of the Secretary of State. It became known as "Clear-Hold-Build," an apt description of the succession of clearing and stability operations undertaken in some of the strategic cities.[101]

Secretary Rumsfeld and General Casey initially opposed this strategy because it would shift the existing military focus away from transitioning security responsibilities to the Iraqis and preparing to draw down U.S. forces. The rift broke into public view after Secretary Rice

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testified in favor of the Clear-Hold-Build approach before the Senate on October 19, 2005, only to be rebuffed by Secretary Rumsfeld, who disavowed the strategy in favor of continuing the emphasis on transition.[102] "Anyone who takes those three words and thinks it means the United States should clear and the United States should hold and the United States should build," Rumsfeld said, "doesn't understand the situation. It is the Iraqis' country. They've got 28 million people there. They are clearing, they are holding, they are building. They're going to be the ones doing the reconstruction in that country."[103]

Settling the argument in Rice's favor, the President publicly put his seal of approval on Clear-Hold-Build in a Veterans Day speech on November 11, 2005.[104] Two weeks later, the White House announced "Clear-Hold-Build" as official policy in the document "National Strategy for Victory in Iraq."[105] The strategy's integration of military, political, and economic lines of operation was a notable milestone in the evolution of the U.S. approach to Iraq. However, critics inside and outside the government asked whether the strategy was sufficiently resourced—with adequate numbers of troops and funding for civilian operations—to be effective. Disagreements between the President's key advisors in the Departments of State and Defense soon appeared to be impeding the execution of the new strategy.[106]

Within six months of Ambassador Khalilzad's arrival in Iraq, the U.S. reconstruction program moved beyond its original emphasis on infrastructure construction. Bringing back to the table experts in development and counterinsurgency refocused the debate on how reconstruction dollars could support the political transition and reduce violence. From spring 2005 forward, the reconstruction effort began to shift. Now the emphasis was on modest Iraqi-led projects designed to deliver jobs and services to the most vulnerable, violent, and strategically-significant neighborhoods—and on working as much as possible through municipal and provincial institutions.

In engineering this shift, MNF-I and Embassy officials forged a more-comprehensive model of civil-military integration that returned U.S. civilian personnel to the regions and put them back inside Iraqi institutions. The gradual acceptance of the need to integrate civilian and military efforts, and to embed coalition personnel with Iraqis at every level, amounted to a rejection of CPA's approach to nation-building, which relied primarily on infrastructure construction and did not sufficiently focus on building capacity inside Iraqi institutions.[107] Although the Rumsfeld-Rice debate on overall strategy continued, leaving the Clear-Hold-Build

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strategy under-resourced for over a year, the utility of its approach became increasingly apparent. Nevertheless, tremendous challenges existed in forging cooperative relationships with Iraqis and between U.S. civil and military personnel below the level of the Ambassador and the Commanding General.

While Khalilzad and a series of strategic review teams succeeded in reconfiguring reconstruction in accordance with a more sophisticated approach to nation-building and the ongoing counterinsurgency campaign, a signal challenge awaited the nascent strategy. The movement of reconstruction personnel out to the provinces and back into Iraqi regional institutions brought to light the deeply dysfunctional relationship between officials in Iraq's central and provincial governments. Only in 2006 would reconstruction managers come to see how U.S. efforts to make Iraq into a federal democratic state actively undermined its public institutions.

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[1] In 2005, the U.S. government did not keep official statistics on civilian deaths; these civilian numbers are estimates by the non-governmental organization Iraq Body Count. See: Iraq Body Count, "A Dossier of Civilian Casualties 2003-2005," July 2005. Coalition and contractor death figures come from Hannah Fischer, Congressional Research Service Report RL32492, "American War and Military Operations Casualties: Lists and Statistics," July 13, 2005, 16; and SIGIR, *Quarterly Report to the United States Congress*, July 2005, 4.
[2] SIGIR interview Ambassador Zalmay Khalilzad, former U.S. Ambassador to Iraq, March 19, 2008.
[3] Zalmay Khalilzad, "Afghanistan's Milestone," Op-Ed, *Washington Post*, January 6, 2004.
[4] Eric Schmitt, "General Seeking Faster Training of Iraq Soldiers," *New York Times*, January 23, 2005.
[5] P.L. 109-13, Making Emergency Supplemental Appropriations for Defense, the Global War on Terror, and Tsunami Relief, for the fiscal year ending September 20, 2005 and for other purposes, May 11, 2005.
[6] By July 2008, ISFF would grow to $17.9 billion. SIGIR, *Quarterly Report to the United States Congress*, July 2008, 4.
[7] SIGIR interview with Philip Zelikow, former Counselor, U.S. State Department, June 26, 2008. See also: Robin Wright and Glen Kessler, "Rice Sends Team to Assess Iraq Transition," *Washington Post*, February 15, 2005; and Bob Woodward, *State of Denial: Bush at War, Part III* (New York: Simon & Schuster, 2006), 387-89.
[8] SIGIR conversations with Philip Zelikow, former Counselor, U.S. State Department, August and September 2008; and SIGIR interview with Celeste Ward, Deputy Assistant Secretary of Defense for Stability Operations Capabilities, September 9, 2008.
[9] SIGIR interview with Philip Zelikow, former Counselor, U.S. State Department, June 26, 2008; and Bob Woodward, *State of Denial: Bush at War, Part III* (New York: Simon & Schuster, 2006), 387-89, 396-97, 412-15.
[10] Khalilzad's transition staff cite four milestone documents that articulate his strategy: a 35-slide briefing delivered to the National Security Council; the written testimony Khalilzad submitted for his Senate confirmation hearing; an op-ed he wrote in *The Wall Street Journal*; and, after the draft Iraqi constitution was written, a speech delivered at CSIS. SIGIR interview with Marin Strmecki, Senior Advisor to Ambassador Khalilzad, January 21, 2008. See: Zalmay Khalilzad, U.S. Ambassador to Iraq, Statement before the Senate Committee on Foreign Relations, June 7, 2005; Zalmay Khalilzad, 'The Battle of Baghdad: Rampant Insecurity—And a Detailed Plan to Combat It," Op-Ed, *Wall Street Journal*, August 23, 2006; and Zalmay Khalilzad, "Iraq: A Status Report," CSIS Statesmen's Forum, July 11, 2006.
[11] Zalmay Khalilzad, U.S. Ambassador to Iraq, Statement before the Senate Committee on Foreign Relations, June 7, 2005.
[12] Krepinevich briefed Khalilzad in D.C. Krepinevich's subsequent article in *Foreign Affairs* was derived from these briefings. Andrew F. Krepinevich, Jr., "How to Win Iraq," *Foreign Affairs* (September/October 2005). Some military officials also refer to this as the "ink spot" strategy.
[13] Public Broadcasting Service, "Interview with Philip Zelikow," *FRONTLINE*, February 6, 2007.
[14] SIGIR interview with Ambassador Zalmay Khalilzad, former U.S. Ambassador to Iraq, March 19, 2008.
[15] SIGIR interview with David Satterfield, former Deputy Chief of Mission, April 14, 2008.
[16] SIGIR interview with Ambassador Zalmay Khalilzad, former U.S. Ambassador to Iraq, March 19, 2008.
[17] U.S. Appropriated Funds ($29.1 billion): P.L. 108-11 ($3.34 billion), P.L. 108-106 ($19.48 billion), P.L. 108-287 ($0.14 billion), P.L. 109-13 ($6.136). SIGIR, *Quarterly Report to the United States Congress*, October 2008, 17-18.
[18] SIGIR, *Quarterly Report to the United States Congress*, July 2005, Appendix F; and SIGIR, *Quarterly Report to the United States Congress*, October 2008, 17-18.
[19] SIGIR, *Quarterly Report to the United States Congress*, July 2005, Introduction, 29-30.
[20] SIGIR, *Quarterly Report to the United States Congress*, July 2005, 23.
[21] The Office of Management and Budget (OMB) reallocated the $18.44 billion of IRRF 2 funds as follows: DoD, $12.98 billion (70.4%); USAID, $3.10 billion (16.8%) DoS, $1.20 billion (6.5%); Treasury $390 million (2.12%); USIP, $10 million (.05%). SIGIR, *Quarterly Report to the United States Congress*, July 2005, 24-25.
[22] For a summary of reconstruction metrics, see: SIGIR, *Quarterly Report to the United States Congress*, July 2005, 29-35.
[23] Oil production was sixteen percent below the Ministry of Oil target of 2.5 million barrels per day. SIGIR, *Quarterly Report to the United States Congress*, July 2005, 30.
[24] SIGIR, *Quarterly Reports to the United States Congress*, July 2005, 33, and October 2005, 19-20.

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[25] For background on progress in the water sector and details about the reprogramming, see: GAO Report 05-872, "Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities," September 2005.
[26] SIGIR, *Quarterly Report to the United States Congress*, October 2005, 3-5.
[27] ABC News Poll, "Iraq – Where Things Stand," December 12, 2005.
[28] SIGIR, *Quarterly Report to the United States Congress*, July 2005, 3.
[29] SIGIR, *Quarterly Report to the United States Congress*, April 2005, 3; SIGIR, *Quarterly Report to the United States Congress*, July 2005, 107; SIGIR Audit 05-021, "Management of Iraq Relief and Reconstruction Fund Programs: Cost-to-Complete Estimate Reporting," October 24, 2005, i; and SIGIR Audit 07-003, "Cost-to-Complete Reporting for Iraq Reconstruction Projects," July 26, 2007, 3.
[30] For more detail on contracting and program management, see: SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006; and SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007.
[31] Ambassador Zalmay Khalilzad, vetting comments to SIGIR, October 27, 2008.
[32] SIGIR interview with Lt. Gen. Peter Chiarelli, former Commander of MNC-I, February 19, 2008.
[33] Ambassador Zalmay Khalilzad, comments to SIGIR, October 27, 2008.
[34] SIGIR Audit 09-005, "Agencies Need Improved Financial Data Reporting for Private Security Contractors," October 30, 2009, 3; SIGIR Audit 06-044, "Fact Sheet on Major U.S. Contractors' Security Costs Related to Iraq Relief and Reconstruction Fund Contracting Activities," January 30, 2007, 2; and DoS, *Section 2207 Report*, January 2006, 8. The January 2006 *Section 2207 Report* also listed water, health care, and roads/bridges/construction projects that were canceled because funds were shifted to security. In addition to reducing funds available for construction projects, rising security costs made it more challenging to estimate the costs to complete projects. PCO management advised SIGIR that, as of March 31, 2005, the estimated cost for project security had risen from the original program baseline of $1.2 billion to more than $2 billion. SIGIR believes that actual costs (e.g., delays caused by security problems, higher force levels than expected) may be much higher. SIGIR Audit 05-011, "Cost-to-Complete Estimates and Financial Reporting for the Management of the Iraq Relief and Reconstruction Fund," July 26, 2005, 4; and GAO Testimony 06-179T, "Rebuilding Iraq: Enhancing Security, Measuring Program Results, and Maintaining Infrastructure Are Necessary to Make Significant and Sustainable Progress," October 18, 2005.
[35] SIGIR Audit 09-005, "Agencies Need Improved Financial Data Reporting for Private Security Contractors," October 30, 2009, 6.
[36] SIGIR interview with Ruth-Ann Ijames, Senior Advisor to JCC-I, June 25, 2006.
[37] SIGIR interviews conducted in Amman, Jordan, with anonymous Iraqi business owners in June 2006; and multiple interviews in Spring 2006 with Browning Rockwell, U.S.-Iraqi business consultant. See also: SIGIR interview with Ruth-Ann Ijames, Senior Advisor to JCC-I, June 25, 2006. The PCO developed a web-based management tool, the Subcontracting Excellence Program Database, to monitor the progress of subcontracted work. Ylli Bajraktari, "Economic Empowerment of Women in Iraq: The New Way Forward," USIP Briefing, May 2006; SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 96; and SIGIR Audit 07-009, "Review of Bechtel's Spending Under Its Phase 2 Iraq Reconstruction Contract," July 24, 2007, 23-26.
[38] SIGIR interviews with several anonymous Iraqi firms headquartered in Amman, Jordan in June and July 2006.
[39] SIGIR interview with Daniel Speckhard, former IRMO Director and former Deputy Chief of Mission, April 29, 2008.
[40] SIGIR interview with Philip Zelikow, former Counselor, U.S. State Department, June 26, 2008; and Bob Woodward, *State of Denial: Bush at War, Part III*, (New York: Simon & Schuster, 2006), 387-89.
[41] The term "reconstruction gap" denotes the differences between what was expected to be built and what was actually built. It was first discussed in SIGIR, *Quarterly Report to the United States Congress*, October 2005, 3.
[42] SIGIR, *Quarterly Report to the United States Congress*, October 2005, 3.
[43] SIGIR interview with Ambassador Zalmay Khalilzad, former U.S. Ambassador to Iraq, March 19, 2008.
[44] SIGIR interview with Ambassador Zalmay Khalilzad, former U.S. Ambassador to Iraq, March 19, 2008.
[45] In addition to the Negroponte-Casey campaign plan, Ambassador Negroponte and Gen. Casey published a second Joint Mission statement on February 7, 2005, titled "A Plan for the Year Ahead: Transition to Self-Reliance." This, along with SecState cable "U.S. Government Position on Political/Security Principles and Priorities for Iraq Reconstruction," Cable 061748Z APR 05, SECSTATE 6360, established the strategic direction of U.S. reconstruction policy in early 2005. SIGIR interview with Marin Strmecki, Senior Advisor to Ambassador Khalilzad, January 21, 2008.

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[46] SIGIR conversations with Dana Eyre, former USAID consultant, Summer 2006; and Terrence K. Kelly, former JSPA director, August 13, 2007.
[47] SIGIR conversations with Dana Eyre, former USAID consultant, Summer 2006; and Terrence K. Kelly, former JSPA director, August 13, 2007.
[48] SIGIR interview with Marin Strmecki, Senior Advisor to Ambassador Khalilzad, January 21, 2008.
[49] SIGIR interview with Marin Strmecki, Senior Advisor to Ambassador Khalilzad, January 21, 2008.
[50] This observation was forcefully made by the strategic review performed by Ambassador Negroponte and General Casey in July 2004, and its follow-on analysis by General Luck and members of the Joint Forces Command in August 2004. Leonard R. Hawley, "An Analysis of the DCS for Political and Economic Effects," August 2004; and Henry W. Stratman, "Orchestrating Instruments of Power for Nationbuilding," *Joint Forces Quarterly* 41 (2nd quarter 2006), 33-34.
[51] When the strategic communications portfolio was added to PME in 2005, the incumbent became the Deputy Chief of Staff for Strategic Effects. Henry W. Stratman, "Orchestrating Instruments of Power for Nationbuilding," *Joint Forces Quarterly* 41 (2nd quarter 2006), 35.
[52] Ambassador Zalmay Khalilzad, comments to SIGIR, October 27, 2007.
[53] Although the Joint Strategic Planning and Assessment office was approved in late 2005, it was not fully operational until mid-2006. For details of its formation, see: SIGIR interview with Terrence K. Kelly, former JSPA director, August 13, 2007.
[54] SIGIR interview with Daniel Speckhard, former IRMO Director and former Deputy Chief of Mission, April 29, 2008.
[55] SIGIR, *Quarterly Report to the United States Congress*, January 2008, 35-38.
[56] SIGIR Interview with John Bowersox, former Senior Advisor for Health, November 1, 2006.
[57] Maj. Gen. Peter W. Chiarelli and Maj. Patrick R. Michaelis, "Winning the Peace: The Requirement for Full-Spectrum Operations," *Military Review* (July-August 2005), 4-17.
[58] USAID, "Assistance for Iraq: USAID/Military Cooperation," updated June 21, 2006; and James "Spike" Stevenson, "Military-Civilian Cooperation: A Field Perspective," *Foreign Service Journal* (March 2006), 55-62.
[59] James Stephenson, *Losing the Golden Hour: An Insider's View of Iraq's Reconstruction* (Washington, DC: Potomac Books, Inc., 2007), 102.
[60] SIGIR interview with Marin Strmecki, Senior Advisor to Ambassador Khalilzad, January 21, 2008.
[61] SIGIR interview with Calvin Crane, Regional PAO Coordinator, August 12, 2007. For background on expansion of PRTs, see: SIGIR Audit 06-034, "Status of the Provincial Reconstruction Team Program in Iraq," October 29, 2006, 3-6.
[62] SIGIR interview with Andrew Rathmell, former Director of CPA Office of Planning and Analysis and consultant to Joint Strategic Planning and Assessments, June 26, 2006.
[63] SIGIR interview with Marin Strmecki, Senior Advisor to Ambassador Khalilzad, January 21, 2008.
[64] SIGIR interview with Col. Kenneth Cox, Engineer Brigade Commander, June 24, 2006.
[65] SIGIR interview with Andrew Rathmell, former Director of CPA Office of Planning and Analysis and consultant to Joint Strategic Planning and Assessments, June 26, 2006.
[66] SIGIR interview with Calvin Crane, Regional PAO Coordinator, August 12, 2007; and SIGIR, *Quarterly Report to the United States Congress*, October 2005, 7. For background and commentary on PRDCs, see: Center for Army Lessons Learned, "Provincial Reconstruction Teams in Iraq Handbook," version 1.5, October 2006, 38; MNF-I, Operation Iraqi Freedom Press Conference, "Provincial Reconstruction," October 2, 2006; MNF-I, Operation Iraqi Freedom Press Briefing, October 9, 2006; and Robert Perito, USIP Report 185, "Provincial Reconstruction Teams in Iraq," March 2007, 8.
[67] Plans were also drawn up to create Provincial Support Teams composed of Embassy, PCO and USAID staff, but only three deployed and a later assessment of their performance found them an insufficient vehicle. Inadequacies of the Provincial Support Teams are discussed in Unclassified Baghdad 4045, "Action Plan to Build Capacity and Sustainability Within Iraq's Provincial Governments," from Embassy Baghdad to SECSTATE, 010330Z October 2005. SIGIR interview with Celeste Ward, political aide to Lt. Gen. Peter Chiarelli, and Col. Kenneth Cox, Engineer Brigade Commander, June 24, 2006.
[68] DoS, *Section 2207 Report*, July 2005, 2-3.
[69] USACE-GRD, Susan M. Fournier, "Provinces Succeed in Selecting Projects," February 24, 2006.
[70] Michael J. McNerney, "Stabilization and Reconstruction in Afghanistan: Are PRTs a Model or a Muddle?" *Parameters* (Winter 2005-06), 37. For further background on the PRT history and operating concept, see: Robert

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Perito, "Hearts & Minds Model?" *Armed Forces Journal* (December 2005); and Robert Perito, USIP Special Report 152, "U.S. Experience with Provincial Reconstruction Teams in Afghanistan: Lessons Identified," October 2005.
[71] SIGIR conversations with Philip Zelikow, former Counselor, U.S. State Department, August and September 2008; and SIGIR interview with Celeste Ward, Deputy Assistant Secretary of Defense for Stability Operations Capabilities, September 9, 2008. With the changing military footprint and eventual transition to Iraqi control, Khalilzad did not want to embed teams in brigades that would soon be withdrawn or repositioned. Ambassador Zalmay Khalilzad, vetting comments to SIGIR, October 27, 2008.
[72] Robert Perito, USIP Special Report 185, "Provincial Reconstruction Teams in Iraq," March 2007, 4; and Condoleezza Rice, Secretary of State, Testimony before the Senate Committee on Foreign Relations, October 19, 2005.
[73] Unclassified Baghdad 4045, "Action Plan to Build Capacity and Sustainability Within Iraq's Provincial Governments," From Embassy Baghdad to SECSTATE, 010330Z October 2005.
[74] The CORDS (Civil Operations and Revolutionary Development Support) pacification program in rural Vietnam was an interesting precursor to Provisional Reconstruction Teams used in Afghanistan and Iraq. R. W. Komer, RAND Report R-967-ARPA, "Bureaucracy Does Its Thing: Institutional Constraints on U.S.-GVN Performance in Vietnam," August 1972; Lewis Sorley, *A Better War: The Unexamined Victories and Final Tragedy of America's Last Years in Vietnam* (New York: Harcourt Brace & Company, 1999); Neil Sheehan, *A Bright Shining Lie: John Paul Vann and America in Vietnam* (New York: Vintage, 1989); and David Passage, "Speaking Out: Caution: Iraq is Not Vietnam," *Foreign Service Journal* (November 2007).
[75] SIGIR interview with Calvin Crane, Regional PAO Coordinator, August 12, 2007; and Condoleezza Rice, "Remarks at the Inauguration of the Provincial Reconstruction Team," November 11, 2005.
[76] SIGIR Audit 06-034, "Status of the Provincial Reconstruction Team Program in Iraq," October 29, 2006, 8-11; and SIGIR conversations with Philip Zelikow, former Counselor, U.S. State Department, August and September 2008.
[77] Ginger Cruz, Deputy Inspector General for Iraq Reconstruction, Testimony before the House Armed Services Committee, September 5, 2007; and SIGIR Audit 06-034, "Status of the Provincial Reconstruction Team Program in Iraq," October 29, 2006, 9.
[78] Joe Saloom, IRMO director, memorandum to David M. Satterfield, Chargé d'Affaires ad interim, "P.R.T. Support Issues," July 6, 2006.
[79] Some PRTs did retain PSD support, but plans for all PRTs to be supported were dropped. DoS Cable, "Estimated Costs for DS PRT Security Recommendations," Ref. Baghdad 2236; Randall Bennett, Regional Security Officer, "PRT PSD Teams discussion between RSO Bennett and Lieutenant General Chiarelli on 07/25/2006," August 10, 2006; and DoS, "DoS Financial Plan to Support PRT Excel," undated.
[80] Unclassified Baghdad 4045, "Action Plan to Build Capacity and Sustainability Within Iraq's Provincial Governments," From Embassy Baghdad to SECSTATE, 010330Z October 2005; and SIGIR Audit 06-034, "Status of the Provincial Reconstruction Team Program in Iraq," October 29, 2006, 8.
[81] SIGIR Audit 06-034, "Status of the Provincial Reconstruction Team Program in Iraq," October 29, 2006, 8.
[82] SIGIR site visit to Mosul PRT and follow-up correspondence, Forward Operating Base Marez, June 22, 2006.
[83] SIGIR interview with Andrew Rathmell, former Director of CPA Office of Planning and Analysis and consultant to Joint Strategic Planning and Assessments, June 26, 2006.
[84] SIGIR interview with Rear Admiral Scott R. Van Buskirk, Director, Office of National Unity, Strategic Effects, June 20, 2006.
[85] Ginger Cruz, Deputy Inspector General for Iraq Reconstruction, Testimony before the House Armed Services Committee, September 5, 2007; and SIGIR Audit 07-015, "Review of the Effectiveness of Provincial Reconstruction Teams in Iraq," October 18, 2007. See also: Supplemental Agreement to the Memorandum of Agreement between Commander, Multinational Force-Iraq, and Chief of Mission, U.S. Mission Iraq Regarding Security Responsibility on PRT Security Responsibilities and Requirements, November 9, 2006; and Memorandum of Agreement between the Deputy Secretary of State and the Deputy Secretary of Defense Regarding PRT Support, February 22, 2007.
[86] SIGIR Audit 06-034, "Status of the Provincial Reconstruction Team Program in Iraq," October 29, 2006, 15.
[87] Ginger Cruz, Deputy Inspector General for Iraq Reconstruction, Testimony before the House Armed Services Committee, September 5, 2007.
[88] SIGIR Audit 06-034, "States of the Provincial Reconstruction Team Program in Iraq," October 29, 2006, 5.
[89] Bonn Agreement, "Agreement on Provisional Arrangements in Afghanistan Pending the Re-Establishment of Permanent Government Institutions," December 5, 2001.

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[90] Kenneth Katzman, Congressional Research Service Report RL31339, "Iraq: Post-Saddam Governance and Security," updated November 7, 2006.
[91] CIA, "The World Factbook - Afghanistan," January 2008; and CIA, "The World Factbook - Iraq," January 2008.
[92] James Kunder, USAID Asst Administrator, Near East Bureau, Testimony before the House Committee on International Relations, March 9, 2006.
[93] Decree of the President of the Islamic Transitional State of Afghanistan on the Afghan National Army, December 1, 2002 as cited in: United Nations Assistance Mission in Afghanistan, "Rebuilding Afghanistan: Peace and Stability," December 2, 2002, Annex 1, http://www.unama-afg.org/docs/_nonUN%20Docs/_Internation-Conferences&Forums/Bonn-Talks/decree%20on%20army.pdf.
[94] Combat Studies Institute interview with Maj. Gen. Paul Eaton, former Commander of CMATT and OSC, August 3, 2006; and CPA Order Number 22, August 7, 2003.
[95] SIGIR interview with Gen. Paul Eaton, former CMATT Commander, May 20, 2008.
[96] Robert Perito, USIP Senior Program Officer, Testimony before the House Armed Services Subcommittee on Oversight and Investigations, October 18, 2007.
[97] SIGIR, *Quarterly Report to the United States Congress*, October 2008, 16; SIGAR, *Quarterly Report to the United States Congress*, October 2008, 1.
[98] MNC-I, "Money as a Weapons System (MAAWS): MNC-I Smart Book For Resource Managers," MNC-I C8, October 1, 2005, 2.
[99] USAID, "Transition Strategy: 2006-2008," PowerPoint Briefing, September 2005; and USAID, "Strategy and Impact of Iraq Transition Initiative: OTI in Iraq (2003-2006), Final Evaluation," September 30, 2006, 15.
[100] The list of strategic cities infrequently changed, based on periodic assessments coordinated by the NSC and MNF-I. One list is located at: USAID, "Annex 1- Strategic Cities in Iraq," http://www.usaid.gov/iraq/contracts/pdf/Annex1-StrategicCitiesinIraq.pdf.
[101] Clear-Hold-Build is slightly different than the oil-spot strategy, in that it advocates a broader emphasis on creating safe havens simultaneously across all areas of operation by emphasizing civilian security, rather than selecting only some regions for intervention. Public Broadcasting Service, "Interview with Philip Zelikow," *FRONTLINE*, February 6, 2007.
[102] Condoleezza Rice, Secretary of State, Testimony before the Senate Foreign Relations Committee, October 19, 2005; DoD News Transcript, "News Briefing with Secretary of Defense Donald Rumsfeld and Gen. Peter Pace," November 29, 2005; and Public Broadcasting Service, "Interview with Philip Zelikow," *FRONTLINE*, February 6, 2007.
[103] DoD News Transcript, "News Briefing with Secretary of Defense Donald Rumsfeld and Gen. Peter Pace," November 29, 2005.
[104] George W. Bush, "President Commemorates Veterans Day, Discusses War on Terror," November 11, 2005.
[105] National Security Council, "National Strategy for Victory in Iraq," November 30, 2005.
[106] Public Broadcasting Service, "Interview with Philip Zelikow," *FRONTLINE*, February 6, 2007; SIGIR interview with Philip Zelikow, former Counselor, U.S. State Department, June 26, 2008; and SIGIR interview with Celeste Ward, political aide to Lt. Gen. Peter Chiarelli, and Col. Kenneth Cox, Engineer Brigade Commander, June 24, 2006.
[107] For an elaboration of the conflict transformation approach, see: Jock Covey, Michael J. Dziedzic, and Leonard R. Hawley, eds., *The Quest for Viable Peace: International Intervention and Strategies for Conflict Transformation* (Washington, DC: USIP, 2005).

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Chapter 23

RECONSTRUCTION MOVES LOCAL

[We] needed local ownership, and therefore; that was a point of emphasis of having PRTs. And then with that, to work to build local capacity, as well as have local ownership of the projects, it meant smaller projects, with more immediate impact on the population and working more with Iraqi companies to the extent possible.

- Zalmay Khalilzad,
United States Ambassador to Iraq (2005-2007)[*]

"Go out Assassin's Gate, over the 3rd ID bridge, onto the highway of death, left down through the overpass of assault, and then turn right," Lt. Col. Otto Busher said.[1] It was Sunday, June 25, 2006, and members of the Baghdad Provincial Reconstruction Team were on their way to a meeting of the city's Water and Sewer Board. Their convoy of Humvees plowed through Baghdad's crowded streets, sirens blaring, for the short but dangerous trip from the Green Zone to the Amanat—or city hall—whose 14,000-man work force provides basic services to Baghdad residents. With weapons ready, the team entered a conference room and waited for Iraqi engineers to filter past armed sentries Busher placed at the door. Tea was served before the meeting began.[2]

The Army Reservist from New Hampshire was on his third tour in Iraq. Using skills honed as a city manager in civilian life and as a civil affairs officer in Kosovo, he was known in reconstruction circles for his dogged pursuit of water projects across Baghdad. With Busher as essential services lead, the Baghdad Provincial Reconstruction Team had forged links with the Iraqi engineers working to repair Baghdad's sewer and water system. Only with the Iraqis' active cooperation would Coalition-sponsored projects be successful. Since their weekly meetings began several months before, the team had made progress toward Iraqi self-governance: it was the Iraqi Deputy Director General for Water, not Busher, who now chaired meetings.[3]

At the Amanat that morning, Baghdad's plumbing was not the only item for discussion. Politics were also on the agenda. The struggle for power between Iraq's warring factions had by now engulfed municipal institutions across Iraq. Assassinations were an all-too-common occurrence. Over 50 members of the assorted Baghdad councils—city, district, sub-district,

[*] SIGIR interview with Ambassador Zalmay Khalilzad, former US Ambassador to Iraq, March 19, 2008.

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neighborhood—had been struck down.[4] The Amanat itself had been the site of a sectarian "municipal coup." On August 8, 2005, members of the Badr militia, the armed wing of the Shi'ite Supreme Council for the Islamic Revolution in Iraq (SCIRI), deposed the mayor, a secular technocrat who had been appointed by the central government. SCIRI replaced him with the man whom the newly-elected and SCIRI-dominated Provincial Council had also appointed Governor of Baghdad Province.[5]

One of the first agenda items at the water and sewer board meeting concerned what Busher called "the water pipe to nowhere."[6] An enterprising district council in a Sunni neighborhood had convinced a Civil Affairs company to build a pipe connecting their constituents, then without fresh water, to a nearby water plant under construction. The plan sounded reasonable to the Civil Affairs team, which used Commander Emergency Response Program (CERP) funds to initiate construction through a local contractor.

There was, however, a technical stumbling block. The plant pumped water at far higher than household pressures. Had the lines been connected, "everyone's faucets would have ended up in their backyards," Busher said.[7] Worse yet was a political issue: the construction commissioned by the Civil Affairs team crossed a de facto sectarian boundary. The Shi'a who held sway over city government took a "Shi'a first" view of service delivery. Even if the pipes were completed, city officials would not allow the connection to a Sunni neighborhood to be activated.[8]

Next on the agenda was a bigger problem—a water treatment plant in the city's Karkh neighborhood that was under construction by the Coalition. When finished, the plant and its adjacent reservoir would hold a week's worth of fresh water for Baghdad's six million residents, a vital supply that would help blunt the insurgent efforts to sabotage the city's essential services. Engineers on the water board, however, had identified a potential showstopper. A contractor on the project had purchased a PVC reservoir liner that was not certified for human use. The Iraqi water engineers were outraged and threatened to reject the project unless the liner was replaced.[9]

As Busher worked to address these and other problems, a car bomb exploded two blocks up the street, sending black smoke billowing skyward. Amanat security guards had witnessed insurgents casing Busher's convoy from nearby rooftops, and now an Iraqi police checkpoint had been attacked by a vehicle-borne IED.[10]

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Busher's meeting at the Amanat provides a snapshot of many issues the reconstruction effort faced in 2006. Projects had to pass through a maze of Iraqi and Coalition institutions before they even began. Coordination was a perennial challenge, in part because it was not always clear who was in charge on either side. To corral the disparate players, the Project Contracting Office mandated in June 2006 that all relevant Iraqi and Coalition authorities sign a memorandum of agreement before moving forward with any project.[11] Even when this rudimentary level of coordination was achieved, political agendas often intervened. Sorting out who was Shi'ite and who was Sunni was hard enough; discerning who was following a sectarian agenda and who was impartially carrying out the job was almost always impossible.

As Provincial Reconstruction Teams penetrated the institutions of the Iraqi state, they discovered that sectarianism and the battle for control between provincial and ministerial officials had crippled once-functioning organs of public administration. The never-ending stream of minor catastrophes that resulted made some reconstruction officials compare their lives to the movie "Groundhog Day," in which the protagonist suffers through a bad day he is condemned to repeat perpetually.[12] The cycle's root causes were apparent. The struggle for power in Iraq's new electoral system, hurriedly arranged in the last days of the CPA, had overwhelmed the public institutions that manage reconstruction. The seeds of this tangled story were planted in 2003, matured in 2004, and finally burst open in 2005.

Local Governance in Iraq

Under Saddam, public administration was controlled by a tight hierarchy that ran from Saddam himself to the provincial governors he appointed—known colloquially as mini-Saddams—down to Directors General, the local ministry representatives who administered essential services, controlled local budgets, and managed state-owned enterprises. All of these officials answered to Baghdad, rather than to the municipalities they served.[13]

The 2003 invasion shattered this chain of command. It was up to Coalition military units across Iraq to restore a modicum of local government. They did so under a loose plan, developed after the invasion started, in which Governance Support Teams (GSTs) composed of civil affairs personnel and contractors from RTI International, the USAID contractor, assisted military commanders in forming local councils. The plan, however, reflected an unresolved tension in

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U.S. policy over how to connect the councils formed in neighborhoods, cities, and provinces to the national government in Baghdad. The U.S. had begun the war without any notion of how the new councils it was installing—and attempting to empower—at the bottom of Iraqi society would share power with existing institutions at the top.[14] The councils immediately found themselves at odds with the provincial Directors General, who jealously guarded their prerogative to oversee public services and disperse funding.[15]

The debate over how to make central ministries accountable to local communities, and thereby decentralize the power of a formerly-tyrannical regime, played out during the CPA era. As Ambassador Bremer fashioned the grand bargains that would usher Iraq into a democratic era, the extent to which Iraq's central and provincial governments would share power remained contested. Bremer's CPA put enormous resources into electing councils across Iraq and envisioned a system in which they held most of the power in each province.[16]

The radical devolution of power was opposed by many Iraqis, including Sunnis and those in the national ministries in Baghdad, who preferred to keep authority where it had been under Saddam. Still other Iraqis, particularly in the Shi'a south and Kurdish north, preferred an even more radical devolution of power, one that maximized local control in regions with Kurdish and Shi'a majorities. The debate struck to the heart of what the new Iraqi state was to be. Bremer's actions—including enshrining the decentralization of power in the Transitional Administrative Law—were the opening moves of a longer negotiation over Iraqi federalism that, by 2006, had immensely complicated the reconstruction effort.[17]

Ministry Politicization

As the debate over federalism unfolded in the occupation's first three years, Iraqi political parties battled not only for victory in Iraq's first democratic elections, but also for control of the central ministries and their powerful chains of Directors General. Under the CPA, members of the Iraqi Governing Council had moved to exploit what control Bremer allowed them over the ministries, with each Council member permitted to appoint a minister and thereby control a ministry.[18] The undisguised power grab continued under the Interim Iraqi Government established after the return of sovereignty on June 28, 2004. Perhaps not surprisingly, given the traditional mores of Arab culture and widespread nepotism under Saddam, Iraqi Governing

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Council members—and many of the interim ministers who followed them—appointed their sons, cousins, and other members of their own tribes or parties to ministry positions, establishing a ruling clique that further stocked the ministerial ranks with political loyalists.[19]

Almost overnight, a majority of the ministries of Iraq's central government—once controlled by the Ba'ath party, but largely staffed by technocrats—became aligned with, and then dominated by, competing political parties. Sadrists seized the Health and Education ministries. Employing the model of service delivery embraced by Hezbollah—the radical Islamic Shi'a group based in Lebanon—they openly deployed ministry resources to build support among the Shi'a underclass. At the same time, the Supreme Council for the Islamic Revolution in Iraq (SCIRI), the largest Shi'a political party, took control of the Interior Ministry—and its powerful internal security apparatus—and later the Ministry of Finance, while the major Sunni party, the Iraqi Accord Front, exerted a lesser degree of control over the newly-formed Ministry of Defense. Who received services and who did not was increasingly decided on the basis of political allegiance and sectarian identity.[20]

The capture of central ministries by political parties had enduring consequences for reconstruction and for the development of a functioning Iraqi state. Ministerial appointments of provincial officials injected national party politics into local affairs. The result was at times a significant breakdown in civil order. In several instances, the Minister of Interior refused to assent to the dismissal of police chiefs by provincial authorities and insisted that party loyalists remain in the job—exactly the kind of central-government control Ambassador Bremer sought to reverse.[21] On the whole, a new cadre of Directors General was selected for party loyalty rather than technical competence. As parties put their people in power, political rivalries affected relations among ministries and between national and provincial governments.

Another dynamic eroded ministry competence still further. Each time the cabinet was reshuffled and ministers changed, a whole new clique moved into the upper echelons of ministry staff. Institutional knowledge of ministry operations, as well as training paid for by U.S. capacity-development programs, went out the door with their predecessors.

The way in which the January 30, 2005, elections had been organized—treating Iraq as a single district in which all parties would compete—further accelerated the politicization of public institutions.[22] Rather than electing individuals to represent specific districts, as in U.S. elections, Iraq adopted a "party list" system of proportional representation. Voters expressed a preference

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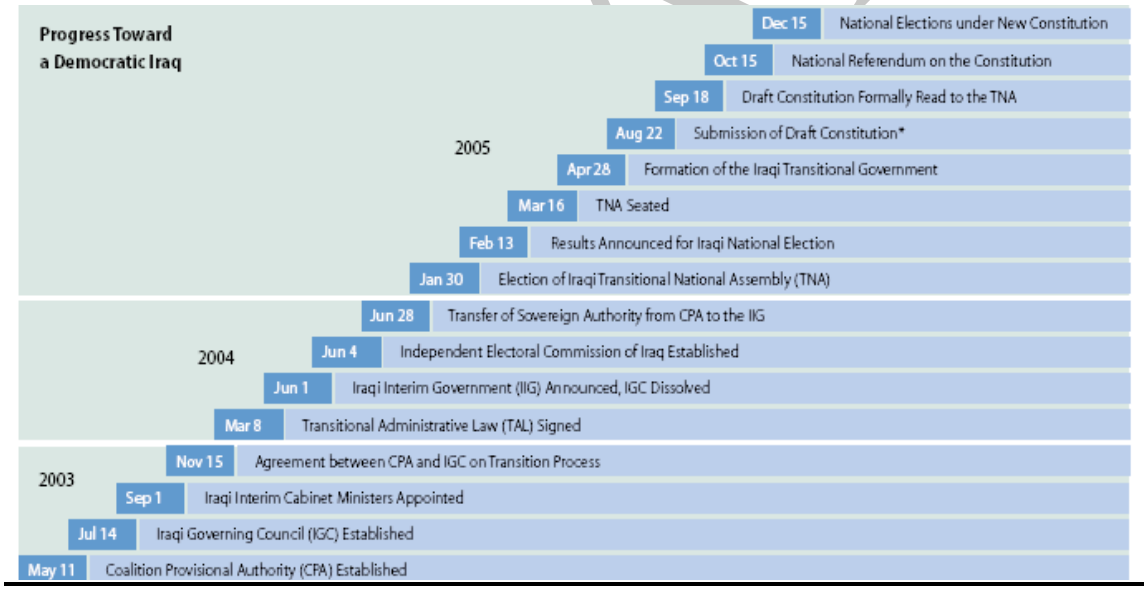
for parties at both the national and provincial level and the percentage of the vote the parties won determined their allocation of seats in the National Assembly and Provincial Councils.[23]

When the elections were held, Sunnis overwhelmingly stayed home to protest Coalition military actions in Fallujah and because of other political grievances. In their absence, Shi'a and Kurdish Iraqis went to the polls and elected Shi'a and Kurdish members to the Transitional National Assembly in proportions far greater than their percentage of the population.

There was a similar imbalance at the provincial level, where several Sunni-majority provinces would now be led by Shi'a-dominated provincial councils. Shi'ites voted for Shi'ites, Sunnis for Sunnis, Kurds for Kurds. In the process, Iraqi politics was reduced to a battle for control among sects, none of which was directly accountable to voters for the delivery of essential services or other basic functions of government.[24] The enormous undertaking, which was to have been the Coalition's signature political achievement, instead institutionalized an imbalance of power that was to deepen mistrust among Shi'a, Sunni, and Kurdish communities.

Figure 23.1 Political Timeline



Source: SIGIR, *Quarterly Report to the United States Congress*, April 2006, 52.

Local-National Disconnect

After the January 2005 elections, the Shi'a parties took full advantage of the Sunni boycott to consolidate their influence, especially in the capital. A primer on city politics written

by the Baghdad Provincial Reconstruction Team chronicles what happened next. "The lop-sided nature of political power, with SCIRI/Badr domination, has created a desperate chemistry for the province," it states. A "political Darwinism" prevailed in which the Shi'a party elite centralized authority.[25] The result of the Sunni boycott was that Iraq's capital was ruled by what one official characterized as a "Shi'a dictatorship."[26] It was during this period that SCIRI deposed Baghdad's mayor and took over the Amanat.

The Shi'a takeover opened rifts between provincial councils, stacked with SCIRI supporters, and many of the 437 neighborhood, 195 sub-district, and 96 district councils that USAID had established across Iraq as part of its Local Governance Program.[27] Although provincial councils were supposed to represent a province's entire population, projects and services came to be distributed along sectarian lines—the "Shi'a first" mentality Lt. Col. Busher witnessed at the Amanat. By mid-2006, the party grip was entrenched. "SCIRI/Badr has worked diligently to maintain and increase their hold on power," the primer continues, "trying to delay new elections or any structural changes that might weaken their position."[28]

One of USAID's local governance advisors took an even bleaker view of the elections' effect. During 2004, the Local Governance Program had worked to "solidify and extend the role of sub-national governmental institutions to prevent, or at least discourage, a recentralization of power."[29] "The party list system sabotaged [the Local Governance Program]," the advisor said, laying waste to two years of diligent work fostering authentic local governance in Iraq.[30] USAID had helped create a mechanism in Iraq for local representation that was undermined both by the electoral formula and a disregard for decentralization that dated back to the CPA.[31] "The CPA policy advisors' resistance to decentralization," a USAID report stated, "may have inadvertently strengthened the hands of those Iraqi officials seeking to retain central control over government affairs."[32]

Issues of federalism and provincial government that would directly impact reconstruction were again on the negotiating table when the constitution was drafted during the late spring and summer of 2005. Ambassador Khalilzad pressured the constitutional drafting committee to clearly demarcate federal from provincial responsibilities, but the issue proved too explosive to settle.[33] The draft constitution deferred the question of provincial powers—and thereby how public administration would be controlled at the local level— until a later time.

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The continuing disagreements between Iraq's Shi'a, Sunni, and Kurdish populations—over how much power the central government should have—nearly caused the constitutional referendum to fail. In the electoral formula governing the referendum process a simple majority was required for approval, but the constitution could also have been defeated by a "no" vote—with a two-thirds majority—in three or more governorates.[34] When Iraqis went to vote on October 15, 2005, Kurdish- and Shi'a-dominated provinces supported the constitution by overwhelming margins, while Sunni-dominated provinces voted against it in equal measure.[35] A simple nationwide majority was achieved, but the constitution narrowly missed defeat by the governorate rule. Two predominantly-Sunni provinces—Anbar and Salah al-Din—voted against the constitution by more than the required two-thirds majority. Although a majority of voters in a third province—Ninewa—rejected the constitution, it fell short of the two-thirds majority required to qualify as a "no" vote, allowing the constitution to be passed.[36]

Under the new constitution, national elections were held two months later, on December 15, 2005, to select members of Iraq's first permanent legislature. This time, Iraq was divided into electoral districts by province, although the party-list system remained in force.[37] Sunni participation in the election brought some balance to the distribution of power in the National Assembly, but elections for local and provincial offices were postponed repeatedly, perpetuating the Shi'a over-representation on provincial councils. The failure to hold provincial elections complicated reconstruction efforts at the local level. Who held government office did not necessarily reflect who held power in the province. As a result, provincial elections remained a political grievance held by almost all non-Shi'a parties as well as those Shi'a parties not aligned with the ruling coalition.

Three years would pass before the issue was resolved. Provincial elections were supposed to have occurred in September 2006, but were postponed until March 2007 after the Shi'a-majority parliament failed to appoint an electoral commission and draft election bylaws. Soon another delay was announced, putting off still further the prospect of a democratic rebalancing of Iraq's provincial and local governments. Throughout 2007, Parliament refused even to consider implementing legislation on provincial powers. A law eventually passed in February 2008, but was then vetoed by the Presidency Council. Although the veto was later rescinded, the law would not come into effect until a law on national elections was fashioned.[38]

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On September 24, 2008, the Provincial Election Law was passed, mandating the national elections to be held before January 31, 2009.[39]

The long delay in holding competitive local elections left political conflicts simmering across the country, complicating efforts of reconstruction personnel to work at the local level. Despite the approval of the new constitution and the seating of an elected national parliament, the organization of Iraq's local governments, as specified in CPA Order 71, was by now a poor guide to who actually wielded control. In the absence of a clear legal framework, power fell to those best positioned to seize it, both inside and outside institutions of government. The resulting breakdown between the central government and provincial councils—and in turn between the provincial governments and neighborhood and district councils—crippled the administration of public services the U.S. reconstruction program was trying to rebuild.

Coalition Response in the Regions

In response to the fragmentation of the Iraqi state, military and civilian officials used USAID "soft" programs, Provincial Reconstruction Teams and brigade combat teams to strengthen local administrative capacities and connect provincial governments with national ministries. The sheer logistics of setting up the PRTs and assessing the status of reconstruction and institutional development in each province was difficult. All PRTs were explicitly tasked to bridge the local-national disconnect, but it was often the larger and more-powerful brigade combat teams who made the most difference. By 2006, brigade commanders came to see improving local governance as an essential part of their mission. In addition to their primary tasks of securing the battle space, brigades would often provide security for local government facilities and at times for local officials, as well as use their CERP funds and civil affairs brigades to support local government initiatives.

Both brigade commanders and PRT leaders found that pushing past Ba'athist practices and transforming the roles and responsibilities of local officials was hard. One PRT official commented, "It's still 'BIG MAN' diplomacy," in which people rather than institutions wield power.[40] Provincial council members, not used to discretionary authority, were often reluctant to act independently on behalf of their constituencies. "In a post-authoritarian society, where you have to be told what you are allowed to do (not what you aren't), provincial and local

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government leaders are not going to be risk takers," a PRT political officer explained. "In the end, if people do not know what they are allowed to do, or what they are supposed to do—they will end up either doing nothing, or they will do what is in their best interest."[41]

In one province, relations deteriorated so badly that the governor resorted to arresting Directors General to force their attendance at council meetings. In spite of the trying conditions, PRTs and brigade commanders helped create legitimacy for the provincial governments and had some success at uniting officials from different sects. One PRT leader said, "Without our presence you would have a full scale civil war."[42]

Coaxing local officials to work together productively was only half the battle. Relations between municipal governments and the provinces, and between the provinces and Baghdad, also had to be nurtured. In many places, relationships were so lacking that provincial leaders wanting to meet with ministerial officials transmitted their requests through the U.S. Embassy.[43] Many also relied on Coalition commanders for transportation to and from Baghdad, a practice that military commanders came to call "helicopter diplomacy." "Making the lack of ground rules even worse," a political officer remarked "is the incredibly poor communication between and among all levels of the Iraqi government. If, by some stroke of luck or hard work, there are clear and comprehensive rules for something, it is highly likely that they have not been transmitted to all of the appropriate people in an effective or open manner."[44]

The efforts of the PRTs and brigades slowly opened a conversation between provincial and national officials. In the late summer of 2007, five governors from the northern non-Kurdish provinces arrived in Baghdad to attend a conference arranged by the office of the Deputy Prime Minister. It was one of the first meetings of its kind. Governors from some of the most violent provinces of Iraq were allowed to air their concerns. Directors General operated outside the control of provincial authorities, the governors complained. Local control over the reconstruction program was meaningless because provincial budgets were so small. The governor of Diyala, having left the city of Ba'quba in a state of conflict and disarray, stood up to say that he did not even have the phone numbers for ministry officials in Baghdad.[45] It was clear that provincial and local governments were not yet ready to govern, and that contractor and military support for government functions would be necessary long into the future.

Operating in parallel with the PRTs, USAID "soft" programs also played an essential role helping local governments function. The Local Governance Program began a $350 million

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initiative on October 1, 2005, that aimed to join the citizen councils it formed across Iraq into an integrated network and build their capacity for local administration. Democracy advisors from the Local Governance Program also worked at the national level as advocates for writing clearly-stated powers, roles, and responsibilities for local governments into Iraqi law.[46] The challenge was to provide a forum—and a legal framework—in which a fledgling cadre of Iraqi civil servants and elected officials could bridge the institutional gaps that had resulted from the coalition's remaking of the Iraqi political system into federal, provincial, and local institutions.[47]

The Local Governance Program was unlike the Coalition's other methods of assistance. Its physical isolation from other U.S. government agencies, its predominantly Iraqi face, and its work at political levels far removed from national government created what was in effect a parallel reconstruction effort. Four regional offices—in Baghdad, Hillah, Erbil and Basrah—were embedded in local neighborhoods rather than being housed on forward operating bases. When the compounds needed food, they sent Iraqi employees, many of whom lived in surrounding neighborhoods, to purchase it at nearby markets. The compounds' outer rings of security were manned by Iraqi details, not U.S. military or international guard forces. One compound shared a wall, and even part of its security detail, with a next-door mosque.[48] For every international advisor staffing the program, there were more than ten full-time Iraqi professionals providing management training and assisting with projects.[49]

The emphasis USAID programs placed on distancing themselves from the Embassy and blending with local communities was met with dismay in some corners of the U.S. mission. A huge American purse was being emptied in parts of Iraq about which the State Department knew little, and the success in realizing its goal—developing a functional local government—was hard to measure. The Local Governance Program received some criticism on this point. An audit of the program by the USAID Inspector General in 2007 found that "the local governance activities did not have intended outputs or baselines to measure progress against because USAID/Iraq failed to enforce contract requirements." The inspector general's office went on to state, "In our view, [USAID's contractor] reported only on successful achievements rather than progress achieved toward specified targets."[50] A subsequent SIGIR audit raised similar concerns, noting that while program outcomes appear to be positive, the identification and tracking of project funds and outcomes required improvement.[51]

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A high-water mark of this kind of institution building was the creation of the Iraq Local Government Association in August of 2006. Council members across Iraq recognized the need for a local government advocacy group within Iraq's developing political framework. Members of the Baghdad provincial council, with USAID support, worked throughout the summer of 2006 to plan a conference in Baghdad that would be a vehicle for provincial authorities to lobby the national government, which was attempting to draft a provincial powers law. Council members from around the country wanted to make sure that the process of political decentralization would not be derailed. Conference attendees included 110 representatives from all of Iraq's 18 provincial councils. They unanimously adopted a draft local government code and moved to form a permanent Local Government Association, electing a member of the Baghdad provincial council as its chair. The Local Government Association became a single voice speaking at the national level for local institutions and built a caucus of support in the Council of Representatives.[52] It was an impressive opening of a dialogue between Iraq's local and national leaders over how the devolution of power would proceed and capacities of local government would develop.

Despite the Coalition's best efforts, the provision of government services became more rather than less politicized in the years following the CPA. By 2006, the U.S. approach to democratizing Iraq while simultaneously federalizing its government structures yielded mixed results. The local and district councils created immediately after the invasion had not become formally linked to the directors general who administer services using funding provided by the central government. Ministries were soon deeply riddled with partisan infighting. The elections that were to be the capstone of a new democracy were based on a formula that only increased the forces driving Iraqis apart. The failure to hold new provincial elections also compromised the legitimacy of provincial councils through with which power was to be shared.

Even though Iraq's constitution ostensibly defined the framework for a unified state, political authority had fragmented into Kurdish, Arab Shi'a, and Arab Sunni constituencies, themselves split by deep and violent divisions. Rival Shi'a parties, each with their own militias, fought over key government positions in the south and over the central question of federal unification. In the Sunni areas, a combustible mix of terrorists, insurgents, and powerful rural tribes rejected Shi'a dominance in a government that was the inevitable result of nominally-democratic elections. Despite the deployment of substantial coalition resources beyond the

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Green Zone, there seemed to be an unbridgeable gap between provincial governments and the increasingly-isolated national government.

By the end of 2006, U.S. officials agreed that the single most important challenge was to strengthen the connection between Iraq's national and provincial institutions, so services could be delivered and government properly administered in the new decentralized framework. "Capacity building"—ensuring the ability of the Iraqi government to handle its own affairs—became the catchword for reconstruction's next phase. Doing this would require the Coalition to continue stitching together its "top down" efforts in Baghdad with the "bottom up" efforts in the provinces, linking together all levels of the Iraqi government and the reconstruction. While this effort was underway, a series of failures in reconstruction projects turned over to Iraqi control underlined how important Iraqi capacity would be. The sustainment of facilities had fallen into crisis, yet another casualty of Iraq's failed administrative state.

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[1] SIGIR interview with Lt. Col. Otto Busher, Baghdad PRT member, June 25, 2006.
[2] Sgt. Samson Barini, "Minutes from Meeting with the Water Sector at the Amanat," Baghdad PRT Infrastructure Report, June 25, 2006. Members of SIGIR's lessons learned team observed this meeting. See, also: Baghdad Water Authority, "Minutes of Meeting-The Coordination with USAID," June 11, 2006.
[3] SIGIR interview with Lt. Col. Otto Busher, Baghdad PRT member, June 25, 2006.
[4] Dan Bisbee, Baghdad PRT, "Baghdad Governance," 3rd ed., April 2007, 10. This manual was written as a primer to city politics for reconstruction personnel working in Baghdad, and is widely circulated among officials and contractors.
[5] Dan Bisbee, Baghdad PRT, "Baghdad Governance," 3rd ed., April 2007, 11-12; and James Glanz, "Baghdad Mayor is Ousted by a Shiite Group and Replaced," *New York Times,* August 10, 2005.
[6] Sgt. Samson Barini, "Minutes from Meeting with the Water Sector at the Amanat," Baghdad PRT Infrastructure Report, June 25, 2006; and SIGIR interview with Lt. Col. Otto Busher, Baghdad PRT member, June 25, 2006. A SIGIR Inspection found similar problems at the Nassriya Water Treatment Plant, where the local distribution system would not be able to withstand increased water pressure and would thus lead to major leakages when the water treatment became operational. SIGIR Inspection PA-07-116, "Nassriya Water Treatment Plant, Nassriya, Iraq," April 28, 2008, 28-29.
[7] Sgt. Samson Barini, "Minutes from Meeting with the Water Sector at the Amanat," Baghdad PRT Infrastructure Report, June 25, 2006; and SIGIR interview with Lt. Col. Otto Busher, Baghdad PRT member, June 25, 2006.
[8] SIGIR interviews with Lt. Col. Otto Busher, Baghdad PRT member, June 19-28, 2006. See also: Dan Bisbee, Baghdad PRT, "Baghdad Governance," 3rd ed., April 2007, 12; and SIGIR interview with Joseph Gregoire, Baghdad PRT leader, June 20, 2006.
[9] Sgt. Samson Barini, "Minutes from Meeting with the Water Sector at the Amanat," Baghdad PRT Infrastructure Report, June 25, 2006; and SIGIR interview with Lt. Col. Otto Busher, Baghdad PRT team member, June 25, 2006.
[10] SIGIR interview with Sgt. Timmy R. Rostro, Convoy Commander Red 2, Unit 43029, June 25, 2006, and subsequent correspondence, July 4, 2006.
[11] SIGIR interviews with Lt. Col. Otto Busher, Baghdad PRT member, June 19-28, 2006.
[12] "Groundhog Day" is a term that some military personnel use to describe "another day in Iraq." SIGIR interview with Lt. Col. Otto Busher, Baghdad PRT member, June 25, 2006.
[13] SIGIR interview with Vijay Samaraweera, Senior Policy Advisor for Regional Government, RTI International, August 16, 2007.
[14] USIP interview with Col. P.J. Dermer, former CPA governance advisor, August 22, 2004.
[15] SIGIR interview with Vijay Samaraweera, Senior Policy Advisor for Regional Government, RTI International, August 16, 2007.
[16] This was made explicit in articles 55 and 56 of the Transitional Administrative Law (TAL) and CPA Order Number 71. In theory, these writs empowering local government moved Iraq further toward a decentralized federal republic in which the central government would nominate governors, whose appointment and tenure would be subject to the approval of provincial councils. The councils and the governor would manage ministerial outposts in each province headed by the Directors General, thereby putting the resources of national ministries under the direction of local elected officials. Iraqi Governing Council, "Law of Administration for the State of Iraq for the Transitional Period," Articles 55-56, March 8, 2004; and CPA Order Number 71, "Local Governmental Powers," April 6, 2004. SIGIR interview with Vijay Samaraweera, Senior Policy Advisor for Regional Government, RTI International, August 16, 2007.
[17] For a discussion of the debate over federalism, see: Eric Herring and Glen Rangwala, *Iraq in Fragments: the Occupation and its Legacy* (Ithaca, NY: Cornell University Press, 2006); and Ali A. Allawi, *The Occupation of Iraq: Winning the War, Losing the Peace* (New Haven, CT: Yale University Press, 2007).
[18] ORHA/CPA Historian interview with J. Scott Carpenter, CPA Director of Governance, June 29, 2004. For an analysis of how Iraqi factions took control of Iraqi ministries, see: Eric Herring and Glen Rangwala, *Iraq in Fragments: the Occupation and its Legacy* (Ithaca, NY: Cornell University Press, 2006).
[19] SIGIR interview with Ali A. Allawi, former Iraqi Minister of Trade and Minister of Defense, September 13, 2007. For an account of nepotism and political capture, see: Ali A. Allawi, *The Occupation of Iraq: Winning the War, Losing the Peace* (New Haven, CT: Yale University Press, 2007).
[20] Eric Herring and Glen Rangwala, *Iraq in Fragments: the Occupation and its Legacy* (Ithaca, NY: Cornell University Press, 2006), chapters 1-3.

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[21] Eric Herring and Glen Rangwala, *Iraq in Fragments: the Occupation and its Legacy* (Ithaca, NY: Cornell University Press, 2006), 118, 125.
[22] For a history of UN involvement, see: United Nations Security Council Report S-2005-585, "Report of the Secretary-General Pursuant to Paragraph 30 of Resolution 1546 (2004)," September 7, 2005.
[23] Jarrett Blanc, "Rules do Matter," *Democracy at Large* 2, no. 2 (2006).
[24] Larry Diamond, "Not Perfect, But 'Reasonably Credible,'" Op-Ed, *Wall Street Journal*, October 25, 2004. Diamond was perhaps the most vociferous critic of the party list system. See also: SIGIR interview with Larry Diamond, former senior advisor to Ambassador Bremer, September 25, 2006; Larry Diamond, "What Went Wrong in Iraq," *Foreign Affairs*, September/October 2004; and Larry Diamond, Senior Fellow at the Hoover Institute, Testimony to the Senate Foreign Relations Committee, May 19, 2004. Diamond discusses his reasons for leaving the CPA in: Larry Diamond, *Squandered Victory: The American Occupation and the Bungled Effort to Bring Democracy to Iraq* (New York: Henry Holt, 2005).
[25] Dan Bisbee, Baghdad PRT, "Baghdad Governance," 3rd ed., April 2007, 10.
[26] James A. Baker III and Lee H. Hamilton, co-chairs, "The Iraq Study Group Report," December 6, 2006, 20.
[27] USAID, "Local Governance Program," Final Report, June 2005, 12.
[28] Dan Bisbee, Baghdad PRT, "Baghdad Governance," 3rd ed., April 2007, 10.
[29] USAID, "Local Governance Program," Final Report, June 2005, 9.
[30] SIGIR interview with Vijay Samaraweera, Senior Policy Advisor for Regional Government, RTI International, August 16, 2007.
[31] Dan Bisbee, Baghdad PRT, "Baghdad Governance," 3rd ed., April 2007.
[32] USAID, "Local Governance Program," Final Report, June 2005, 61.
[33] For a detailed history and analysis of Iraq's constitutional negotiations, see Noah Feldman and Roman Martinez, "The International Migration of Constitutional Norms in the New World Order: Constitutional Politics and Text in the New Iraq: An Experiment in Islamic Democracy," *Fordham Law Review* 75, no. 2 (November 2006), 883-920.
[34] Iraqi Governing Council, "Law of Administration for the State of Iraq for the Transitional Period," Articles 55-56, March 8, 2004.
[35] Noah Feldman and Roman Martinez, "The International Migration of Constitutional Norms in the New World Order: Constitutional Politics and Text in the New Iraq: An Experiment in Islamic Democracy," *Fordham Law Review* 75, no. 2 (November 2006), 900-901.
[36] United Nations Security Council Report S-2005-585, "Report of the Secretary-General Pursuant to Paragraph 30 of Resolution 1546 (2004)," September 7, 2005.
[37] Dan Bisbee, Baghdad PRT, "Baghdad Governance," 3rd ed., April 2007, 34.
[38] SIGIR, *Quarterly Report to the United States Congress*, April 2008, 145-46.
[39] SIGIR, *Quarterly Report to the United States Congress*, October 2008, 6.
[40] SIGIR interview with John Jones, Diyala PRT member, August 9, 2007.
[41] Mat Bouldin, Diyala PRT member, email to SIGIR, August 17, 2007.
[42] SIGIR interview with John Jones, Diyala PRT member, August 9, 2007.
[43] SIGIR interview with Robert Tillery, former National Coordination Team chief of staff, January 11, 2008.
[44] Mat Bouldin, Diyala PRT member, email to SIGIR, August 17, 2007.
[45] SIGIR site visit to the Northern Governors Conference, Baghdad, August 2007.
[46] Not until 2008 was the original CPA Order Number 71, outlining the authorities of local governments, replaced with a formal Provincial Powers Law. The Provincial Powers Law was approved on March 19, 2008. Reuters, "Iraq Presidency Passes Provincial Powers Law," March 19, 2008.
[47] For background on the Local Governance Program II, see: USAID, "Iraq Strengthening Local and Provincial Governance Program: Annual Report, October 1, 2005-September 30, 2006," December 2006; and USAID, "Assistance for Iraq: "Contracts and Grants," http://www.usaid.gov/iraq/contracts, and USAID, "Iraq Local Governance Program (LGP): 2007 Annual Report," October 1, 2006-December 31, 2007," January 15, 2008.
[48] SIGIR interview with Todd Helmeke, RTI regional team leader in Hillah, August 25, 2007.
[49] USAID, "Iraq Local Governance Program II (LGP II)," undated, http://www.usaid.gov/iraq/contracts/pdf/AI4-IraqlocalGovernanceProgram_LGPII_FactSheet.pdf.
[50] USAID Audit E-267-07-007-P, "Audit of USAID/Iraq's Local Governance Activities," July 31, 2007, 1, 5.
[51] SIGIR Audit 09-003, "Cost, Outcome, and Oversight of Local Government Program Contract with Research Triangle Institute," October 21, 2008.
[52] SIGIR interview with Vijay Samaraweera, Senior Policy Advisor for Regional Government, RTI International, August 16, 2007.

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Chapter 24

THE PRIMACY OF SUSTAINABILITY AND CAPACITY DEVELOPMENT

Our job is not to build it for them, our job is to help them build the capacity so that they can use their own substantial resources to do things for themselves.
- Ambassador Joseph Saloom,
Director, Iraq Reconstruction Management Office (2006-2007)[*]

On most days in Baghdad, plumes of black smoke from at least one of the Doura power plant smokestacks are visible in the southwest sky—a sign that the generators beneath them are turning, putting a few dozen megawatts each on the grid. Blue sky over Doura almost always means something is wrong, as was the case in August 2006, when an electrical surge disabled the plant. Despite a three-year-long, $90-million project to restore it, the plant that supplied much of Baghdad's power ground to a halt.[1]

Doura's failure had many causes. Plant technicians had overlooked dust and debris collecting in the generators' cooling systems. The debris should have been discovered by a routine check, but plant managers had yet to establish a formal maintenance program for Doura's equipment. They had also followed orders from directors general at the Ministry of Electricity to swap critical components between the generators, causing parts to deteriorate faster and both to shut down at the same time. The directors general themselves were hamstrung by a ministry policy that forbade plant-level employees from purchasing replacement parts before emergencies arose.[2] The minister was under pressure from the Prime Minister, who gave continuous power-generation precedence over scheduled shut-downs for repairs.[3] Ultimately, this chain of failures was a product of U.S. reconstruction policy that emphasized rebuilding Iraq's physical infrastructure but not the institutions with the capacity to maintain it.

All across Iraq in 2005 and beyond, a series of SIGIR inspections discovered that physical infrastructure put in place by U.S.-funded-reconstruction was coming off-line.[4] Failures plagued both refurbished and new facilities in the water, electrical, sewer, and oil sectors. It was not just a question of maintaining individual plants and teaching Iraqi engineers who run them to master more advanced machinery. It was about building the systems and processes within Iraq's

[*] SIGIR interview with Joseph Saloom, former IRMO director, April 21, 2008.

government to sustain the infrastructure it had just received. Unless the government could perform as a whole, the Doura power plant and facilities like it would continue to fall apart.

From the beginning, reconstruction policymakers knew it would be a challenge to build this capacity inside Iraq's government and marshal it to sustain reconstruction facilities.[5] The United States needed to organize its mission in Iraq with the aim of interacting with the new Iraqi government at every level. Weak links in the chain could then be identified and corrected, whether having to do with management systems at the top, technical proficiency at the bottom, or the interaction of branches of government in between. A variety of U.S. agencies and organizations had made efforts to build functioning institutions, but—despite millions of dollars in contracts and, at times, furious activity—the Embassy failed to create large-scale capacity-building programs until late 2006. Even then, the effectiveness of the U.S. strategy remained in doubt.

Iraqi Capacity from Saddam Forward

In Iraq, the story of capacity development—the ability of the government to operate effectively—begins with Saddam Hussein. Iraq's government did function before the 2003 invasion. Despite significant deficiencies on every front, some three-dozen ministries controlled virtually every factory, warehouse, administrative office, and service facility in the Iraqi inventory, as well as the distribution of essential commodities, including fuel and food. Even after the imposition of international sanctions, which choked the flow of spare parts and cash, the Saddam regime expected its ministries to perform as usual.

To meet Saddam's demands, officials became "entrepreneurial" and, at times, draconian. Ministries made shadowy credit arrangements so that ledgers would remain in the black; raw materials produced within Iraq were stockpiled and often withheld from other ministries; ministries imported materials in contravention of international sanctions; and a climate of fear kept workers in line.[6] Power over the ministries was jealously guarded by Iraqi officials at the highest ranks, many of whom sought to profit from their positions.[7] All these practices left a legacy of corruption for the US mission to try—unsuccessfully it turned out—to overcome.

Looting following the 2003 invasion dealt the first blow to existing government capacity. Next came the exodus of both people and property from Iraq's government offices, effectively

redefining reconstruction from restarting a government that already existed to building it anew, and thus restoring government offices was the first step. The goal was to restore the core capacities of government—its strategic and policy planning ability, as well as financial, information, and human resources management. To this end, USAID contracted in July 2003 with Bearing Point to give Iraq's Ministry of Finance the tools to start collecting, tracking, and disbursing state revenue.[8] Part of the Bearing Point contract was for a state-of-the-art financial management information system that turned out to be overwhelmingly difficult to implement. It was a harbinger the challenges to come: having been built with American rather than Iraqi accounting practices in mind, it was ultimately rejected by the Iraqi civil servants who were to use it.[9]

In the summer of 2003, three major funding streams—CERP, IRRF 1, and the DFI,—were available for capacity-building efforts. CPA senior advisors, working independently of U.S. government agencies, drew on what they could get from the military and USAID, as well as on funds for projects approved by the Program Review Board. Most funds came from "Iraqi money" in the DFI. More than $10 billion was set aside during the first year for ministerial operations; $1.2 billion came from U.S. funds.[10]

Building capacity in ministries was not an express focus. Down in the trenches of reconstruction, U.S. military engineers and international contractors were in a position to attach long-term maintenance and sustainability programs to the infrastructure projects they were executing. But, the IRRF 1 contract with Bechtel, like the other infrastructure contracts, did not emphasize capacity building. A short paragraph in the contract required Bechtel to "provide technical assistance and training to build the capacity for effective operation and maintenance."[11] What the capacity development programs might include or how their success would be measured was not specified.

Sustainment—the proper operation and maintenance of public works—similarly did not enjoy an early emphasis. USAID officials in charge of administering the IRRF 1 contracts assumed that a core cadre of ministry employees would carry over the maintenance practices of the old era.[12] The CPA had dismissed many of those ministry employees in the de-Ba'athification process, and those that remained found it difficult to push past the culture of centralized management and take responsibility for maintaining local facilities.[13] Even if Iraqi officials had taken the initiative, few in the summer of 2003 had functioning procurement

systems or even regular communication with ministry offices in Baghdad. USAID's second Bechtel contract, reflecting the expansion of reconstruction's scope and duration under IRRF 2, placed greater emphasis on maintenance and sustainability. It required every job order written under the contract to specify the level of "technical capacity" that would be passed to the Iraqis.[14]

As the CPA's Program Management Office (PMO) grew to administer the larger part of IRRF 2 funding, it too approached capacity building and sustainability with greater purpose. PMO internal guidelines suggested that contracting officers utilize Iraqi services "to the greatest extent practicable," and that design-build contractors collaborate with ministries in drafting project requirements. As much as 16 percent of a contractor's award fee became dependent on the ability to train local staff and transition projects effectively to the Iraqis.[15]

Simply writing language into IRRF 2 contracts, however, did not constitute a true sustainability program. A U.S. commitment to fund projects aimed exclusively at maintenance objectives was missing, an oversight that troubled USAID officials experienced with infrastructure construction in the developing world. In their view, PMO's staff, largely composed of engineers without development experience, tended to issue infrastructure contracts without attention to follow-on maintenance.[16] USAID's own infrastructure cell was acutely aware of the problem by the late winter of 2004, but the agency's loss of influence during the early CPA period marginalized its ability to advocate for sustainability contracts.[17] "Bremer," according to USAID Mission Director Spike Stephenson, "was not interested in anything but construction."[18] The CPA went so far as to remove $50 million from an operations and maintenance budget that USAID proposed.[19] While specific task orders would allow training at the ministry level to continue, the lack of dedicated sustainability contracts left it to the Iraqis to make critical purchases for maintaining facilities—which most ministries were unable to do.[20]

Despite the lack of emphasis on sustainability and capacity building, some international contractors found that the professional development of Iraqi subcontractors was in their own best interests. They went beyond what was required by their contracts to establish substantial training programs. One example, "Bechtel University," introduced a cadre of Iraqi contractors to international procurement policies, safety routines, and quality-assurance practices.[21] The theory was that if Iraqi firms were taught these skills, they would effectively use them in the future. Graduates of Bechtel University later took leadership roles in other reconstruction projects.[22]

Widespread success in IRRF-sponsored training programs at the plant level, however, was elusive in 2003 and 2004. Thomas Wheelock, the USAID project manager for the Bechtel IRRF contracts, noted that there was such a range of competence among Iraqi technicians that it was difficult to design any universally-applicable curricula. Some of the greatest challenges to facility-level sustainability were found in the management ranks at central ministries, where maintenance programs were designed and critical spare parts were procured. The PMO could require sustainment measures in the task orders it issued to contractors, but without a program to link them to efforts at the ministry level, there was little chance for long-term, effective management.[23] There was no coordinated effort among the U.S. organizations working in Iraq in the reconstruction program's first two years to draft and implement an interagency capacity-building or sustainment strategies that would reach all parts of the reconstruction effort.

The Sustainability Crisis

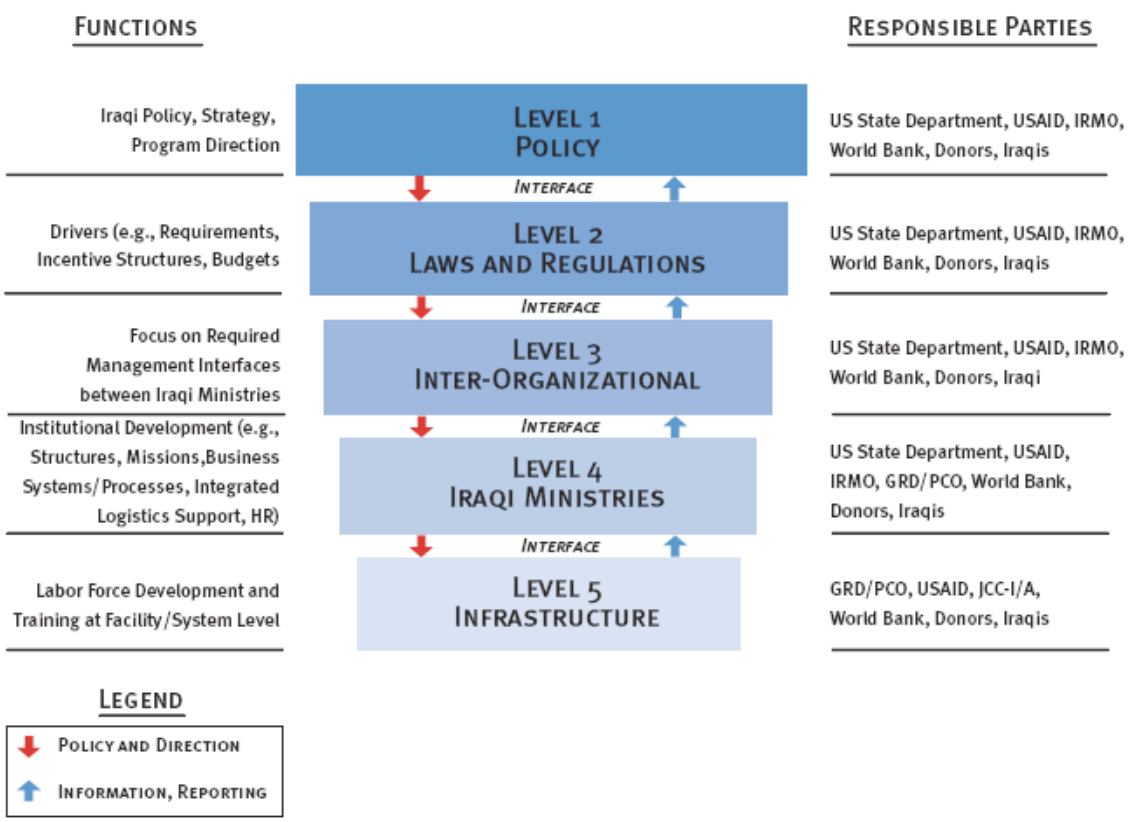
In the fall of 2004, Bruce Parmelee, a program officer in USAID's Community Action Program, discovered a rehabilitated water-treatment plant on the outskirts of Hillah sitting idle after repairs costing $5 million. Work on the plant had been completed, but without an effective effort to transfer the facility to local Iraqi authorities. Because the job order focused only on the facility, contractors did not connect the plant to the city's network of water-pipes and sewers or teach Iraqi employees how to use it. Few people in Hillah even knew that it existed, and the facility had already started to decay. It was a perfect example of the failure to incorporate an adequate plan for transfer and sustainability.[24]

A similar set of sustainment issues arose across the reconstruction effort in 2004 and 2005.[25] Contracts written for physical reconstruction frequently left out the crucial next step of ensuring the new facilities would be used and maintained. A policy of keeping international contractors on hand for 90 days to assist with early operations was seen by IRMO as woefully insufficient.[26] The security situation compounded the challenge, with targeted attacks on infrastructure, the withdrawal of international engineers, and widespread attrition among Iraqi technicians. The effort was also affected by an Iraqi political process that led to constant changes in ministries' leadership in the three years before the installation of a permanent government in 2006.[27]

All these factors impacted the delivery of essential services that reconstruction was supposed to provide. The major indicators of government performance in 2004 and 2005 were generally flat.[28] "It became clear," Ambassador David Satterfield said, "that we ran the real risk of huge multi-million dollar projects…sitting alone, non-operative, because we had not put the same focus on sustainability as we have on building it." "It had been assumed that Iraqis would take on the last-mile connectivity," Satterfield went on to say, "but they never did."[29]

PCO, working closely with contractors building essential services facilities, took the earliest steps to prioritize sustainability efforts. Much of the initiative began in the water sector where, by the late summer of 2004, the sheer number of projects outlined by the IRRF 2 spending plan convinced water-sector program managers that a separate capacity-development program was necessary. The 79-page Management and Interface Plan, which PCO briefed to agencies, think-tanks, congressional staff, and contractors, outlined five critical levels at which the U.S. mission could help develop the Iraqi government's capacity to sustain reconstruction.[30]

Figure 24.1 PCO's Five-Level Approach to Capacity Development



Source: PCO, "Capacity Development: A Foundation for a Sustainable Future," undated.

The premise of PCO's model was that success at facilities depended upon the performance of the Iraqi government as a whole. Working to improve sustainability at the infrastructure level alone would do little to improve the management of ministries. Yet, without better policies at the national level, as well as laws and regulations to support them, the ministries could do no better. The problem required a comprehensive solution, with intervention at each step.

The PCO focused on level five of this framework—infrastructure—while encouraging other parts of the U.S. mission to engage further upstream. By early 2005, the mission had established an internal office, staffed by two people in Baghdad and two in Washington, specifically charged with coordinating PCO's capacity-development initiatives. In March 2005, PCO modified statements of work for the IRRF 2 sector program-manager support contractors to include key sustainability objectives.[31] The PCO sustainability office also created reporting systems that tracked the new contract requirements, ranging from the number of Iraqi technicians trained on a project to documenting overall lessons learned by contractors working in the field. One result was a new set of confidential PCO databases that tracked the effectiveness of all Iraqi subcontractors hired by the design-build contractors as well as the progress of PCO-sponsored capacity-development activities.[32] Training programs run by prime contractors ultimately reached 509,000 Iraqis and comprised more than a million hours of training.[33]

PCO's focus on sustainability eventually led it to look beyond the infrastructure level. In 2005, the PCO established eight technical learning centers in seven provinces.[34] The centers offered hands-on training in equipment maintenance and engineering innovations that had been unknown in sanctions-era Iraq. Six focused on the water sector, which was the first sector to embrace all aspects of PCO's sustainment strategy, while two were established for workers in oil and electricity.[35]

Further up the ladder, a new PCO grant program encouraged ministries to shoulder a larger portion of the management of reconstruction. PCO would reimburse ministries for the costs of projects if they agreed to manage their planning, solicitation, bidding, financing, and construction. The entire capacity building effort, from vocational training to ministerial agreements, was encapsulated in an IRMO white paper in May 2005. The paper praised PCO's

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Management and Interface Plan, which became the basis of the first inter-agency capacity development strategy in Iraq reconstruction.[36]

However, this strategy—and, in particular, the cooperation it presumed between IRMO, the State Department, USAID, and PCO—did not take hold in 2005. Events quickly overtook the white papers circulating in the Embassy. During Ambassador Khalilzad's tenure in the fall of 2005, failures in infrastructure sustainment became too serious for the U.S. mission to ignore. More projects that had been completed were not operating, and essential service benchmarks in key sectors like electricity and oil remained unmet.[37] Nearly a year after the PCO introduced its interagency engagement strategy, the State Department concluded that a more "integrated approach was essential." Programs at the various agencies had been implemented "without a clear understanding of the programs' objectives or their contribution to the larger goal of transferring responsibility for reconstruction to the Iraqi government."[38]

Organizing Capacity Development Efforts

To bring unity to the effort, the Department of State initiated a "National Capacity Development Program" in late 2005. The plan focused on twelve key ministries that accounted for 65 percent of Iraq's 2.2-million-person government workforce and oversaw 74 percent of the national budget. Instead of assigning responsibility for ten civilian ministries to one organization or agency, as had been done for the Ministries of Interior and Defense, the Embassy asked USAID to focus on medium-term capacity issues, while IRMO and the Departments of State looked after immediate needs.[39] "We tried to build on the senior consultants," recalled Ambassador Speckhard, who served first as IRMO director and then as Deputy Chief of Mission under Ambassador Khalilzad. "The first step was to go out and have each one of them do an intensive survey of their own ministries to make judgments on how they were doing on strategic planning, on leadership and personnel, on budget and finance, and on public communications."[40]

IRMO was tapped to coordinate the effort, but overseeing the capacity-development activities of so many permanent and semi-permanent agencies in the U.S. government was a tall order for an ad-hoc group of senior consultants.[41] The consultants' principal charge had always been to maintain relationships with key Iraqi officials—including the minister—in each ministry, allowing the exchange of information and resources between the U.S. Embassy and the Iraqi

governments. Many senior advisors were busy working on their own to keep these crucial connections going and simply did not have the time to deal with all the other U.S. agencies who were supposed to be involved. IRMO was itself burdened with developing its own capacity—recruiting enough qualified advisors to replace those who were leaving. "Every year," Ambassador Speckhard said, "you're turning over some 90 percent."[42]

When it became apparent that IRMO alone could not effectively coordinate the initiative, the Deputy Chief of Mission ordered the creation of a Ministerial Capacity Team in March 2006. The idea was to link the work of senior consultants with other efforts in the Green Zone by bringing everyone together in a coordinating body. Vested with a $15 million dollar budget, the Ministerial Capacity Team began a series of efforts to build capacity into the ministries—literally. It constructed a new press room for the office of the prime minister, worked to create a digitized copy of the Iraqi legal code, and assembled a much-needed survey of Iraq's health infrastructure. Projects like this, however, did not amount to a systemic strategy for correcting plant-level failures by redressing ministerial deficits at the top.[43]

By summer 2006, the formula changed yet again. Thirty officers from Coalition forces and a similar number of reporting officers from the State Department joined IRMO senior advisors in what were called Ministerial Assistance Teams.[44] The teams developed one-year programs designed to jump-start capacity just as ministries were finally getting permanent ministers for the first time. By early 2007, twenty advisors worked in the Ministry of Oil, eighteen in the Ministry of Finance, and eighteen in the Ministry of Electricity.[45]

The introduction of new faces into a tightly-knit group of advisors and ministers—one that already had to work around language barriers, cultural differences, and gaps in technical knowledge—disrupted the solid relationships that had been established. For this reason, ministry assistance teams failed to gain momentum. Neither IRMO's senior consultants nor the Iraqi ministry officials who for three years had built very specific partnerships with the US mission wanted others to intrude.[46]

The failure of Ministerial Assistance Teams in 2006 opened the question of who was in control, or even aware, of the capacity-building activities in the Green Zone. In 2006, the Embassy created a Joint Task Force for Capacity Development that included representatives from USACE, USAID, MNSTC-I, the Embassy, and IRMO.[47] For the first time in more than three years, a central body met to oversee the agencies and organizations that had significant

relationships with various components of the Iraqi government. Unfortunately, the task force was yet another meeting of men and women in the Green Zone that lacked the authority to mandate action by its constituent agencies.[48]

The task force coincided with a new initiative by USAID to provide medium-term capacity assistance to Iraqi ministries. The $165 million "Tatweer" program—Arabic for development—focused initially on enhancing the professional qualifications of civil servants at the ministries of Planning, Finance, Oil, Electricity, and Water Resources. Management Systems International (MSI), USAID's implementing partner, intended to attach its own training programs to Iraq's National Center for Consultation and Management Development, a training academy in Baghdad's suburbs run by the Ministry of Planning. MSI also sought to establish its own ministry assistance teams staffed by Arabic-speaking advisors.[49]

Implementation of the Tatweer program was slow. By December 2006, MSI had positioned advisors in only the ministries of oil and electricity even though the other ten civilian ministries mentioned in the National Capacity Development Plan were scheduled for assistance. The lack of MSI advisors and the limited reach of the Ministerial Coordination Team over USAID programs seriously compromised the overall effort. The Center for Consultation and Management Development did not fare much better. By December 2006, USAID reported that the center's ability to host and expand on MSI training programs was limited.[50] Two subsequent audits found that implementers were having difficulty finding Iraqis willing to participate in the training programs, and that the center prohibited foreign advisors from visiting its premises because their presence would draw attention to the compound and create a security risk to Iraqi attendees.[51]

To direct these myriad activities, the Embassy turned finally to the Joint Executive Steering Committee. With high-ranking representatives from the Multi-National Force-Iraq, USAID, GRD, MNSTC-I, IRMO, and each Embassy section, the steering committee had originally served as the policy planner for the emergent PRT program. In the late summer of 2006, the steering committee's mandate was enlarged to make it the strategic hub for all joint efforts among agencies in Iraq, including capacity building programs.[52] The Joint Task Force on Capacity Development now reported to the steering committee, which was chaired by the deputy chief of mission.[53] While this structure in theory brought the ambassador into closer contact with

the capacity development program, policy influence remained with IRMO, whose director frequently chaired steering committee meetings in the deputy chief of mission's absence.[54]

The End of IRMO and the Rise of Budget Execution

An imminent deadline soon complicated these arrangements. In the continuing effort to "normalize" Embassy operations, IRMO's demise as an organization was set for early 2007, dashing hopes that the capacity development program would consolidate under unified leadership. IRMO's last director, Ambassador Joe Saloom, arrived in May of 2006 to begin shutting down the three-year-old organization.[55] His own perception was that the State Department wanted to create a year-long "glide-path" for senior consultants, who would continue overseeing reconstruction in their ministries, but increasingly under the direction of section heads at the U.S. Embassy.[56] It was all part of a trend to bring the functions of many ad hoc offices created to manage reconstruction under the traditional Embassy structure, with its political and economic sections.

Work continued nonetheless. The transition to Saloom's leadership in IRMO revived the search for adequate measures of success in capacity development. IRMO's initial effort, started in September 2006 to measure core indicators of Iraqi ministry capacity, quickly ran out of steam and failed to produce further findings.[57] Nevertheless, the assessment confirmed that a majority of ministry staff lacked sufficient training to do their jobs, and that a quarter of all ministerial functions depended on Coalition or other foreign support.[58]

By late 2006, a growing awareness that the Iraqi government was ill-prepared to move money from its treasury to the many offices that actually spend the budget helped bring focus to the capacity-building program. Iraq's capital reserves were growing, and much of the money was not being spent. Embassy officials wanted to prepare for the day when Iraqi revenues alone would carry reconstruction forward.[59] IRMO's leaders, exasperated with the scope of ongoing capacity-building efforts, were happy to narrow their focus. "It became obvious, once again," Ambassador Speckhard said, "that we bit off more than we could chew, in the timeframes we were talking about." "To make noticeable differences in the short-term," he said, "you really need to focus on a few things."[60]

U.S. officials, with new input from the Ambassador and a working group established on budget execution, zeroed in on the failure of Iraqi institutions to spend their capital budgets, citing it as "the most important capacity restraint to the Government of Iraq's performance."[61] Improving the ability of the Iraqi government to spend its own revenue therefore became the keystone in a new arc of capacity-development activities. It was all part of a shift in the reconstruction program to supporting Iraqi priorities with Iraqi resources. Iraqi budget performance would be tracked daily on both the civilian and military side of the U.S. mission and all efforts would be made to increase the rate at which Iraqi money flowed from ministry budgets to reconstruction contracts.

Once budget execution was identified as a clear measure of progress, the U.S. mission marshaled nearly every agency at its disposal to achieve it. IRMO, the Joint Contracting Command-Iraq, the Treasury Department, the Army Corps of Engineers, the Embassy economic section, and the ambassador's front office were all deeply involved in providing program management and contracting assistance to Iraqi ministries. The Iraqi Prime Minister's office and the office of Deputy Prime Minister Barham Salih were also active. Salih convened weekly meetings on procurement and spending approval processes with the Ministers of Planning and Finance and officials in provincial and city government.[62] It was, according to Ambassador Saloom, an "all-government approach."[63]

The Ministry of Planning was one of the weak links in the chain. Iraqi law requires the Ministry of Planning to approve all requests for funding by other parts of the Iraqi government. Only after receiving Ministry of Planning approval can the Ministry of Finance disburse funds to ministries or provinces. A Ministry of Planning "fusion cell" was created. Dozens of Americans, many of them of Iraqi origin, took desks next to ministry employees in order to coach them at every step. In some cases, they even answered the phones. The support of Iraqi bureaucrats, who were often untrained and not used to making large-sum funding decisions, accelerated the pace at which the Iraqi government increased its capital expenditures.[64]

These innovative efforts yielded only modest results at first. Before budget execution was identified as a priority, the Iraqi Government as a whole spent just 17 percent of its capital budgets, meaning that badly-needed infrastructure projects had either not begun or were being executed entirely with U.S. funds.[65] In 2007, the government substantially improved budget execution at the ministerial level, spending $4 billion of its $7.9 billion capital budget for an

execution rate of just over 51 percent. Results in the provinces, however, were mixed, with rates varying from a high of 64 percent in Najaf to zero in Diyala province. Strategically-crucial Anbar province reported spending only $4 million of the $107 million available—an execution rate of less than 4 percent.[66]

Violence was a major impediment. "The bread and butter of a Director General's job is dealing with his superiors in Baghdad," Treasury attaché Jeremy Pam explained. "Without a war on, he would go back to Baghdad every two weeks. But if he can't drive on the roads, you have the different levels of government increasingly cut off from each other." "Imagine," Pam said, "if the Internet went down, and you didn't have email. Our budget execution would go down, too."[67]

The U.S. mission's fixation on budget execution raised two fundamental issues. The first was whether it was wise to be so concerned about the Iraqi capacity to spend money quickly.[68] The second had to do with the long-term value of the more-intensive capacity-building approaches directed at the security ministries and the Ministry of Planning. In 2007, a GAO audit of the capacity development program concluded that with so many international advisors in effect "sitting in" for Iraqi government employees, "the Coalition's involvement in [Iraq's] budgeting and procurement processes may have hindered the ministries' capacity to improve their own procurement and contracting systems and perform other vital services."[69] "We were not convinced that ministries actually were building their own capacity to do those things that we were doing for them," Ambassador Satterfield said.[70]

Transferring Completed Projects to the Iraqis

As the U.S. worked to enhance ministerial capacity, the process by which completed reconstruction projects were transferred to the Iraq government broke down. A series of SIGIR audits beginning in 2006 revealed that asset transfer—as project handover is formally called—was not being performed in a way that would ensure the Iraqi government was capable and willing to assume responsibility for maintaining U.S.-built facilities.[71] Transitioning sophisticated facilities, such as electrical or water treatment plants worth tens of millions of dollars—was a difficult task by any measure. Detailed operational and maintenance procedures had to be drawn up. Manuals and technical documentation had to be handed over. Most

critically, the Iraqis had to be adequately trained to operate and maintain the facilities on their own, a task that would require careful planning and budgeting skills in perpetuity, at both the facility and the ministry responsible for it.

The breakdown between Iraq's central and local governments made asset transfer an especially arduous task. A municipality's pledge to care for a facility was no guarantee that the central ministry actually responsible for its upkeep was prepared to support it over the long term—or even knew it existed. Even handing over smaller projects, such as schools and clinics, was fraught with difficulty. Although not necessarily difficult to maintain or operate, they still needed to be kept supplied and staffed year after year to realize the full value of U.S. investment.

For these reasons, the asset transfer process is the ultimate test of Iraqi buy-in. If done properly, it provides three crucial checks. First, it ensures formal recognition by the Iraqi government that a project is satisfactorily complete and ready for transfer. Second, it provides an opportunity for the Iraqi ministries involved in operating and maintaining the facility to acknowledge their technical readiness and show that they have dedicated adequate budgetary and personnel resources for all future operations, maintenance, and capital-replacement costs. Third, and most important, it provides an occasion for the U.S. and Iraqi government to certify that the U.S. investment will be responsibly cared for in the years to come.[72]

The scope of asset transfer, like the reconstruction itself, is enormous, and involves many projects that the Iraqis never agreed to or wanted in the first place. By the middle of 2006, 579 IRRF projects, valued at $765 million, had been officially transferred to the Iraqi Ministry of Finance. However, this was only 18 percent of the total number of completed IRRF projects. Still more projects would come from the other reconstruction funds, including CERP and the Iraq Security Forces Fund. The cost of maintaining IRRF projects alone was estimated in 2006 at approximately $1.2 billion annually. As that year drew to a close, the U.S. planned to have the Iraqis shoulder most of this burden. An estimated $372 million in sustainment funds would be available within IRRF for short-term operations, spare parts, consumables, and contracted support during 2007. The government of Iraq would fund the remaining $828 million.[73]

One of the flaws of the asset transfer approach as it was structured in 2006 was that each U.S. agency working in Iraq had different procedures—requiring different levels of detail and due diligence—for transferring projects. A sampling showed that one agency provided an exhaustive accounting of asset values and maintenance requirements in its transfer package,

while another provided no information at all.[74] Procedures even differed within agencies for separate reconstruction funds.

SIGIR's audits found that the lack of uniformity confused Iraqis and allowed some assets to be transferred with insufficient technical documentation. At a minimum, providing formal notification of the project's transfer to the Iraqi Ministry of Planning, Ministry of Finance, and the appropriate operating ministry was recommended. The notification was supposed to list all relevant data and specifications that would allow the Iraqis to plan better for long-term upkeep, including the start date, asset cost, estimated short-term and long-term sustainability costs, terms of warranties, and the location of maintenance and systems manuals.[75]

The lack of one centralized authority to manage asset transfer for the entire U.S. reconstruction effort was problematic. Policy guidance issued by the Embassy's Asset Transfer Working Group in April 2006 was not binding. In mid-2008, SIGIR found that U.S. agencies continued to develop their own transfer procedures—confusing the government of Iraq in the process. USAID, for instance, elected not to utilize the process the Working Group established. MNSTC-I took a different approach altogether, and tried to develop the capacity within the Ministry of Interior to sustain all transferred projects.[76] MNSTC-I was later faulted by an audit for transferring 388 projects unilaterally to the Government of Iraq even though they did not obtain formal assent—thus putting a billion dollars of U.S. investment at potential risk.[77]

Unilateral transfers caused many problems. A report in 2007 by the Board of Supreme Audit, Iraq's audit agency, found that many Iraqi ministries did not possess records detailing the existence of U.S.-funded reconstruction projects supposedly under their control.[78] Later modifications to the asset transfer policy addressed some of the issues identified by the reviews, but these modifications did not apply to all projects provided by U.S. reconstruction funds and did not centralize the management of the asset transfer process. The Iraqi government also failed to respond to a memorandum of agreement forwarded by the U.S., leaving any policy agreement between the two governments at an impasse in the mid-2008.[79]

Outside the Green Zone

Fostering capacity within Iraq's central ministries and strengthening the asset transfer process might have befitted the government as it was structured under Saddam Hussein, but the

U.S. had embarked on an ambitious project to pull control away from the central ministries and push it to the provinces. Decentralizing the former regime's political power to hundreds of new, local institutions around the country was an exceedingly difficult process, in part because the U.S. was attempting to create institutional capacity in places where none had existed. By late 2005, nurturing capacity at the provincial and municipal levels also became a strategic objective.

Four Coalition entities were already at work supporting the development of capacity in local and provincial governments: Provincial Reconstruction Development Committees (PRDCs), Provincial Reconstruction Teams (PRTs), Brigade Combat Teams, and USAID's Local Government Program. In 2006, policymakers used each of these institutions to help link the capacity development underway in Baghdad with efforts in the provinces. PRDCs became a way to tutor Iraqi officials in program and project management, while at the same time increasing the Iraqis' commitment to maintaining projects built by the U.S. "We were dissatisfied with what appeared to be a disconnect between our projects and Iraqi sense of ownership and buy in," Ambassador Satterfield explained. "We were creating white elephants that did not have Iraqi buy-in or training to keep going." PRDCs fostered joint decision-making between American and Iraqi officials, and helped harness Iraqi government capacity in the ongoing reconstruction. "The skills gained in doing [the PRDC process]," Satterfield said, "would then translate into the ability to use Iraqi funds when the provinces were funded."[80]

PRTs also played a leading role. Having existed principally as capacity-building institutions, PRTs were staffed to provide guidance to provincial councils, governors, directors general, and other local officials. As violence increased across Iraq in 2006, new tasks, including the execution of economic components of counterinsurgency programs, were given to the PRTs. Becoming an important link between provincial reconstruction efforts and the military's counterinsurgency strategy, however, risked undermining PRTs' original capacity-building mission.[81] They were not at first equipped to become project and program managers in their own right.[82] The solution was more staff and support from Baghdad, but the National Coordination Team, which came to supplant the role of IRMO's Directorate of Operations in overseeing PRTs, was unable to keep pace with the increased demands.

Not until the spring of 2007, with the PRTs fully deployed, was a substantial attempt made to address staffing and capability shortages for both the teams and the offices that supported them from Baghdad. A new organization, the Office of Provincial Affairs (OPA), was

placed directly under the ambassador and thus became—at least nominally—an equal partner of the other Embassy sections. This bureaucratic restructuring, along with the appointment of more-senior officials to head the office, gave the PRT program a greater opportunity to define and execute its own policies within its two primary missions—and thereby to help lead capacity development efforts in the provinces. OPA, however, was not well staffed either, and was at first overwhelmed with carrying out basic reporting and support functions.[83]

Despite the importance of a comprehensive capacity-development and sustainment programs to the long-term success of the U.S. mission in Iraq, the United States failed to develop them in the initial years after the invasion. This did not mean that reconstruction officials were ignoring the problem. In the first year of occupation, the CPA obligated more than $10 billion of Iraqi and U.S. funds on ministry operations.[84] In 2004, the PCO modified contracts and introduced a series of programs designed to address emerging sustainability challenges in infrastructure rebuilding. By the end of 2006, the U.S. government allocated $169 million to build Iraq's governing capacity, and many sustainment efforts began.[85]

A unified effort to coordinate these activities, however, proved to be elusive. Officials largely concentrated on what they knew. Diplomats focused on political reform, businesspeople on the Iraqi private sector, and engineers on sustaining facilities. As a result, many of the weak links in the chain of Iraqi institutions were neither understood nor properly addressed, leading to a crisis of Iraqi government mismanagement. Efforts to address this crisis have had only partial success. Years after some of these programs began it was not clear whether they had any lasting effect, and, as late as the end of 2007, no overall strategy had been put in place.[86]

A look at Diyala province four years after the invasion illustrates how slowly Iraq's governing capacity had developed. None of Diyala's service directorates had a dedicated maintenance budget. While central-government ministries still controlled 80 percent of Iraq's capital budgets in 2007, the local government in Diyala was no more cognizant of ministry projects planned in its territory than it was in 2004.[87]

These shortfalls raise hard questions about how capacity development programs in Iraq should have been managed. MNSTC-I, on the one hand, flooded the ministries of Interior and Defense with more than 200 advisors, each working hand-in-hand with Iraqi counterparts. Among the ten other major ministries, advisors numbered in the handful, except for the effort at the Ministry of Planning to increase budget execution. Almost by default, it was accepted that

novice Iraqi bureaucrats would have to muddle through on their own. Metrics also were contentious. Program officials, struggling to know if their capacity development efforts were successful, often selected measurements that were expedient rather than developing indicators that would more accurately assess whether progress was being achieved. Momentary peaks in electrical generation were measured rather than the total hours of power available per week; rather than seeking hard-to-obtain indicators that training actually raised participants' skills, evaluators counted hour-long training sessions as measures of technical competence; and the speed with which Iraqi ministries spent money was noted approvingly, while the wisdom of how it was spent was not examined.

Finally, the lack of security threatened all capacity development efforts. Iraqi officials often had to limit their days at the office to just two or three hours because of threats to their safety from insurgents and warring sects and the length of time it took to navigate safely the checkpoints between home and workplace. By 2007, the kidnapping and killing of capacity-development advisors when they left the Green Zone led to restrictive policies that limited contacts between coalition and Iraqi officials, sometimes preventing it altogether.[88] Raising a new system of government and endowing it with the capacity to sustain its infrastructure effectively was a never-ending challenge, one that still had not been overcome toward the end of 2008.

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[1] USAID contracted with Bechtel in 2003 (IRRF 1) and again in 2004 (IRRF 2) to rebuild vast parts of Iraq's electrical infrastructure. The Doura power plant's No. 5 and No. 6 generators were the objects of two Bechtel job orders under the IRRF 1 and IRRF 2 contracts. The first, amounting to $90.8 million, called for the rehabilitation of the two generators. The second, amounting to an additional $80 million, called for the establishment of Operations and Maintenance training for personnel at the Ministry of Electricity. Work on the generators was scheduled for completion on April 30, 2004. Actual completion was delayed by almost two years, to April 2006. SIGIR Inspection PA 07-103, "Doura Power Stations 5 and 6, Baghdad, Iraq," July 18, 2007, 3-4.
[2] SIGIR Inspection PA 07-103, "Doura Power Stations 5 and 6, Baghdad, Iraq," July 18, 2007, i-ii, 7-10.
[3] For instance, the pressure on working level engineers was so extreme that not only were maintenance periods shortened due to demand, but improper procedures were used after blackouts to restart sensitive components. SIGIR interview with Al Herman, Senior Consultant for Electricity, February 28, 2008.
[4] Stuart Bowen, Special Inspector General for Iraq Reconstruction, Testimony before the House Committee on Appropriations Subcommittee on Foreign Operations, Export Financing, and Related Programs, September 7, 2005; and SIGIR, *Quarterly Report to the United States Congress*, January 2006, 4-5. For examples of SIGIR sustainment inspections see: SIGIR Inspection PA 07-116, "Nassriya Water Treatment Plant, Nassriya, Iraq," April 28, 2008; and SIGIR Inspection 08-137, "Kirkuk to Baiji Pipeline Exclusion Zone – Phase 3, Kirkuk, Iraq," July 24, 2008; and SIGIR Inspection PA 06-082, PA 06-083, PA 06-084, PA 06-085, PA 06-086, "Electrical Substation Sustainment, Basrah, Iraq," January 10, 2007.
[5] SIGIR defines sustainment "as the ability of the Iraqi government to support IRRF-funded projects and facilities for an extended period of time after U.S. financial, managerial, and technical assistance is terminated." SIGIR Audit 05-022, "Managing Sustainment for Iraq Relief and Reconstruction Fund Programs," October 24, 2005, i. SIGIR defines capacity development as "an activity or multiple activities that lead to the transfer of knowledge, skills, and abilities across a range of functions over a period of time." SIGIR Audit 06-045, "Status of Ministerial Capacity Development in Iraq," January 30, 2007, 3.
[6] One Iraqi working for the US coalition recalled experiences working for the former regime in which Ba'athist enforcers would identify missing inventory from state factories, and then mete out punishment by shooting employees at random. SIGIR interview with Babil PRT Iraqi Employee, August 2008. Individual ministries during the Hussein era also maintained their own prison networks, designed to incarcerate suspected employees and enforce a culture of fear. SIGIR interview with Andrew Natsios, former USAID Administrator, April 17, 2006.
[7] For a history of Saddamist management practices, see: Kanan Makiya, *Republic of Fear: The Politics of Modern Iraq* (Berkeley: University of California Press, 1998); and Phebe Marr, *The Modern History of Iraq*, 2nd edition (Boulder, CO: Westview Press, 2003).
[8] Bearing Point, USAID contract RAN-C-00-03-00043-00, July 18, 2003, http://www.usaid.gov/iraq/contracts/pdf/BearingPoint.pdf.
[9] SIGIR Audit 08-007, "Efforts to Implement a Financial-Management Information System in Iraq," January 25, 2008.
[10] GAO Report 04-902R, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 2004, 14.
[11] Bechtel, USAID contract EEE-C-00-03-00018-00, April 17, 2003, 14, http://www.usaid.gov/iraq/contracts/pdf/Bechtel.pdf.
[12] SIGIR interview with Robert MacLeod, USAID Chief Technical Officer, January 20, 2006.
[13] For example, a critical deterioration of the port equipment at Umm Qasr took place between the summer months of 2003, when the port was rehabilitated, and December 2003. Visits by USAID officials revealed that work on maintaining the equipment had been stalled by local managers who were waiting for Baghdad to initiate repairs. SIGIR interview with Robert MacLeod, USAID Chief Technical Officer, January 20, 2006.
[14] Bechtel, USAID contract SPU-C-00-04-00001-00, January 5, 2004, http://www.usaid.gov/iraq/contracts/pdf/Bechtel_II.pdf.
[15] SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 54-55.
[16] James Stephenson, former USAID Mission Director, email to SIGIR, August 2, 2006.
[17] SIGIR interview with Robert MacLeod, USAID Chief Technical Officer, January 20, 2006; and James Stephenson, former USAID Mission Director, email to SIGIR, August 2, 2006.
[18] James Stephenson, former USAID Mission Director, email to SIGIR, August 2, 2006.
[19] SIGIR interview with Andrew Natsios, former USAID Administrator, March 17, 2008.

[20] SIGIR interview with Thomas Wheelock, former Chief of Party for USAID's contractor International Resource Group, January 5, 2006.
[21] SIGIR interview with Christopher Milligan, USAID Deputy Director of Iraq, February 9, 2006.
[22] For example, SIGIR found that, three years after their graduation from Bechtel University, a handful of engineers were leading infrastructure reconstruction programs in Baghdad under the auspices of USAID's second Local Governance Program. SIGIR interviews with members from RTI Baghdad and RTI Green Zone compounds, August and September 2007.
[23] SIGIR interview with Thomas Wheelock, former Chief of Party for USAID's contractor International Resources Group, January 5, 2006.
[24] SIGIR interview with Bruce Parmelee, Community Action Plan program officer, March 2, 2007. For a more recent example, see: SIGIR Inspection PA 07-116, "Nasiriya Water Treatment Plant," April 30, 2008.
[25] SIGIR Audit 05-022, "Managing Sustainment for Iraq Relief and Reconstruction Fund Programs," SIGIR 05-22, October 24, 2005.
[26] IRMO, "Iraq Reconstruction Program Framework for Sustainable Operations," May 18, 2005, 4.
[27] For a discussion of the capacity problems associated with frequent ministry personnel turnover during this period, see: SIGIR Audit 06-045, "Status of Ministerial Capacity Development in Iraq," January 30, 2007, 1.
[28] Nationwide electricity production in June of 2004, for example, was recorded at approximately 3,900 megawatts, slightly less than Iraq's pre-war generation of 4,400 megawatts, and far below the CPA's goal of 6,000 megawatts by summer. Daily crude export, meanwhile, was at 1.2 million barrels per day, almost half of its pre-war peak. Other services were also underperforming. The Brookings Institution, "Iraq Index: Tracking Variables of Reconstruction & Security in Post-Saddam Iraq," June 21, 2004, 20-21.
[29] SIGIR interview with David Satterfield, former Deputy Chief of Mission, April 14, 2008.
[30] PCO, "Iraq Capacity Development: PCO Management and Interface Plan," November 22, 2004, 3; and SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007, 119-120.
[31] SIGIR interview with Sheryl Lewis, PCO Capacity Development officer, December 1, 2007; and SIGIR Inspection PA 07-116, "Nassriya Water Treatment Plan, Nassriya Iraq," April 28, 2008.
[32] Most of these tracking data are now held in PCO-GRD capacity development and subcontractor databases. Each database reports on 12 contract deliverables relevant to capacity development, as well as on various general requirements and award fee criteria. See: PCO briefing, "Capacity Development and Sustainability Program," March 2007.
[33] Department of the Army, PCO/USACE-GRD, "A Report on Iraq Reconstruction," January 2004 - September 2006, 16.
[34] PCO briefing, "2005 Capacity Development & Sustainment," PCO Training Center Map, 2005.
[35] SIGIR interview with Sheryl Lewis, PCO Capacity Development officer, December 1, 2007.
[36] IRMO, "Iraq Reconstruction Program Framework for Sustainable Operations," May 18, 2005.
[37] SIGIR, *Quarterly Report to the United States Congress*, October 2005, 16-20.
[38] GAO Report 08-117, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 14.
[39] GAO Report 08-117, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 6-7, 14-15.
[40] SIGIR interview with Daniel Speckhard, former IRMO director and Deputy Chief of Mission, April 29, 2008.
[41] SIGIR interview with Sheryl Lewis, PCO Capacity Development officer, December 1, 2007.
[42] SIGIR interview with Daniel Speckhard, former IRMO director and Deputy Chief of Mission, April 29, 2008.
[43] SIGIR interview with Robert Tillery, former National Coordination Team chief of staff, January 11, 2008.
[44] SIGIR interview with Robert Tillery, former National Coordination Team chief of staff, January 11, 2008.
[45] GAO Report 08-117, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 8-9.
[46] Only the ministry of electricity, which had a long history of working simultaneously with different components of the US mission, successfully integrated the Ministry Assistance Team concept. SIGIR interview with Robert Tillery, former National Coordination Team chief of staff, January 11, 2008.
[47] SIGIR Audit 06-045, "Status of Ministerial Capacity Development in Iraq," January 30, 2007, 10-11; and SIGIR interview with Robert Tillery, former National Coordination Team chief of staff, January 11, 2008.
[48] A SIGIR audit found that, in its first four months of operation, the Task Force was primarily occupied with cataloging the various capacity-development activities throughout the reconstruction program. It also found that individual relationships with ministries tended to define capacity-development efforts, rather than an overall

strategy. SIGIR Audit 06-045, "Status of Ministerial Capacity Development in Iraq," January 30, 2007, 12; SIGIR interview with Robert Tillery, former National Coordination Team chief of staff, January 11, 2008; and SIGIR interview with Sheryl Lewis, PCO Capacity Development officer, December 1, 2007.
[49] USAID, "Tatweer Project: Developing National Capacity in Public Management," Quarterly Progress Report No.1 (August-October 2006), November 30, 2006, ii, 1.
[50] USAID, "Tatweer Project: Developing National Capacity in Public Management," Quarterly Progress Report No. 2 (November-December 2006), January 30, 2007, 7.
[51] GAO Report 08-117, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 19; and SIGIR Audit 06-045, "Status of Ministerial Capacity Development in Iraq," January 30, 2007, 2.
[52] SIGIR conversations with Rick Olson, former Office of Provincial Affairs official, Spring 2008.
[53] SIGIR interview with Joseph Saloom, former IRMO director, April 21, 2008.
[54] Rick Olson, former Office of Provincial Affairs official, email to SIGIR, November 19, 2008.
[55] IRMO's Presidential charter, National Security Presidential Directive 36, originally defined the office as a temporary organization without an explicit expiration date. National Security Presidential Directive 36, "United States Government Operations in Iraq," May 11, 2004.
[56] SIGIR interview with Joseph Saloom, former IRMO director, April 21, 2008.
[57] The Embassy formally dropped this effort in July 2007. GAO Report 08-117, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 16. For a discussion of the difficulty associated with performing capacity building as ministries constantly changed hands, see: SIGIR Audit 06-045, "Status of Ministerial Capacity Development in Iraq," January 30, 2007, 1.
[58] GAO Report 08-117, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 19.
[59] SIGIR interview with Jeremiah S. Pam, former Treasury attaché, September 9, 2008.
[60] SIGIR interview with Daniel Speckhard, former IRMO director and Deputy Chief of Mission, April 29, 2008.
[61] SIGIR interview with Joseph Saloom, former IRMO director, December 2, 2007; and Jeremiah S. Pam, former Treasury attaché, September 9, 2008. For further background on Iraq's financial reconstruction, see: Jeremiah S. Pam, USIP Special Report 216, "The Treasury Approach to State-Building and Institution-Strengthening Assistance: Experience in Iraq and Broader Implications, October, 2008.
[62] Ambassador Zalmay Khalilzad, vetting comments to SIGIR, October 27, 2008.
[63] SIGIR interviews with Joseph Saloom, former IRMO director, December 2, 2007; and Jeremiah S. Pam, former Treasury attaché, September 9, 2008.
[64] SIGIR interview with Muhannad Esheiker, Ministry of Planning fusion cell member, August 25, 2007.
[65] Conflicting budget execution data exist. SIGIR January 2008 Quarterly Report cites a White House report putting this number at 24%, a Treasury Department report showing 15%, and a GAO report showing 4.4%. SIGIR, *Quarterly Report to the United States Congress*, January 2008, 124.
[66] SIGIR, *Quarterly Report to the United States Congress*, April 2008, 142-144.
[67] SIGIR interview with Jeremiah S. Pam, former Treasury attaché, September 9, 2008.
[68] SIGIR interview with Henry Clarke, former director, Office of Provincial Affairs, August 17, 2007; and Mat Bouldin, Diyala PRT Member, August 9, 2007.
[69] That many of the advisors had no prior background in development may also be a factor. GAO Report 08-117, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 19.
[70] SIGIR interview with David Satterfield, former Deputy Chief of Mission, April 14, 2008.
[71] SIGIR Audit 06-006, "Multi-National Security Transition Command-Iraq: Management of the Transfer of IRRF-funded Assets to the Iraqi Government," April 29, 2006; SIGIR Audit 06-007, "U.S. Agency for International Development: Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," April 29, 2006; and SIGIR Audit 06-017, "Transition of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," July 28, 2006. Follow-on audits include SIGIR Audit 07-004, "Transferring Iraq Relief and Reconstruction Fund Capital Projects to the Government of Iraq," July 25, 2007; and SIGIR Audit 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed to Avoid Waste," April 28, 2008.
[72] SIGIR Audit 06-006, "Multi-National Security Transition Command-Iraq: Management of the Transfer of IRRF-funded Assets to the Iraqi Government," April 29, 2006; SIGIR Audit 06-007, "U.S. Agency for International

Development: Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," April 29, 2006; and SIGIR Audit 06-017, "Transition of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," July 28, 2006. Follow-on audits include SIGIR Audit 07-004, "Transferring Iraq Relief and Reconstruction Fund Capital Projects to the Government of Iraq," July 25, 2007; and SIGIR Audit 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed to Avoid Waste," April 28, 2008.

[73] SIGIR Audit 06-017, "Transition of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," June 28, 2006, ii, 10.

[74] SIGIR Audit 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made But Further Improvements Needed to Avoid Waste," April 28, 2008, 7.

[75] SIGIR Audit 06-006, "Multi-National Security Transition Command-Iraq: Management of the Transfer of IRRF-funded Assets to the Iraqi Government," April 29, 2006; SIGIR Audit 06-007, "U.S. Agency for International Development: Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," April 29, 2006; and SIGIR Audit 06-017, "Transition of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," July 28, 2006. Follow-on audits include SIGIR Audit 07-004, "Transferring Iraq Relief and Reconstruction Fund Capital Projects to the Government of Iraq," July 25, 2007; and SIGIR Audit 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed to Avoid Waste," April 28, 2008.

[76] SIGIR Audit 06-017, "Transition of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," June 28, 2006, 6-7.

[77] SIGIR Audit 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made But Further Improvements Needed to Avoid Waste," April 28, 2008, 3.

[78] Republic of Iraq, Board of Supreme Audit, "Report on Projects Funded by U.S. Funds," November 25, 2007.

[79] SIGIR Audit 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made But Further Improvements Needed to Avoid Waste," April 28, 2008. The State Department notes that, as of October 2008, the asset transfer policy is under active consideration by the Council of Ministers. State Department vetting comments to SIGIR, October 28, 2008.

[80] SIGIR interview with David Satterfield, former Deputy Chief of Mission, April 14, 2008.

[81] SIGIR interview with Joseph Saloom, former IRMO director, December 2, 2007.

[82] SIGIR interview with Joseph Saloom, former IRMO director, December 2, 2007.

[83] SIGIR interview with Henry Clarke, former director, Office of Provincial Affairs, August 17, 2007.

[84] GAO 04-902R Report, "Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues," June 28, 2004, 14.

[85] GAO Report 08-117, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 3, 9.

[86] GAO Report 08-117, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 1-5.

[87] Mat Bouldin, Diyala PRT Member, email to SIGIR, August 17, 2007.

[88] GAO 08-117 Report, "Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk," October 2007, 25-26.

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Chapter 25

RECONSTRUCTION AMID SECTARIAN VIOLENCE

To provide security you need to engage people. You need to tackle unemployment. You need to create job opportunities, substantial opportunity so people would be more involved in their well being rather than explosives and insurgency.

- Ayad Allawi,
Prime Minister of Iraq (2004-2005)[*]

Hope that Iraq's democratic elections would defuse sectarian tensions unraveled on the morning of February 22, 2006. At five minutes before seven, Al-Qaeda terrorists in Samarra destroyed the golden dome of the al-Askari mosque, the revered Shi'a holy site on the east bank of the Tigris River, 60 miles north of Baghdad. Desecrating the gravesite of the tenth and eleventh Imams was a psychic blow to Iraq's Shi'a and accelerated the pace of sectarian killing that had been rising steadily for months. Indications are that at least 1,300 Iraqis, mostly Sunni, were murdered in the next four days, many slain in the streets by organized killing squads associated with the militia of Moqtada al-Sadr.[1]

The humanitarian and political crisis precipitated by the Samarra bombing forced reconstruction policymakers to shift course on a number of fronts. Refugees posed the first problem. A quarter-million Iraqis fled their homes, hastening the segregation of Baghdad and south-central Iraq into Sunni and Shi'a enclaves.[2] By the end of 2006, one out of every eight Iraqis had left the country or became displaced within it.[3] Tent cities sprouted to accommodate the most-desperate homeless, triggering food and water shortages that exacerbated already-poor conditions.

In keeping with previous trends, attacks were concentrated in Baghdad and the provinces of Anbar, Diyala, and Salah ad-Din.[4] The difference was that in the month after Samarra, execution-style killings took eight times more Iraqi lives than were claimed by insurgent attacks, indicating a shift from insurgency to civil conflict.[5] Iraq's history could be seen in the patterns of violence. Tribal codes drove revenge killings between Sunni and Shi'a, while the methods of torture and execution—power drills and severed heads—echoed Ba'athist practices.[6]

[*] SIGIR interview with Ayad Allawi, former Prime Minister of Iraq, February 25, 2008.

The mass violence between Iraq's sects came amid a deadlock over seating the new government. Members of the Shi'a, Sunni, and Kurdish factions, elected to Parliament under Iraq's newly-ratified constitution, could not agree who should be named ministers. The United States lobbied against nominating the incumbent Prime Minister, Ibrahim Ja'afari, to that post again, viewing his divisiveness and political wavering as profoundly unhelpful to reconciliation.[7] With government at a standstill, the killing continued.

The Iraqi government's inability to contain the refugee flows further radicalized the population. With the Ministry of Displacement and Migration and the Red Crescent unable to meet their basic needs, displaced Iraqis turned to neighborhood mosques and the religious offices that supported them. SCIRI's charitable organization, Shahid al-Mihrab, and the offices of Grand Ayatollah Sistani and Sadr distributed cash and material assistance to Shi'a refugees, while the Association of Muslim Scholars and the Islamic Party aided displaced Sunnis.[8]

In response to the security vacuum, the Madhi Army and the Badr Brigade manned hundreds of informal checkpoints to stem the incursion of Sunni terrorists in Shi'a neighborhoods, while a parallel network of Sunni militiamen attempted to stop Shi'a killing squads from infiltrating Sunni areas. The militia barricades were so numerous they slowed the flow of goods, disrupting Baghdad's economy. The market soon adapted. Informal exchange points on the city's west side let Sunni drivers off-load their wares to Shi'a trucks.[9]

When government forces could not stop the killing, refugees also became increasingly dependent on sectarian militias for their safety. The militias that came to rule whole sections of Baghdad also penetrated the state security apparatus. In 2006, the U.S. discovered evidence of Shi'a death squads operating from the Ministry of the Interior, and a secret network of prisons across Baghdad.[10] Rival Shi'a factions asserted claims to the spoils of government, commandeering floors of the Ministry of the Interior and appropriating U.S.-purchased weapons and vehicles for militia activity.[11] Shi'a militias in particular successfully placed large numbers of their fighters on the government payroll. The National Police became so compromised that Sunnis began calling it a "Shi'a militia in uniform."[12]

The Balkanization of Baghdad ushered in a new calculus of risk, in which moving between neighborhoods became a kind of Russian roulette. Possession of a fake ID card bearing a Shi'a name was no longer good enough to get Sunnis through Shi'a checkpoints. Websites also

advised Sunnis to play Shi'a devotional music and hang pictures of Imam Ali, considered the founding leader of the Shi'a, from the rear-view mirror.[13]

Reconstruction During Violence

The volatile conditions threatened the United States ability to carry out reconstruction activities at construction sites and to visit government offices in central and south-central Iraq. Baghdad was especially dangerous. The segregation of Sunni and Shi'a neighborhoods became so pervasive that color-coded maps charted sectarian contours and relative levels of violence with block-by-block accuracy.[14] "I had gotten security-related delays on projects down to under five percent by the February [2006] timeframe," said Major General McCoy, head of the Army Corps of Engineers Gulf Regional Division (GRD). "We were actually into a fairly permissive environment for us to do construction, and then it started to back away."[15]

To coordinate security for construction activities, the GRD relied on its regional offices, which were co-located with military units. "We very conscientiously tried to make that coordination a part of the daily battle rhythm for the maneuver unit," McCoy said. "We needed them to either directly or indirectly put eyes on those projects to make sure things were continuing." During the year following Samarra, McCoy found himself railing at contractors who often failed to account for the delays. "If there are security issues, we'll accommodate those," he found himself saying, "but you're a professional contractor and you ought to be managing the labor, the materials, [and] the construction quality that ensures we get the construction done on time as much as we can."[16] Government oversight of three of McCoy's priorities—public health clinics, prisons, and border forts—was affected by the ongoing violence. Violence, however, was not the only impediment to effective monitoring. The complicated relationships between the various U.S. reconstruction offices were also at fault.[17]

In McCoy's assessment, the presumption that reconstruction contracts could be managed centrally from Baghdad was part of the problem. "You can't do construction remotely," McCoy said. "You have to put your eyes on it to see it. That's why we never knew if a project was on time or not. And it was a perfect environment for design-build contractors, because they get paid whether it's on time or not." The convoluted management structure also prevented reconstruction managers from holding contractors accountable. "I was up outside Erbil, looking at a health

clinic," he said. "There were seven or eight safety violations. I looked over at the District Commander and I said, 'Why aren't we having a cease work here?'" "He said, 'we don't have the authority to do that. That's PCO's [Project Contracting Office] call." "I was finding contractors who were like kids playing Mom and Dad," McCoy said. "They'd go to PCO and ask a question, and if they didn't get the answer they liked, they'd go to GRD and ask a question, and they'd keep playing this Mom and Dad thing back and forth until they got the answer they were looking for."[18]

The new wave of violence caused a tide of Iraqi officials to leave their posts. Although no sources fully document the emigration of the Iraqi professional class, an estimate suggests that over 12,000 doctors fled the country since the war's beginning.[19] The attenuation of state capacity undermined the effort to rebuild. One PRT political officer explained that his province had no "bench," no backup team of capable, educated citizens able to step in and run the government.[20] In Baghdad, senior advisors went looking in vain for young energetic "champions" to help them carry out crucial tasks. They found instead "a bunch of people who were too old and too locked into the system to leave," as one senior advisor said. "Everyone else is in Jordan."[21]

The naming of the Dawa Party's Nouri al-Maliki as the compromise choice for Prime Minister on May 28, 2006, did not ease the violence. Daily attacks against US and Iraqi soldiers increased by 44 percent from June 2005 to June 2006, with IEDs at four times the recorded levels of January 2004.[22] Civilian deaths proved harder to measure, with estimates ranging from tens to hundreds of thousands.[23]

Maliki's appointment soon sparked more discontent. "By the middle of July," MNC-I commander Lt. Gen. Peter Chiarelli said, "it was clear that his government…wasn't a government of national reconciliation. The Sunnis felt they'd been sold a bill of goods," Chiarelli believed that "Samarra was an accelerator, but nothing near Maliki coming into power."[24] Sunni ministers would later pull out of Maliki's government in protest of unmet political demands and not rejoin the government for more than a year.[25]

Amid the violence, infrastructure attacks skyrocketed. "The insurgents figured out that the best way to fight back against the government of Maliki," Ambassador Khalilzad explained, "was to try and strangle Baghdad on the infrastructure side." What began as one or two power lines to Baghdad being cut every so often metastasized into five or six down simultaneously.

Rapid-response teams created within the Ministry of Electricity struggled to undo damage and stay ahead of the sabotage. Water treatment plant workers and garbage collectors also become targets. Infrastructure security, Khalilzad said, was an "uphill battle."[26]

In early summer 2006, U.S. military and Iraqi security forces mobilized to quell the violence. Operation Together Forward deployed 49,000 Iraqi soldiers and police and 7,200 Coalition troops to patrol Baghdad's most insecure neighborhoods, enforce nighttime curfews, and continue a Friday vehicle ban.[27] To coordinate the application of reconstruction resources for the security plan, a Joint Planning Commission, which included representatives from U.S. agencies and the Government of Iraq, met weekly. MNC-I also stood up a Joint Reconstruction Operations Center under the auspices of the U.S. Army Corps Gulf Regional Division (GRD).[28]

When violence levels did not drop significantly, the Americans and Iraqis initiated a second phase of the operation in August 2006. More troops were redeployed from Anbar province to the capital, in effect giving up ground to one enemy to fight another. In September, military officials announced their intention to construct a series of trenches and berms around Baghdad's 60-mile circumference and control entry to the city through 28 checkpoints.[29]

Drawing Down IRRF 2

The violence triggered by Samarra reached its highest pitch just as the primary program of reconstruction drew to a close. Ambassador Khalilzad's concern that IRRF 2 would not achieve its goal of pacifying Iraq proved well founded. As the last IRRF 2 dollars were being obligated, Iraqi popular support for attacks against American troops became a majority position, with six in ten Iraqis viewing attacks on Coalition forces favorably.[30]

The reconstruction program funded by IRRF made its final project allocations in as much haste as it had been formulated by CPA officials. The Congress had appropriated IRRF 2 in 2003 as "three-year money." All funds not obligated to a specific project or re-obligated to specific sectors by September 30, 2006, could only be used to pay adjustments toward existing contracts. In a move reminiscent of the rush to spend DFI funds in 2004, the Project Contracting Office (PCO) launched a drive to meet the deadline, raising concerns in Congress that the "race to obligate" would lead to waste and extravagance.[31] "Obligator" posters, in which PCO sector heads superimposed their photographs on a picture of Arnold Schwarzenegger's "Terminator"

movie character, adorned the office's halls, and a massive banner, reading "Obligating 'R' Us: Getting 'Er Done (by 30 Sep 2006)," hung in PCO's main workroom.[32]

The irony was not lost on those working on reconstruction. "The goal of PCO isn't to complete projects – it's to obligate the money," Lt. Col. Otto Busher said. "Do you see on the walls, 'Quality Projects for the Iraqi People by September 30?' No – you see the 'obligator' posters. The new process is to be broke by September 26."[33] The review of IRRF projects and programming holds imposed by Ambassador Khalilzad had shortened the timeframe in which PCO had to work.[34] Despite the rush, PCO largely succeeded in awarding contracts in the largest program of reconstruction since the Marshall Plan, although a later SIGIR audit faulted it for improperly shifting some funds into holding accounts.[35] On the day PCO fully obligated the last of the IRRF funds, 88 percent of the IRRF projects had been completed. Most of the rest would be finished by the end of 2007.[36] The problem was what had been left undone in Iraq.

When night fell on September 30, 2006, much of Baghdad was still dark. Attacks on power lines and substation failures left the capital with only three hours of government-provided electricity per day, although the city was lit in places at night by private generators.[37] The rest of the country was faring better, with most provinces receiving fourteen hours. Although average peak generation surpassed pre-war levels for the first time, demand still outstripped supply by a factor of two.[38] Iraq's other sectors showed uneven progress. Oil production, the government's predominant source of revenue, averaged 2.2 million barrels per day.[39] A worrisome internal assessment written by the Ministry of Oil advisor warned that "inadequate expenditures for maintenance and lack of replacement of critical parts" threatened to undo recent production gains.[40] The water sector lagged most of all. U.S.-funded projects were on track to bring access to potable water to 8.2 million Iraqis.[41] Although this met the goal set by IRMO after water funds had mostly been reprogrammed to security, only one in three Iraqis had regular access to fresh water.[42]

The lack of essential services depressed the economy. Half the adult population was unemployed or under-employed and the country's manufacturing and agricultural sectors were mostly in a state of collapse.[43] This was not the Iraq Ambassador Bremer envisioned as IRRF 2's legacy. Speaking to the United States' dramatically scaled back ambitions, GRD's Major General Bill McCoy said that the U.S. "never intended to completely rebuild Iraq."[44]

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Reconstruction After IRRF

With the availability of IRRF funds winding down, reconstruction entered a new phase. The PCO stood down after two years as the primary reconstruction executing agency. Most of its personnel moved seamlessly to the GRD, which thereafter became the leading project contracting office for ongoing construction in Iraq. The drawdown of IRRF also marked a shift in the U.S. approach to reconstruction.

As a result of changes made by Ambassador Khalilzad in his initial months as Chief of Mission, reconstruction became more defined in purpose even as it grew more diffuse in execution. With the massive upgrade of Iraq's physical infrastructure drawing to a close, the design-build contractors that executed IRRF 2 began packing up. Bechtel, the first large contractor on the ground in 2003, removed all but two of its 200 employees by November 2006.[45] It had been a harrowing three years for the construction firm. Fifty-two people working on Bechtel projects had been killed, and another forty-nine seriously wounded.[46] In place of the design-build contractors, Iraqi firms who had served as subcontractors assumed increasingly prominent roles. GRD often contracted with them directly to finish projects not completed under design-build contracts.[47]

Focus thus shifted from building anew to maintaining the new infrastructure's more complex systems, which overextended Iraqi engineers, who lacked technical skills and reliable supply chains. Targeted sustainment and capacity development programs launched by USAID and PCO/GRD brought technical assistance into all levels of the Iraqi government. At the same time, the Provincial Reconstruction Development Committees and PRTs developed by Ambassador Khalilzad moved reconstruction money and expertise farther into the provinces to sustain and expand the delivery of essential services.

To assist this new post-IRRF phase, the military oversaw a significant evolution of the Commanders Emergency Response Program (CERP).[48] Lt. Gen. Peter Chiarelli, who had pioneered stability operations in Sadr City while leading the 1st Cavalry in 2004, returned to Iraq in January 2006 as MNC-I commander. The many rounds of de-scoping had left Iraq littered with half-finished projects—a power plant that ran at partial capacity here, a waste treatment facility left unconnected to the sewer system there.

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Chiarelli saw an opportunity, realizing that a creative application of CERP funds—a $510 million program that supported 3,800 projects in FY2006—could wring more from what was already constructed.[49] Power lines, which are comparatively inexpensive to construct, could connect under-utilized power plants to Iraqi homes. The same could be done for sewer and water treatment plants. The "invisible capacity" that existed in a variety of sectors could make an enormous difference in the lives of the Iraqi people, if only production and distribution networks finally meshed.[50] What had begun as "walking around money" for soldiers became a powerful tool for linking IRRF-constructed infrastructure with the people it was designed to serve.

Rather than fixing on the number of projects started or completed, as embassy reconstruction accounting practices did, officials began to define success as the delivery of services to the Iraqi people. Putting their day-to-day needs first was part of a larger recognition of the need to reorient U.S. strategy around counterinsurgency goals—the "winning of hearts and minds" through quality-of-life improvements. "I made it a purpose of every one of my troops out to brigade commanders to not only be briefed on what they were doing kinetically [on the battlefield], but what they were doing non-kinetically," Chiarelli said. "As part of my battlefield tour I always make them take me to a project that was going on."[51] A transformation in military thinking was underway. "The CERP program grew as the military really got into the role of post-kinetic stabilization," Ambassador David Satterfield said. "You had a succession of people like Pete Chiarelli who really believed in the value of civil-military work—buying people out of violence, out of conflict."[52]

The increasing use of CERP for infrastructure construction and other large-scale projects brought new challenges. Although small humanitarian relief applications for which the program was originally conceived constitute almost half of CERP projects in numerical terms, only four percent of total expenditures went to support them. From fiscal year 2004 through 2006, more than a third of the budget went to CERP projects that cost more than $500,000, although these comprised only three percent of all projects.[53]

Efficiently managing these projects and ensuring their sustainment by the Government of Iraq was difficult. The military officers who initiated them often lacked a background in project management. Occasionally, project documentation lagged or went missing altogether. While the Joint Reconstruction Operations Center tracked CERP projects in Baghdad, no similar

centrally-administered repository tracked them in the rest of the country.[54] Nevertheless, CERP functioned in 2006 for Brigades, PRTs, and PRDCs as an essential bridge linking the capital expenditures made by IRRF 2 to real gains in essential services and quality of life for Iraqis.

As Chiarelli refocused CERP, he found himself managing an unexpected decrease in the civilian programs the military needed most. USAID's Office of Transition Initiatives (OTI), whose pioneering collaboration with the 1st Cavalry Division in 2004 served as a model for Clear-Hold-Build, was being moved out of the country. The office's mandate normally permits it to remain active for three years in any one country; at the military's request, this had been extended twice.[55] To replace the office, the USAID country director began developing other long-term programs, first called "Focused Stabilization," but subsequently renamed "Community Stabilization."[56]

The transition to focused stabilization would strengthen the ability of USAID and other civilian organizations to contribute to counterinsurgency operations in the "strategic cities" designated by MNF-I and the National Security Council.[57] The operational concept for this unique mixing of civilian and military assets was published in MNF-I's Joint Campaign Plan. To coordinate its implementation, MNC-I established the Interagency Stabilization Task Force.[58] This steering body brought Iraqi officials from the ministerial and provincial governments together with Embassy and military personnel at all levels—from IRMO and USAID down to Provincial Reconstruction Teams and non-governmental organizations (NGOs).[59] Beginning with the task force's first meeting on May 28, 2006, the military's counterinsurgency campaign would be much better coordinated with civilian and Iraqi efforts.

There was, however, a "small" hitch. "[Focused stabilization] didn't get funded," Chiarelli said.[60] USAID was able to obligate only $30 million of IRRF funding to International Relief and Development, the contractor that was to replace OTI.[61] Budgeting and acquisition delays also slowed the program's deployment.[62] A strategy that called for mounting significant civilian-led reconstruction operations in at least nine cities appeared in the summer of 2006 to have funding for merely three or four.

The shaky transition to a new vehicle for rapid assistance caused intermission slowdown in high-performing programs funded by USAID. At the same time, the challenges of staffing and funding PRTs delayed their full deployment. The White House had issued its "National Strategy for Victory in Iraq," but the Department of State and USAID seemed unable to follow

through with the Clear-Hold-Build strategy it prescribed.[63] A lack of capacity was only part of the problem. Disagreements continued among the President's advisors on whether the U.S. military should assume a different counterinsurgency posture. Secretary Rumsfeld in particular was opposed to the strategy and slow to order it carried out.[64]

The partial implementation of Clear-Hold-Build exacerbated a structural weakness in the reconstruction program. A breach opened between the United States capacity to undertake rapid, localized interventions through projects funded by CERP and OTI, and the longer-term development and capacity building efforts pioneered by IRRF, the benefits of which often took years to be seen.

The need for "middle range" interventions was acutely felt in violent provinces like Anbar, where quick and effective counterinsurgency operations were needed. Lt. Col. Christian Shomber, a reservist on his second tour in the violent Sunni-dominated province, served as an economics liaison officer for the Marine command. Since his first tour, the situation had grown dire. Shomber saw no purpose in continuing approaches to reconstruction that had already failed in the province. "If it wasn't working," he said, "doing more won't help." In place of existing programs, he proposed the kind of interventions that fell outside IRRF 2's focus on infrastructure construction, but beyond CERP's purview. "We need local community action plans – livestock vaccines, seed distributions, housing funds," Shomber said, projects that could jump-start Anbar's idle factories and farms.[65] USAID programs could provide some of these, but it was for the most part too dangerous for them to operate in the province.

Other roadblocks existed. Advisors in the Embassy, including several who had been architects of the CPA's free-market policies, refused to support Shomber's requests. Shomber, who in civilian life worked as an investment banker on Wall Street, was struck by the embassy's continued reliance on market mechanisms to drive recovery in a province where violence made a "normal" market impossible. It was not the first time that Embassy advisors were reluctant to support short-term projects that they did not think were likely to be catalysts of long-term growth. OTI's withdrawal from Iraq further hamstrung Shomber's efforts to deliver economic and political gains that met Iraqi needs and supported the counterinsurgency campaign. "Anybody who says [the troops] are getting what we need is not listening," he said.[66]

Underinvestment in the Agriculture Sector

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Shomber was right to notice that agriculture was one sector U.S.-funded reconstruction programs had overlooked. Although agriculture was Iraq's second-largest economic activity, with the potential to employ an estimated 25 to 30 percentage of the population, the IRRF 2 supplemental did not fund any agriculture programs in 2003.[67] The CPA ultimately stepped back from its initial policy and tasked USAID to work with the Ministry of Agriculture to develop a plan. Three years later, activity levels were still low. In 2006, the primary instrument was still the "Agricultural Reconstruction and Development Program for Iraq" that USAID had launched with $5 million in October 2003.[68] During the November 2004 IRRF 2 reprogramming, Ambassador Negroponte increased its funding to $72 million, but even this amounted to an investment of only $3 per Iraqi.[69]

In the wake of decades of inefficient central planning and the systemic underinvestment of the Saddam years, advisors faced difficult decisions to make the U.S. agriculture investment stretch as far as possible. The last major infusion of agricultural technology had come in the late 1980s, when the U.S. sold Iraq $800 million worth of goods, part of which was an aid package fashioned to support Iraq's war against Iran.[70] Since then, agricultural production had mostly collapsed as a result of dilapidated irrigation systems and limited water supply, as well as the high salinity which affected 75 percent of Iraq's arable land. By 2004, production had dipped below pre-war levels.[71]

Development Alternatives Inc., the contractor implementing the USAID agriculture program, produced an assessment in April 2004 calling for short-term job-creation measures to be paired with longer-term reform.[72] The master plan, developed in coordination with the Ministry of Agriculture, called for a two-phase recovery targeted on physical, human, and institutional resources. Raising the availability of agricultural inputs was among the most crucial short-term measures. In the winter of 2003, farmers in Iraq's non-Kurdish provinces had access to only eight percent of the nitrogen fertilizer they needed.[73] Pesticides, seeds, diesel for machinery, and spare parts were necessary to help spur production and re-establish the domestic market for wheat and other high-value crops. A subsidy fund of $200 million of Iraqi funds in the custody of the Ministry of Finance helped purchase some of these agriculture inputs. Livestock improvement was also planned, with poultry and sheep a priority.

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In addition to these short-term measures, fundamental reforms were also started, including land and water reclamation and the privatizing of state-owned farms. The USAID plan envisioned that the Ministry of Agriculture would be transformed from its historical role as a manager of production to a regulatory body that would facilitate a free-market agricultural economy. The U.S. Department of Agriculture was also enrolled to help modernize Iraq's agricultural science base and the country's capacity to engage in regional trade. In 2006, a consortium of U.S. universities helped revamp the Iraqi university curricula used to train farmers and veterinarians. The Agriculture Department also supplied a handful of advisors who worked at the Embassy, Ministry of Agriculture, and on PRTs. Only two agriculture advisors were on PRTs at the end of 2006, however.[74]

By the end of 2006, when the program shut down, the outputs of USAID's agricultural program appeared impressive: it had helped repair more than 3,000 tractors, delivered 4,000 tons of wheat seed to a storage facility in Mosul, restored 70 veterinarian clinics, and distributed 169 seed-cleaning machines.[75] In addition, longer-term planning had begun, with the Ministry of Water joining the Ministry of Agriculture to develop an integrated approach to land and water reclamation.[76] Other IRRF 2 funds for water and irrigation projects contributed to the agriculture sector, as did smaller expenditures from CERP and other USAID programs.

On the whole, though, this was not enough to transform Iraq's beleaguered agricultural sector into a modern, market-based system able to produce enough for domestic consumption and compete in the regional market. Even if the U.S. had invested more heavily, the failure to deliver reliable essential services would have undercut commercial farms. Commercial poultry operations, for instance, require stable electric power to see chicks through their fourth week of life. Power and affordable diesel fuel are also essential to operate the pumps that irrigate field crops.[77] Agriculture, like Iraq's other economic enterprises, was in need of both modernization and the basic services typically supplied by the state.

For these reasons, in May 2007, USAID provided $343 million for a three-year modernization program called *Imna*—Arabic for growth—targeted on the development of agribusiness and agricultural markets.[78] The program aimed to forge stronger linkages between farmers, agribusinesses and markets—both domestic and international. *Imna*'s implementers would work closely with PRTs and continue the technology transfer and modernization programs begun under the earlier agricultural effort. It was an aggressive approach in keeping with the

sector's potential, but one that came years too late for Shomber and his fellow soldiers in al-Anbar.

Iraqi Security Forces

As in many reconstruction sectors, investment in agriculture had been diverted to an even more pressing need: the Iraqi security forces. It was part of the U.S. approach, announced by Prime Minister Ja'afari and MNF-I in June 2005, to transition security responsibilities to the Iraqis through a process known as provincial Iraqi control (PIC).[79] President Bush succinctly stated the strategy in a June 2005 address. "As Iraqis stand up," he said, "we will stand down."[80]

With the new focus on transitioning security responsibilities, the Iraqi Security Forces Fund (ISFF) surpassed IRRF 2 as the primary reconstruction fund. Appropriations through 2008 brought the total value of ISFF to $17.9 billion.[81] Coupled with $4.97 billion in IRRF 2 allocations, spending on the Iraqi security sector was larger than U.S. spending on all other sectors combined.[82]

Table 25.1 ISFF Appropriations
($ Millions)

Appropriation	Public Law	Amount
Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005	P.L. 109-13	$5,391
Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006	P.L. 109-234	$3,007
Department of Defense Appropriations Act, 2007	P.L. 109-289	$1,700
U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007	P.L. 110-28	$3,842
Consolidated Appropriations Act, 2008	P.L. 110-161	$1,500
Supplemental Appropriations Act, 2008	P.L. 110-252	$2,500
Total		**$17,940**

Source: SIGIR, Quarterly Report to the Congress, October 2008, 26.

MNSTC-I used ISFF to organize, train, equip, and sustain the Iraqi security forces. In addition, over 4,000 U.S. personnel served in MNC-I transition teams, which lived, worked, and fought alongside Iraqi battalions. This constituted an enormous investment of resources that had,

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at least on paper, produced an impressive new force. Tens of thousands of police and soldiers had been trained, and more than 1,200 facilities were built.[83]

Despite the outlay of U.S. human and financial resources, Iraqi forces were mostly unable to contain the rising violence in 2006. They were extremely vulnerable to sectarian and insurgent attack and also stretched thin, with fewer members in per capita terms than security forces in other countries facing similar challenges.[84] In the year-and-a-half following the Samarra bombing, Iraqi army and police were killed at three times the rate of Coalition forces in Iraq.[85]

The sectarian conflict gripping Iraq also played out inside its government. Soldiers, police, and judges could not easily shed their sectarian identity when on the job. For many, loyalties to sect or tribe competed with their willingness to serve the Iraqi state. The police and military also depended on the support of a set of institutions that were not yet competent to manage the various forces as they confronted the insurgency.

When June 2006 arrived, not one province had attained what Iraqi and U.S. officials considered the requisite degree of stability for the transition to provincial control to proceed.[86] Target dates for the PIC process shifted five more times over the next year-and-a-half. By the end of 2007, handoff had occurred in only nine of eighteen provinces, and three of those handed off had long been under de facto Kurdish control.[87]

The Ministry of Defense

The Ministry of Defense was one of the relatively better functioning parts of the Iraqi government, although it too suffered from rampant corruption.[88] Nonetheless, the army as a whole underperformed in a number of key areas at the very time its services were needed most. Few units were operationally ready and able to conduct missions in tandem with U.S. forces or on their own. A byzantine and reportedly corrupt contracting and procurement system meant soldiers lacked the guns, body armor, radios, and vehicles to take on the militias and insurgents they were fighting—who often had heavy weapons of their own.

In October 2005, formal responsibility for building capacity in the Ministries of Interior and Defense shifted from IRMO to MNSTC-I, ratifying the shift that began with the creation of the Civilian Police Assistance Training Team and the Coalition Military Assistance Training Team in 2004. To help develop Iraq's capacity to equip its own troops, MNSTC-I fielded a team of 68 advisors, mostly civilian contractors, to assist the ministry's civilian leadership. A separate

Joint Headquarters Transition Team of about 50 personnel, also mostly contractors, worked with the Iraqi military staff to improve command and control and to train and equip the nascent forces.[89] The purpose of both teams was to mentor their Iraqi colleagues while at the same time strengthening capacity inside the ministry.

Their work yielded mixed results. They first tried to bypass the Iraqi procurement system altogether, but attempts to use the U.S. Foreign Military Sales system turned into what one senior U.S. commander lamented as "a national embarrassment" for the U.S. Of $1.7 billion of acquisitions made by the Government of Iraq in 2006, only $300 million had arrived by mid-2007.[90] "We overwhelmed the system," said Lt. Gen. Martin Dempsey, MNSTC-I commander. "There was a period of time when we had one desk officer in the Department of Defense watching the Iraqi account. Of course, that was just not going to work."[91] Although deliveries eventually improved, unexpected delays in the U.S. system hamstrung Iraqi forces at a critical moment.

By October 2006, more than 115,000 Ministry of Defense personnel had been trained by the CPA or MNSTC-I.[92] Ninety-two Iraqi Army and Special Operations battalions were deemed capable of operating independently or "in the lead," a nearly four-fold increase over the 25 units classified as such in July 2005.[93] These units increasingly took "primary area security responsibility" in many parts of the country and in September 2006, Thi-Qar Province became the second province to transfer to PIC.[94] The most significant continuing shortcomings were the ISF's logistics and sustainment capabilities.[95]

Coalition advisors also pursued longer-term solutions, including the installation of a new financial management and accounting system. As with the unsuccessful effort to install a government-wide financial management system in the Ministry of Finance, the design of the Defense Ministry system was ill-suited to Iraqi norms and experience.[96] Logistics capability nevertheless slowly improved, and by 2007 Iraqi expenditures on its security services would exceed those of the U.S. government.[97]

The Ministry of Interior

Iraq's police, even more than the army, were deeply divided by sectarian rivalry and hobbled by administrative malaise. The fragmentation of police training identified in reviews of the program in 2005—which faulted a lack of cohesion among the civilian trainers, MNSTC-I

advisors, and MNC-I officials—had been partially addressed.[98] A three-phase training program had been introduced by MNSTC-I—which named 2006 the "Year of the Police" —and more U.S. forces were now mentoring Iraqi police after their graduation. A planned total of 750 State Department contractors and 2,250 U.S. military personnel would be deployed in police training teams.[99]

By August 2006, 160 coalition police transition teams circulated among Iraqi police in the field, while an additional 38 teams worked with the National Police.[100] Modules on detecting suicide bombers were added to the training courses for new recruits, and local intelligence collection—a key element of the counterinsurgency campaign—gradually improved. However, in 2006, the Coalition only had enough personnel to monitor a quarter of the 1,200 police stations across Iraq. Two hundred of them were considered too dangerous for U.S. personnel even to visit.[101]

The Iraqi police, like the army, were supported by a ministry that was not yet entirely functional. The Ministry of the Interior, described by some as an "11-story powder keg of factions," was viewed by many as a protector of Shi'a interests. It was also a key site of intra-Shi'a rivalry. Political parties, religious groups, tribes, families, and members of the government each struggled to bolster their authority over forces in the provinces. The Ministry became notorious for discriminating by sect in its hiring practices. At times, who got paid came down to ethnicity.[102]

Ministry of Interior leadership after the Samarra bombing hastened the integration of a Shi'a militia into the force. Bayan Jabr, who served as Minister of Interior from April 2005 to May 2006—and thereafter as Minister of France—appointed members of the Badr Organization, the armed wing of the political party SCIRI, to key ministerial posts. Much of the controversy centered on the Iraqi National Police—an elite counterterrorism force—that was 85 percent Shi'a. In 2005, units had been implicated in a prison torture scandal. Sunni communities violently rejected the National Police, seeing it as an extension of Shi'a militia killing squads.[103]

Jawad al-Bolani, who followed Jabr as Minister of Interior, ultimately removed commanders from seven of nine National Police brigades and 17 of 26 National Police battalions, but even this failed to curb the sectarian cooption. A later review found the National Police so riddled with sectarian influences that it recommended disbanding it altogether—a suggestion disregarded by Lt. Gen. Petraeus, who viewed the force as redeemable. Al-Bolani

himself was only partially successful in taking the reins. The Interior Ministry's proximity to Sadr City made travel there exceptionally dangerous. On most days, he ran the ministry from an office just outside the Green Zone. So many officials were assassinated on their way to work that many started sleeping in their offices.[104]

To help establish capacity within the Ministry of Interior, MNSTC-I assembled a 90-person transition team. The danger was such that coalition officials moved around inside the Ministry with body armor and a heavily-armed escort. Although the provision of equipment reached rates of 70 to 80 percent of assessed needs in some places, the police—like the military—were still frequently outgunned. Ill-trained police patrolling in soft-sided trucks with AK-47s and pistols were little match for militias attacking with heavy weapons, rocket-propelled grenades, and mortars. As was the case in the Ministry of Defense, budget execution was a perennial problem. Two years after MNSTC-I assumed responsibility for capacity development, one third of the ministry's $3 billion budget remained unspent.[105]

Sectarian rivalry and an open power struggle between provincial and central authorities were often the root cause of poor performance. Once the power to hire police devolved to the provinces, tribal sheiks—who asserted an increasing influence over local government—placed tribal members on the job rolls. Although it was expected and often helpful for the police to mirror the sectarian character of the neighborhoods they patrolled, payroll remained under control of the central ministry, opening the door to favoritism and abuse. A separate system for new recruits complicated matters further. Rather than being disbursed through the Ministry of Interior payroll system, pay was distributed by provincial police chiefs, whom the Ministry of Finance supplied directly with funds. "Ghost" employees were a constant concern.[106]

The Facilities Protection Service was a loose cannon. Most of its members were hired not by the Ministry of Interior, but by individual ministers, or through political parties or tribes, allowing many militia members to be put on the payroll. The patronage system prevented loyalty to nation from trumping local interests, and thus kept an impartial and effective service from emerging.[107]

The attempts to vet police and rid the system of sectarianism and corruption, first begun by the qualifying committees in early 2005, grew ever more sophisticated.[108] New recruits were made to submit to a retinal scan and fingerprinting, which were crosschecked against criminal databases and allowed for more rigorous scrutiny of payroll and rosters. All through 2006 and

2007, purges of the police force occurred when the will of local political authorities overcame the coercive power of factions controlling the force.[109]

The militarization of the police was also a growing concern. One review found that MNSTC-I's assumption of leadership over police training inadvertently marginalized the civilian police advisors best positioned to teach Iraqis policing skills. The Bureau of International Narcotics and Law Enforcement Affairs (INL) trainers were older—and therefore more respected in Iraqi culture—than the younger MNC-I soldiers who manned police training teams. They were also professional law enforcement officers with experience in civilian policing. Fielding sufficient numbers of them was the problem. Although the police command with MNSTC-I requested 6,000, the Congress only authorized 1,000. A year-and-a-half after Samarra, 900 were in theater, along with some 3,500 military personnel. By 2007, they oversaw a police force of more than 230,000—a ratio of 1 to 50.[110]

Rule of Law

The security forces were only part of the push to establish a system of justice in Iraq. The court system and prisons also played an essential role. The range of activities falling under the rubric "Rule of Law" included everything from digitizing the Iraqi legal code to training judges, securing court houses, and building prisons. Even getting fuel oil to the generators so the courts could operate with air-conditioning and light was part of the job. By the end of 2005, the United States had expended more than $400 million for law and security-related programs other than police training, $300 million of which went towards brick-and-mortar projects and $100 million to capacity building.[111]

The sheer number of agencies and funding streams involved in rule of law activities gave rise to all sorts of bureaucratic contortions. Funding for resident legal advisors from the Department of Justice came through the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL). Military officials overseeing detainees relied upon prison funds under the control of the Embassy, while State Department officials on Provincial Reconstruction Teams (PRTs) used the military's CERP funds to support courts. Coordination was a constant challenge on both the Iraqi and American side.

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Ambassador Khalilzad instituted a Rule of Law Task Force in 2005, but an overall coordinator was not named until 2006. Only in 2007 did Ambassador Crocker delegate real authority to the positions. "We were sometimes our own worst enemies because we did not talk to each other, and did not coordinate with each other," said James Santelle, the Embassy's third Rule of Law coordinator.[112] The Iraqis were equally disorganized. To promote the integration of police, courts, and prisons, INL facilitated the Iraqi Integration Commission, composed of the Ministers of Interior and Justice and the Chief Justice, which first met on July 26, 2005.[113] A second committee, the Ministerial Committee on Rule of Law and Detention, with even wider participation from Iraqi ministries, began meeting in 2007. "It was the first time [Iraqi] agencies involved in the rule of law sat down at the same table in the Ministry of Justice and talked about these issues," Santelle said.[114]

The whole effort had many moving parts, the largest of which was the Central Criminal Court of Iraq (CCCI), originally established by the CPA to prosecute terrorism and corruption cases. The CCCI had twelve panels operating at secure sites throughout Iraq, but most of the work took place in Baghdad. During 2006, the CCCI processed 118 insurgency cases per month.[115] Support for a number of high-level prosecutions came from the Major Crimes Task Force—a team of twelve American law enforcement agents and eleven Iraqi officers, as well as five translators—established after a series of bombings went uninvestigated in 2004 and 2005.[116]

Processing detainees, whether arrested by U.S. forces or Iraqi authorities, was a bottleneck. "It's bad to have someone in jail for eighteen months without seeing a judge," Santelle said. However, bringing together judges, case files, and detainees for hearings that would rule on release or continued incarceration was a monumental effort.[117] The lack of a developed penal system of jails and prisons was part of the problem. Initial designs by design-build contractor Parsons for major prison complexes at Nassriya and Khan Bani Sa'ad included air-conditioning—a luxury few Iraqis could afford—and were constructed to U.S. standards rather than Middle Eastern norms. "Iraqi penal theory calls for prisons to be less comfortable than the inmate's home," a State Department Review found. The air conditioning units stood "a good chance of being unplugged once the Americans leave."[118] What were to have been 8,000-bed facilities at Nassriya and Kahn Bani Sa'ad were delivered to serve only 2,600—at a time when an additional capacity of approximately 20,000 was needed.[119]

An even more pressing problem faced the courts. The large U.S. investment in the CCCI had effectively created a two-tiered Iraqi justice system. "For the average Iraqi," Santelle said, "day-to-day justice being doled out is not at the CCCI." Rather, people were getting divorced, suing each other, and working out other legal problems in provincial courts.[120] The U.S. was seen to have invested tremendously in the CCCI, which served its own national interest by prosecuting terrorism cases, but to have done little for the courts that Iraqis use most. "We have co-opted the Iraqi justice system for our own use and left ordinary Iraqis with nothing," said Stephen Andersson, a resident legal advisor in the Baghdad PRT.[121] To the average Iraqi, the CCCI courts are an American creation. "We call them the Potemkin Courts," one former judge said.[122]

In the courts where ordinary Iraqis sought justice, the insecure environment took its toll on the judiciary. Between 2003 and 2007, 33 judges were assassinated—22 of them in Baghdad. The Islamic State of Iraq, an umbrella organization of insurgent groups, mounted attacks at Baghdad courthouses. The Chief Judge at the al-Rusafa Appellate District Court kept bullets fired at his office stacked in his ashtray.[123] The danger extended beyond the courthouses themselves. Unlike the CCCI judges, who were granted secure housing in the Green Zone or on U.S.-protected rule of law compounds, the vast majority of Iraq's judges lived in their own homes with no protection. "Judges are living in places like Doura and Kadhamiya," Santelle said, "and they've got to go home at night and live amongst the other communities where they are not protected… That's tough for anyone to do."[124] The judges' vulnerability may have compromised their ability to render impartial verdicts. One former Iraqi judge estimated that nine out of ten decisions in the common court system are shaped by extra-judicial considerations, in contrast to between four and seven out of ten in the CCCI courts—both unacceptable ratios by Western standards.[125] Corruption had always been a part of judicial practice under Saddam, but after the invasion its motivating factor changed from money to safety. "It's for keeping their life, and keeping their job," one former judge said. The result is that "the courts are functioning but the system is not."[126]

Iraq Policy in Crisis

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The country had begun coming together again—however slightly—during Ambassador Khalilzad's early tenure, but sectarian violence—accelerated by the Samarra bombing—blew it back apart. As summer 2006 turned to fall, U.S. Iraq policy fell into crisis. The stalled deployment of the PRTs and slow establishment of the focused stabilization effort undercut the President's Clear-Hold-Build strategy. Chiarelli's push to use CERP funds for "last-mile" construction could not by itself make up for the under-performance of IRRF 2. Enormous capacity-building and sustainability challenges loomed, while efforts to address them were still unformed.[127] Those programs that seemed to work were spread too thinly across the war-torn country. Sectarian violence escalated, with more than 1,000 Iraqis per month dying at the hands of their countrymen.[128]

The day after congressional elections in 2006, the White House announced the resignation of Secretary of Defense Donald Rumsfeld. The man who oversaw the planning and management of the war for more than three years, and who opposed some of the White House's most recent policies, would be replaced by Robert Gates, who had directed the CIA in the early 1990s. Gates was then serving on the bipartisan review of Iraq policy led by former Secretary of State James Baker and former Congressman Lee Hamilton.[129] The Iraq Study Group, commissioned by the Congress and eventually welcomed by the White House, was given access to all intelligence and information on Iraq.[130] In anticipation of its report and at the direction of the President, Deputy National Security Advisor J.D. Crouch began a review of Iraq options. The Joint Chiefs of Staff also undertook their own assessment, as did a number of think tanks in Washington. Plans under consideration ranged from a complete pull-out to a major escalation.[131]

The Iraq Study Group report, issued on December 6, 2006, argued that continuing the current course would lead to failure. Its 79 recommendations addressed the full spectrum of policy issues: geopolitics, political dynamics at work in Iraq, and the performance of U.S. institutions assisting the Iraqi government. To resolve sectarian aggression, the study group set out specific milestones. One of the most important was holding local elections to break the monopoly on service delivery held by what one official called a "Shi'a dictatorship" that ruled most of Iraq's provincial governments.[132] The study group also called for re-ordering the responsibility for Iraq's security forces and shifting the U.S. role to that of training and equipping the Iraqi army and police so that U.S. troops could begin to withdraw. The 4,000

American troops now serving in this role were seen as inadequate; the study group called for the number to be increased to a total of 10,000 to 20,000.[133]

To ready the Iraqi Government for its transition to self-reliance, the study group recommended a further $5 billion in economic assistance per year focused on capacity development and job creation. The study group also criticized the poor coordination between USAID and the Departments of State and Defense. "There are no clear lines establishing who is in charge of reconstruction," the report stated. It prescribed a major overhaul of the U.S. effort, calling for the appointment of a reconstruction coordinator reporting directly to the President, authorizing the ambassador to provide or rescind funding on a project-by-project basis, and for the takeover of Rule-of-Law programs by the Department of Justice.[134]

Some observers thought the Iraq Study Group members had not fully appreciated the effectiveness of the Clear-Hold-Build strategy or what a possible increase in troop strength could achieve, and had instead bought into the prevailing thinking of Gen. Casey and supporters of the "transition to Iraqis" approach.[135] It would be up to the President to decide between the competing military strategies. The White House indicated that a decision would be reached by the end of the year.

~ *Essential Services – Transition from Khalilzad to Crocker* ~

Output[1]

Service	Pre-invasion	Post-invasion	CPA Transition	Negroponte Era	Khalilzad Era
Electricity Production	4,075 MW	711 MW	3,621 MW	4,262 MW	3,475 MW
Oil Production	2.58 MBPD	.30 MBPD	2.16 MBPD	2.13 MBPD	1.95 MBPD
Access to Potable Water					
citizens	12.9 million	4.0 million	8.4 million	8.25 million	8.25million
Iraqi Security Forces					
soldiers and police	1,300,000	7,000-9,000	87,000	171,300	328,700
Telecommunications					
landline subscribers	833,000	0	791,000	998,000	1,111,000
mobile subscribers	80,000	0	461,000	2,422,000	8,720,000
Education					
schools opened	14,121	0	14,121	14,159	14,179

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schools rehabilitated	0	0	2,358	3,100	6,271
Human Toll					
U.S Troop Fatalities	-	139	862	1,745	3,248
Civilian contractors	-	1	46	217	916
U.S. civilians	-	~9	52	113	224
Iraqi civilians	-	7,413	16,848	29,155	72,858
Financial Cost **(in billions)**					
U.S funding	-	$3.45	$22.93	$29.21	$36.96
Iraqi funding	-	$0	$16.00	$21.03	$37.27
International funding	-	$0	$13.60	$13.87	$15.20
Total funding	-	$3.45	$52.53	$64.11	$89.43

During Khalilzad's tenure, project delays and increasing security costs hampered the improvement in essential-service delivery to Iraqis. The output increases of the Negroponte era were short-lived, especially in the oil and electricity sectors. Insurgent attacks and a lack of fuel drove average levels of electricity generation down below pre-war levels and power outages again became common. Attacks on critical infrastructure increased in 2006, causing electricity production to fall to a daily average of 3,475 megawatts by March 2007.[2]

The oil sector continued to be plagued by corruption and smuggling. Between 10 and 30 percent of refined fuels were diverted to the black market or smuggled out of Iraq.[3] Although oil-sector daily capacity was estimated at 3.0 million barrels per day, only approximately 2 million were produced.[4]

Access to potable water remained poor. The International Red Cross reported that in 2006, "the quantity and quality of drinking water in Iraq remain insufficient despite limited improvement."[5] Although 88 percent of Iraq's water projects had been completed, the U.S. program remained far short of its goals.[6]

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[16] SIGIR interview with Maj. Gen. William H. McCoy, former Commander, USACE-GRD, June 5, 2008.
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[33] SIGIR interview with Lt. Col. Otto Busher, Baghdad PRT member, June 25, 2006.
[34] GRD notes that "a critical factor that led to the rush was that the Ambassador had earlier implemented a review of IRRF that lasted over six months and held up a large number of awards and therefore causing a substantial backlog in work." USACE-GRD vetting comments to SIGIR, November 5, 2008. Ambassador Khalilzad's staff notes that, for his part, he "was not hammering on the obligation side. Quote the contrary, he was arguing for more analysis before funds were obligated on any projects and always questioning the validity of our assumptions on the benefits of our reconstruction program and priorities." He consistently held up programming until he was confident that money was being spent well, and he even ignored those that told him he could not cancel projects and demanded that this be done in cases where cost overruns had become egregious or results inadequate." Ambassador Zalmay Khalilzad, vetting comments to SIGIR, October 27, 2008.
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Essential Services – Transition from Khalilzad to Crocker

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Chapter 26

THE SURGE

Sometimes I think that in the U.S. we're looking at Iraq right now as though it were the last half of a three-reel movie. For Iraqis, it's a five-reel movie and they're still in the first half of it.

- Ryan Crocker
United States Ambassador to Iraq (2007-present)[*]

The President unveiled his new Iraq strategy on January 10, 2007, a day after fierce fighting broke out in Baghdad off Haifa Street, a thousand yards from the Green Zone.[1] In a nationally-televised speech, President Bush announced a "surge" of more than 20,000 troops whose primary mission would be to reduce violence nationwide.[2] The new focus on civilian security was premised on the notion that stemming sectarian violence would enable Iraq's leaders to reach reconciliation.[3] When complete, the surge would add two Marine battalions and five Army brigades, initially located in Anbar and Baghdad province, respectively.[4]

The surge in troops would be coupled with an intensive focus on neighborhood reconstruction by joint civilian and military teams and by an expansion of USAID programs. The President announced that smaller "embedded" Provincial Reconstruction Teams (ePRTs) would place development experts directly inside brigade combat teams. More of the larger "traditional" PRTs would also be added.[5] This "civilian surge" would double the number of reconstruction advisors serving outside the Green Zone, bringing the total to 700 at the end of a nine-month build-up.[6] USAID's Community Stabilization Program, which operated through Iraqi intermediaries with little visible association with U.S. civilian or military forces, would expand to work with all PRTs.[7] Iraqi neighborhoods would be flooded with modest infrastructure projects, the hiring of unskilled labor for trash pickups, grants to invigorate small businesses, and vocational training and youth programs.[8] It would be an "all-hands-on-deck" approach to reversing the acceleration of violence that followed the Samarra bombing.[9]

A New Military Strategy

[*] National Public Radio Interview with Ryan Crocker, United States Ambassador to Iraq, June 6, 2007.

The surge plan pushed back the possibility of a phased withdrawal of U.S. forces for 12 to 18 months. Although it incorporated many of the Iraq Study Group's performance benchmarks, the plan departed from the policies of Gen. George Casey, the outgoing commander, and the Iraq Study Group's call for gradual disengagement.[10] Like many members of the group, Casey viewed an intrusive American presence as counterproductive to solving Iraq's underlying political and security problems and therefore advocated a rapid hand-off to Iraqi forces.[11]

To carry out the surge, the President nominated—and the Senate unanimously confirmed—Gen. David Petraeus as MNF-I's Commanding General in Iraq. Following his command of MNSTC-I in 2005, which followed his 2003-04 command of the 101st Airborne in Mosul, Petraeus had directed the first rewriting of the Army and Marine Corps' counterinsurgency manual since the Vietnam War. The revised doctrine called for increased use of forces to protect the population, even if that put soldiers at greater risk of attack. It also suggested that a focus on quality-of-life improvements could help turn the population against insurgents.[12] Stationing troops in neighborhoods in small combat outposts and stepping up patrols would reverse the trend, begun in 2005, of consolidating the U.S. presence on large forward operating bases.[13] To teach counterinsurgency tactics, the U.S. Army erected a mock Iraqi village at Ft. Irwin, California, complete with 400 native Arabic speakers playing insurgents, shopkeepers, and security forces. The training course, built at a facility originally used for mock tank battles, aimed to replicate the dilemmas soldiers would face on patrol in Iraq.[14] The military also mandated that officers rotating into Iraq attend a one-week course on counterinsurgency, known as "the COIN Academy."[15]

Change-of-command ceremonies took place on February 10, 2007, a month after the President's speech. Four days later, General Petraeus and the commander of Multi-National Corps-Iraq, Lt. Gen. Raymond Odierno, presented eight slides to President Bush showing how they intended to implement the surge.[16] Petraeus put the third iteration of the Baghdad Security Plan into effect quickly. By the end of February, 2,700 new U.S. troops had arrived in the capital. By June, that number reached 16,700—enough for 400 to 600 combat troops to secure each security district established under the plan.[17]

The troop increase enabled a strategy that Maj. Gen. Joe Fil, commanding Coalition forces in Baghdad, described as "clear, control and retain." U.S. forces and capable Iraqi

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Security Forces would continue to hold territory rather than turning it over to ill-prepared Iraqi forces. After mounting clearing operations to drive insurgents out, troops found houses and public buildings to use as combat outposts, creating a permanent presence in neighborhoods that before had been only occasionally patrolled.[18] As soon as security was established, the U.S. Army Corps of Engineers moved in to restore water and electricity service.[19] The military also strengthened existing population control measures to separate Shi'a and Sunni enclaves. Many of Baghdad's districts were cordoned off by multiple series of twelve-foot high concrete walls, the longest of which ran for three miles.[20]

Negotiating with what the campaign plan termed "reconcilable elements" was also a key component of the surge.[21] A realignment of Sunni tribes in Anbar was underway, and their loyalty was up for grabs. Ambassador Khalilzad had been quietly talking to them for months—Marine Corps officers had been doing so for years—and now it looked as if popular dissatisfaction with al Qaeda's brutal tactics, along with its infringement on traditional tribal prerogatives, might drive them into the arms of the Coalition.

In one of the war's most extraordinary stories, small special operations teams had been escorting Lt. Gen. Graeme Lamb, a British officer familiar with the peacemaking negotiations with the Irish Republican Army, to secret meetings with insurgent leaders. The response to Lamb's initiative, which began before Petraeus arrived, was promising. Petraeus and his advisors moved to expand this engagement strategy by having brigade and battalion commanders reach out to insurgents in their area. "Come in, let's talk about what it would take, and figure it out," was the rubric.[22] The Sunni tribes eventually formed U.S.-funded security forces, known in turn as Awakening Councils, Concerned Local Citizens, or Sons of Iraq, that would also contribute significantly to the success of the surge. Eventually, similar groups were established within some Shi'a communities.

A New Reconstruction Strategy

The surge also ushered in new diplomatic leadership. Ambassador Ryan Crocker, the State Department's senior Arabist, replaced Zalmay Khalilzad as U.S. Ambassador to Iraq. At the time of his appointment, Crocker was Ambassador to Pakistan. He had previously served as Ambassador to Syria, Kuwait and Lebanon; his prior experience in Iraq included a posting there

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in the late 1970s and a short tour with CPA in 2003 as the director of governance.[23] The Secretary of State also appointed Ambassador Timothy Carney as Coordinator for Economic Transition in Iraq, a new position designed to centralize authority for reconstruction and economic affairs.[24] A veteran diplomat with experience in Vietnam, Cambodia, South Africa, Indonesia, Somalia, Sudan, and Haiti, Carney had initially served with ORHA in 2003, but left Iraq, as did Crocker, soon after Ambassador Bremer took charge.[25]

The diplomatic and economic elements of the surge were slower to materialize. Petraeus arrived to find a collection of reconstruction programs that ran mostly independent of one another. In the words of his economic advisor, Col. Michael Meese, reconstruction consisted of "stove-piped programs out of specific appropriation and oversight lines with specific purposes that have a logic of their own." The categorization of funding and authorities, while undertaken for "all the right legal reasons," meant that the Commanding General and the Ambassador had little ability to allocate resources among competing programs without first returning to the Congress. "What you did as a commander is pull on all these strings," Meese explained. "The answer was full speed ahead on all these things."[26]

With funding streams essentially fixed until the Congress passed the 2008 supplemental later in the spring of 2007, Petraeus and Crocker focused on how the reconstruction was administered in concert with combat operations and how the military itself conceived of its mission. They convened a group of advisors with broad expertise in counterinsurgency and political science, dubbed the Joint Strategic Assessment Team (JSAT). After a period of study, they recommended in April that political accommodation become the goal of all lines of operation. Every tool in the Coalition arsenal—including the use of force, but also political negotiation and economic aid—would be used to foster accommodation between warring groups. While falling well short of true reconciliation, this would at least bring about local ceasefires that could subsequently be expanded across Iraq.[27]

The campaign plan later developed on the basis of the JSAT report incorporated several new ideas that would guide the actions of commanders and reconstruction personnel. In the previous campaign plan, preparing Iraqis for the transition to self-rule was seen as a separate activity. Transition remained an important future goal for Petraeus, but he viewed it as inherent in every line of operation. The new standard, Meese explained, was "if it can't be done by the Iraqis, we probably shouldn't do it." "What is better is a project that takes 60 days instead of 30

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days—but is done by the Iraqi manager and is sustainable by the Iraqis, that their operations can support."[28] Nevertheless, Petraeus's advisors understood that economic incentives would have little traction in a sectarian conflict. "People who are killing for political reasons or to ethnically cleanse an area are rarely going to stop because of a new job opportunity," stated one memorandum to the commanding general.[29]

Ambassador Timothy Carney largely concurred with Petraeus's assessment. "On the overall policy, we were continuing to proceed without sufficient Iraqi participation," he said. "I was appalled when I learned that Iraqis were simply not signing off to accept huge numbers of projects." In Carney's view, the problem began in 2003. "We got an 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," he said in 2008. According to his assessment, the endgame was by now completely in Iraqi hands. "We essentially wound up in the position, as we are in today, of being able to act as a shield and to provide resources, but we are much less of an accepted mentor than we might have been if we had taken Iraqis into our counsel from the outset," Carney said. "This is a position of great weakness because we are vulnerable to Iraqi bad decisions."[30]

To redress the lack of Iraqi participation, the Embassy moved to coordinate all U.S. economic and reconstruction actions with Deputy Prime Minister Barham Salih, Minister of Planning Ali Baban, and Minister of Finance Bayan Jabr. Together with National Security Advisor Mowaffak al-Rubaie, the trio said they would do their best to ensure that Iraq's ministries made use of their capital budgets and that provincial governments spent funds allotted to them.[31] It would be an essential step towards fiscal self-reliance, one that now seemed within reach.

Between existing ministry budgets, central government grants to provinces in 2006, and provincial line-item funds in the 2007 Iraqi budget, Iraqis "had more than $5 billion to spend." Spending this Iraqi money became an essential political benchmark in the eyes of U.S. lawmakers. "If the Iraqis remained unable or unwilling to spend their own capital investment budget, there was certainly no reason for the Congress of the United State to appropriate money for Iraq," Carney said.[32]

By late spring, Petraeus, Crocker, and their advisors were still waiting for the economic surge to take shape. Although Petraeus arrived in Baghdad early in February 2007, the rest of the

civilian leadership appeared much later. Ambassador Ryan Crocker, who was to replace Khalilzad, did not assume Chief of Mission duties until March 29.[33] The team that Crocker selected to take over key positions in the embassy came still later, in early summer. The staggered arrival made coordination between the military and civilian leadership difficult, and slowed the implementation of surge policies on the civilian side.[34]

Delays in the deployment of rank-and-file civilian personnel slowed the transition still further. Carney was surprised to find it just as difficult to bring people into theater in 2007 as it had been in 2003. He resorted to hiring his deputy as a contractor when the State Department was unable to add him to the rolls quickly. "The recruitment process is in sclerosis," Carney said. "We are not responsive to the President's policy for Iraq if we cannot get people hired in fewer than six weeks."[35]

A funding slowdown further complicated matters. Supplemental funds appropriated by Congress for fiscal year 2006 did not reach Iraq for a longer-than-usual period, forcing programs to scale back activity temporarily. From the date that Congress authorized its spending, money contained in the supplemental took between 62 and 218 days to be disbursed on the ground in Iraq.[36] When combined with the longer-than-anticipated time for contractors associated with the economic surge to set up in country, the effects were significant. "Ensuring that the non-DoD organizations have the resources provided to do what is necessary is of enormous importance," Petraeus later said.[37]

Reconstruction Gets Embedded

As the Baghdad Security Plan developed for the surge was put into effect, the ePRT and PRT teams announced in the President's speech started arriving on bases across Iraq. Three tranches of PRT staff would provide almost all brigades with a dedicated staff of development experts, realizing the original vision advanced nearly two years before by then-Lt. Gen. Raymond Odierno and Philip Zelikow, the State Department's Counselor.[38] Led primarily by State Department officials, and staffed in part by USAID and Reservists and civilians from the Department of Defense, ePRT teams of four to eight people, would help brigades leverage their resources in new ways.

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The expansion of the PRTs was a landmark event in the reconstruction effort. For the first time in four years, a formal civil-military structure enabled civilian reconstruction experts to work side-by-side with maneuver commanders who were prosecuting the war. The experiment in civil-military relations that Ambassador Khalilzad saw to an uneasy start in 2005 was taking hold. Reconstruction was becoming embedded, both inside brigades and in Iraqi society, and was by now as much about building capacity inside Iraqi institutions as it was about infrastructure construction.[39]

The brigades, whose substantial resources were increasingly applied to the reconstruction and capacity-building missions, welcomed the arrival of ePRTs. "You can tell when you walk in, when the PRT chief is finishing the Battalion Commander's sentences, that's a great relationship," Meese said. On the other hand, "if the PRT chief can't find the bathroom because he hasn't been to the HQ often enough," the relationship hasn't developed.[40] Most of all, ePRTs augmented the capability of brigades to engage local government. Nowhere in a normal brigade staff structure could "you find people that are organized and trained to go help municipal governance and reconstruction issues," explained Lt. Col. Douglas Winton, Executive Officer of the First Brigade Combat Team, Third Infantry Division. By helping brigades integrate their use of CERP funds with embassy reconstruction plans and tying the actions of Civil Affairs teams to the development of local and provincial governments, ePRTs were helping brigades take "essential services to the next level." The war had evolved so that reconstruction, the functioning of local government, and security reinforced each other. "Gains in governance and gains in reconstruction are linked," Winton said.[41]

The PRTs' sustained, daily contact with municipal and provincial officials allowed them to gain a level of insight into Iraqi affairs unimaginable in other parts of the U.S. embassy, which so often dealt with Iraq in the abstract. "We are here on the ground, face to face, every day, with the mayor, [Directors General], sheiks," one ePRT member commented.[42] The relationships developed by PRT and Civil Affairs team members allowed them to gauge what interventions would be most effective, and allowed Iraqis, rather than Americans, to take the lead in articulating Iraqi needs. "We've got to start listening to the Iraqis. That's development 101," said David Atteberry, the USAID representative on the Rasheed ePRT, one of the most dangerous neighborhoods in Baghdad. "The answer to most of your questions can be found by talking to the people you are working with."[43]

To help manage their relationships with Iraqis, many of the PRTs and Civil Affairs teams compiled "facebooks" with digital pictures of directors general and neighborhood and district council members, their mobile phone numbers, and short biographical sketches. More sophisticated techniques were sometimes used. Wall-sized diagrams mapping relationships among sheiks, provincial council members, and municipal officials were updated to reflect assassinations and changing loyalties. Some PRTs even kept detailed logbooks, with entries for each encounter with an Iraq official, including notes on their moods and personality quirks.[44] This social network analysis gave PRT members a better sense of the complexity of the society in which they were working, and a greater ability to pass that knowledge to replacements when unit rotations occurred every nine to twelve months.

The military's acceptance and support of the reconstruction mission, more widespread in 2007 than any other previous year of the war, provided the biggest boost to PRT and Civil Affairs efforts. The brigades' wider reach had a multiplier effect in achieving reconstruction goals that was an essential part of the surge strategy. Lt. Col. Winton explained:

> When an NGO [non-governmental organization] shows up and says, I want to establish some agriculture programs, we think we have the ability to put fish farms in along the Euphrates. Does anybody know of a good place to establish a fish farm? The brigade commander turns to his battalion commanders who turn to the company commanders who turn to their platoon commanders. In 96 hours you get the data back. Here are ten historic fish farms. Here are their locations. And oh by the way, we have a relationship with the guy that owns this one, and we trust him. And oh by the way, this one over here has been used as a mortar firing point. Don't go there. We can flood the zone and bring back the information.[45]

This was exactly the dynamic envisioned by earlier assessments that suggested the key to success in Iraq would be marrying civilian development expertise to the military's circulation within local communities.[46]

The extensive insight ePRTs gained into the communities they served highlighted dilemmas that had plagued reconstruction from the beginning. One of the biggest challenges was figuring out who to trust. With money flooding in, some Iraqi government offices took on

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the atmosphere of the proverbial "smoke-filled back room," where unsavory business was conducted. "My favorite description is the bar scene of Star Wars," one ePRT member recalled. "When you go to a [District Advisory Council] meeting, it's just a parade of characters."[47] The characters were assembled in part to divide up the spoils handed out by the PRT and military. "Our district council chairman has become the Tony Soprano of Rasheed, in terms of controlling resources," Atteberry said.[48] "You will use my contractor, or your work will not get done," the chairman told the PRT.[49]

The cozy relationships between Iraqi officials and the contractors employed through reconstruction programs attracted allegations of fraud and waste that were hard to verify. An audit of USAID's Community Stabilization Program, which made extensive use of Iraqi intermediaries to implement short-term employment projects, discovered that program funds might have been diverted to militia activity in one Baghdad district.[50] It was the worst fear of any development officer, and also an inevitable risk of pushing large sums of money into a warzone. The need to keep the loyalty of fledgling local governments in effect left PRTs, soldiers using CERP funds, and USAID programs vulnerable to over-pricing of materials and services. The PRTs and military units channeling development and CERP funds were frequently paying for more than the costs of material in construction. "We're pumping over $1 million just to renovate the [District Advisory Council] hall," Atteberry said. "We're building a farmer's market across from the Dora market and we're spending over a million dollars. It's just a concrete slab and a tin roof. And the contract is $900,000."[51]

Dealing with local powerbrokers sometimes put the PRTs' long-term development goals in conflict with the brigades' immediate needs. On the one hand, many of the powerbrokers could make good on their promises to "make things happen," an important skill to soldiers whose first interest is security. Brigades taking casualties often resorted to CERP "fast cash" projects that pay Iraqis to administer services local municipalities should already have been providing. However, using Coalition cash rather than Iraqi institutions set back efforts to foster self-reliance.

Trash pickup was the archetypal municipal service where the brigade's security needs were in opposition with the traditional development approach. "The [Executive Officer] of a battalion comes in here," one ePRT leader recalls. "'If the trash isn't picked up,' the XO will say, 'somebody will put an IED in it and one of my guys will go down. I'm not going to get my

guys killed. I'm going to pay someone to pick up the trash.'"[52] It was a pragmatic approach to security, but one that provided a disincentive for municipalities to discharge their responsibilities promptly. Complicating matters further, the contractors the Coalition employed often distorted local labor markets. The USAID Inspector General found that wages paid for trash pick-up by the Community Stabilization Program were higher than the average for skilled laborers, which put pressure on local officials to continue employing them rather than transition to other forms of development.[53]

A perennial challenge in development work is to create the right set of incentives for both program officers and aid recipients. In the view of some civilians on PRTs, the set of metrics used by the military to measure CERP progress placed too much emphasis on spending money and not enough on achieving the right effects. "They are being graded on how many projects are being carried out, how much money is flowing to the districts," said Tim Zuniga-Brown, team leader of the Rasheed ePRT. "They should be graded on how many projects are being turned over to the Iraqis and how much less money they are spending. That would be a better indicator of success." "Success," Zuniga-Brown said, "is getting Iraqis to deliver their own services using their own funds and their own people."[54] Still other PRT officials viewed this type of Coalition assistance as wholly counterproductive. "The best thing we could do," one ePRT official said, "is cut off CERP money," adding that the Iraqis are less likely to "spend their money when we're just pumping in ours."[55]

Balancing the brigade's short-term imperative of force protection against the PRT's longer-term development goals was difficult. Because of the party-list electoral structure and the failure to hold new provincial elections, the provincial and district councils through which PRTs and ePRTs worked were to some extent a theater for decisions made elsewhere—in party structures that operated outside Iraqi government institutions. Making sense of this murky world was mostly beyond the PRTs' abilities. "It's so presumptuous to think we have any idea what's going on," David Atteberry said. "We are continually stumbling around in the dark blind. We're worse than the blind because at least the blind know they are blind."[56] Linguistic and cultural expertise had always been in short supply and still was. Only 29 of the 610 PRT personnel deployed by mid-2007 were Arabic-speaking cultural advisors, and several of them, including highly effective Kurds, subsequently quit in protest of the Coalition alliance with Sunni tribes.[57]

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"If you don't have an interpreter," a military officer serving on an ePRT said, "it's like Wimbledon. You just watch it go from side to side."[58]

There was a deeper worry. Some PRT members doubted the assistance they provided would affect Iraqi politics. It was the same worry Petraeus's economics advisor expressed when he wrote that economic incentives carried limited currency in a civil conflict. One ePRT member said, "Through the delivery of essential services, we might extend legitimacy to the local government, but I don't know that's necessarily true." When asked what motivated the focus on essential services, the official replied, "Out of a sense of moral imperative, out of a sense of wanting to do the right thing." "I know the Iraqis appreciate that we are doing this," the official said, "but it might not translate into strategic success for us."[59]

The other main reservation voiced by PRT leaders concerned the daunting scope of their mission. The area of operations of the East Rasheed ePRT had as many people within it as the city of Detroit. To advise the brigade on how best to serve these 800,000 people, and to carry out its own projects, the ePRT had a staff of six.[60]

Boosting the Iraqi Manufacturing Base

As ePRT staff moved out into local neighborhoods and PRTs continued their work with provincial governments, reconstruction entities in the Green Zone began implementing the economic surge as funding and personnel became available. Steering reconstruction and military procurement contracts to viable Iraqi businesses became a key U.S. objective. The idea was straightforward. Sustaining the Coalition's presence in Iraq cost more than twice Iraq's gross domestic product.[61] The military spent a significant portion of these costs on goods and services that could be procured locally. If properly channeled, military needs could drive job creation in the Iraqi industrial base and thus help end the insurgency soldiers were there to fight.

During the transition to direct, fixed-price contracting in late 2006 and 2007, the Gulf Region Division moved diligently to "Iraqify" their workforce, relying as much as possible on Iraqi contractors and vendors, many of whom had been trained by Bechtel University and other multinational firms.[62] A special effort called the "Iraqi First" program was begun in mid- 2006 by Maj. Gen. Darryl Scott, head of Joint Contracting Command-Iraq (JCC-I).[63] From October 2006 to September 2007, JCC-I awarded $2.7 billion in contracts to Iraqi firms who collectively

employed an estimated 75,000 Iraqis. In the first half of 2007 alone, it provided Iraqi businesses with more than a billion dollars of business.[64] By early 2008, more than 4,100 Iraqi companies were registered with the Coalition, which awarded 85 percent of them at least one contract. Overall, 90 percent of reconstruction projects awarded by the Gulf Region Division were going to Iraqi firms.[65] It was the latest of many attempts by the Coalition to involve Iraqi firms in the reconstruction of their own country.[66]

An effort to revive Iraqi factories also got underway. Deputy Under Secretary of Defense Paul Brinkley led a task force to explore what it would take to breathe life into a sector of the economy that had employed an estimated 500,000 Iraqis in 2003.[67] Brinkley became convinced that the CPA-era decision to close Iraq's state-owned enterprises should be reversed.[68] There were an unknown number of shuttered factories that could put Iraqis back to work. With private investment not yet entering the country, Brinkley advocated using Coalition funds to pay start-up and capital improvement costs that would bring these enterprises back online.

Many in the State Department doubted the wisdom of this initiative. Although State Department officials had resisted Defense Department plans to decommission the state-owned enterprises in 2003, by 2007 the embassy's economics section was skeptical that reviving long-closed factories would be the best use of U.S. resources. Once again, the U.S. failed to achieve a unified policy on what role state-owned industries should play in Iraq's economic recovery. The debates became so vituperative that Brinkley moved his staff from the embassy to separate quarters in the Green Zone. He also drew his budget exclusively from Defense Department funding, over which State personnel had little or no say.[69]

By March 2007, Brinkley had selected 140 factories as candidates for Coalition assistance.[70] The factories manufactured everything from farm equipment to pharmaceuticals. Brinkley based decisions on how to allocate assistance on the potential speed and economic impact of a factory's restart.[71] By September 2007, he had succeeded in opening 17 of them. Brinkley intended his $200 million budget for assistance to be the catalyst for eventually creating 150,000 Iraqi jobs.[72]

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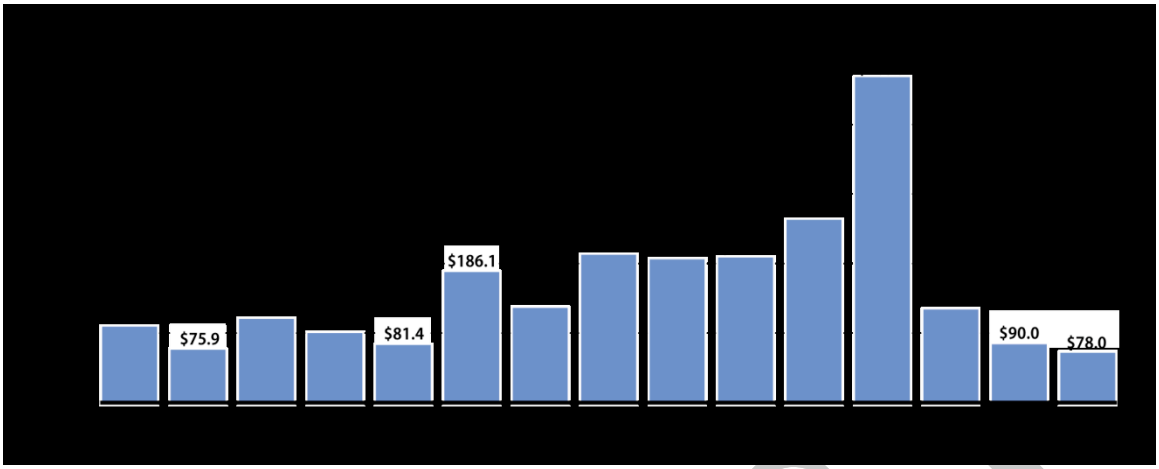
Figure 26.1 Awarded Dollar Amount to Iraqi First Vendors
$ Millions



Source: SIGIR, Quarterly Report to the United States Congress, January 2008, 70.
Note: Numbers are affected by rounding.

Elsewhere around the Embassy, programs that had existed since 2003 and 2004 were in a state of transition. Most remaining IRRF 2 projects were closed out during 2007. About 450 were still on the books in 2008.[73] Gulf Region Division personnel anticipated that only fifteen to twenty of the largest and most complicated among them would still be underway by mid-2009.[74] Although the drawdown of IRRF led most large design-build contractors to pack up, new projects and ongoing military construction needs kept more than a thousand Gulf Region Division employees working across Iraq's three regions. The 2008 supplemental budget also provided $285 million for sustainment programs and $60 million for capacity development, which the Gulf Region Division used to fund vocational training of young apprentices and on-the-job training for more experienced workers at both infrastructure sites and in ministries.[75]

The focus of reconstruction shifted overwhelmingly to supporting Iraqi initiative, in national as well as local ventures. In this new phase, Ambassador Crocker said, "You have to listen as much as you talk. Let them tell you the problem and then use ways they think it can be fixed with our help. It is not going to resemble how the Walla Walla, Washington City Council deals with Olympia, but it may work in Iraqi terms. So we talk about Iraqi solutions….it has to work for them."[76]

Reorganizing the Embassy

Just as the economic surge reached its highest pitch, Ambassador Crocker reorganized the embassy, strengthening his ability to give high-level direction for the reconstruction program.[77] The Iraq Reconstruction Management Office (IRMO) had housed the senior advisors who worked with Iraqi ministries and oversaw reconstruction in the various sectors. Of its 258 positions, 147 moved to embassy sections, while 44 others were eliminated. The remaining 67 became the staff of the embassy's Iraq Transition Assistance Office (ITAO), which retained responsibility for the Ministries of Electricity and Water, as well as residual ministerial capacity-building efforts.[78]

The reorganization further realized the desire of State Department management to bring reconstruction more directly under the Embassy's control. The embassy's economics section assumed responsibility for the Ministries of Oil, Agriculture, Trade, Transportation, and Communication. The Rule-of-Law Task Force took the Ministries of Justice and Interior. The Health and Human Services and Treasury attachés, who were in turn responsible to the Economics section, assumed responsibility for the Health and Finance Ministries, respectively. The National Coordination Team, which directed the PRTs, became the Office of Provincial Affairs. The Public Affairs section assumed responsibility for the Ministries of Education and Culture. The reorganization was at times confusing. The formal point of contact for the Ministry of Planning, for instance, was at first unclear. Representatives of the embassy political and economic sections and ITAO each initially disavowed the role.[79]

The new staffing structure was devised by Patrick Kennedy, the State Department's Undersecretary for Management, whom Crocker had invited to review embassy operations. Kennedy's report aimed to prepare officials for the move to the new embassy complex, still under construction, where space would be at a premium.[80] The Kennedy Report also recommended increased staffing in the embassy's economic and political sections, lengthening tours to eighteen months, and ensuring at least one-week overlaps during personnel rotations. Wider dissemination of PRT weekly reports were also needed, in part because State Department personnel paid less attention to dispatches not distributed in cable form.[81]

Figure 26.2 Organization Chart as reported in SIGIR Roles and Responsibilities Audit

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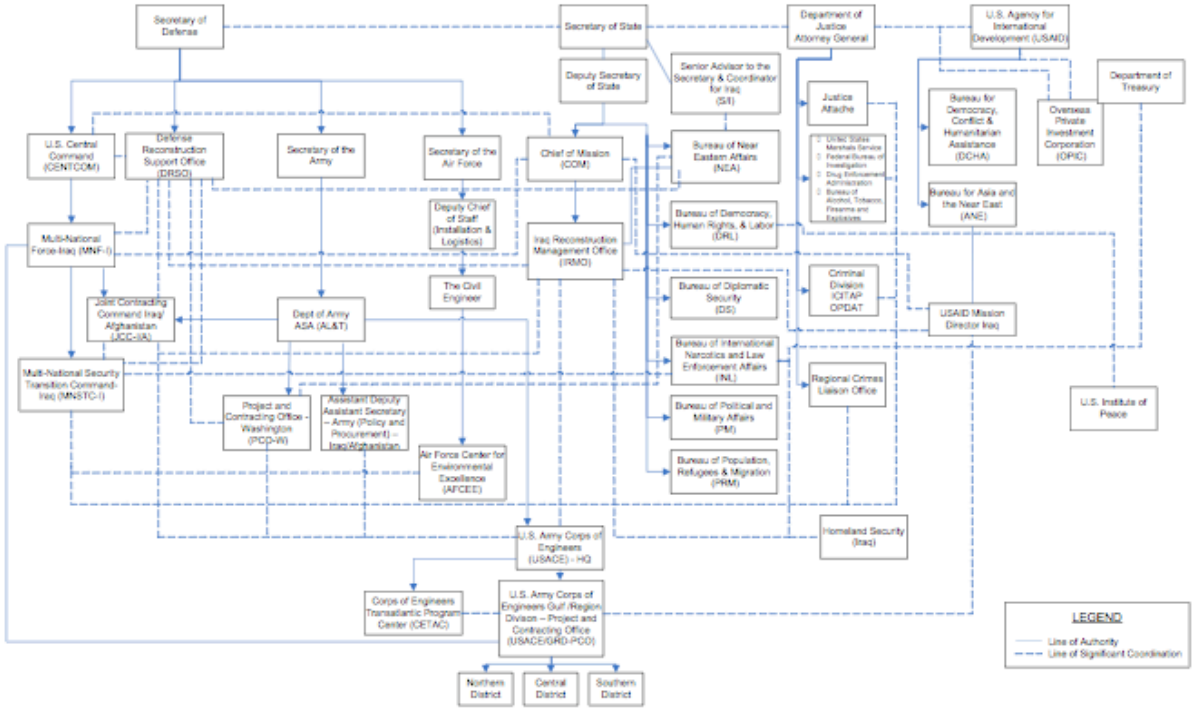

Lines of authority and significant, frequent organization interfaces, as reported by the organizations.

Source: SIGIR Audit 07-008, "Fact Sheet on the Roles and Responsibilities of U.S. Government Organizations Conducting IRRF-Funded Reconstruction Activities," July 26, 2007, i.

If anything, the reorganization made the Embassy more complex than before. The cadre of U.S. personnel in IRMO whose primary job was to travel "outside the wire" to interface with senior managers in the Iraqi government was now dispersed through multiple offices. The organizational chart (see Fig. 26.2) reflected the complexity inherent in an effort that by July 2007 involved at least 62 agencies or sub-agency offices in reconstruction alone.[82] When Petraeus arrived, his advisors identified eight major coordination bodies.[83] "We have an underdeveloped Iraqi bureaucracy and an overdeveloped U.S. bureaucracy," Col. Michael Meese observed, "and the two of them [make] each other [stagnate]."[84] By 2007, spending too much time dealing with the Coalition bureaucracy—and not enough meeting with Iraqis—was a frequent complaint of officials based in the Green Zone. It was a far cry from the CPA period, where individuals could more easily take the initiative. "We so rapidly went from…the Wild West days," one senior advisor lamented, "to a different kind of waste."[85]

The lack of executive authority was everywhere apparent. Even though Crocker and Petraeus assigned coordinators to the political, economic, military, communication, and rule-of-law lines of operation, the coordinators in most cases did not have tasking or budget authority

over the offices they were responsible for managing. A truly joint command structure never evolved. To Crocker and Petraeus, achieving unity of effort, in which everyone worked toward common goals, was more important than unity of command, where action was not always predicated upon achieving consensus. This arrangement worked well enough when the military and civilian leadership saw eye-to-eye. Where they disagreed, the civilian and military arms of the U.S. government would at times work at cross-purposes.[86]

The chain of command was further complicated by culture clashes among government employees on detail, temporary personnel, and contractors serving in government offices. Contractors and officials hired as temporary employees under 3161 authority at times resisted direction from embassy leadership. Not being invested in government careers, the cost of insubordination was minimal. This independence was occasionally productive, but in many cases it damaged the overall effort. The breakdown in communication after a personal rift between the senior advisor for oil and the head of the Energy Fusion Cell in 2007—two of the most critical and interrelated positions in the reconstruction effort—was a notorious example of the costs of insubordination gone unchecked.[87]

The complexity of the Coalition effort, and its chain of command, was especially difficult for the Iraqis to understand. Figuring out who to contact for help was often the first problem. Frustration at the ever-growing Green Zone staff evoked suggestions for radical change. "If I were you," USAID's acting-Deputy Administrator James Kunder advised Ryan Crocker, "I'd reduce the Embassy presence to a hundred people, and give everybody else two choices: they can either go to a PRT, or they can go home."[88]

Crocker and Petraeus were acutely aware of the management challenge that faced them. "You have to be joined at the hip," Petraeus said. "That's why the Ambassador and I have offices next to each other." "If all else fails," Petraeus said, "once a week, the Ambassador and the MNF-I commander get to sit down with the President of the United States and the NSC. And you can again cut through quite a few layers of bureaucracy in a real hurry in that kind of situation."[89] The physical proximity maintained by Crocker and Petraeus, however, did not always extend to their staffs, who continued working in separate office space, frequently attending separate morning meetings, and reporting through separate chains of command.[90] Nevertheless, the civil-military relationship between the embassy and MNF-I improved steadily during 2007.

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Social Capital and the Civilian Surge

Relationships with Iraqis that often eluded Embassy personnel flourished just miles away in compounds maintained by USAID contractors, and to a lesser extent on PRTs. The Community Stabilization Program, Community Action Program, and Local Governance Program employed Iraqis to work in neighborhoods not far from the Green Zone, as well as in other places across Iraq. By 2007, this approach to reconstruction—the strengthening of Iraqi civil society by operating within it—was viewed as a crucial tool.[91]

Through interventions large and small, in places from community halls to main street businesses, the Community Action Program and Local Governance Program continued to reinforce democratic processes, build capacity, and spur commerce in more than a hundred neighborhoods across Iraq. The Community Stabilization Program, designed in 2005 to execute the civilian component of Clear-Hold-Build, mounted the largest effort in monetary terms.[92] By providing short-term employment and vocational training programs, as well as micro-grants and youth activities, the $544 million program harnessed underemployed populations in the wake of clearing operations—a cohort that would otherwise be vulnerable to the cash-for-violence scheme of insurgents and militias.[93]

The program operated in tandem with military campaigns in Baghdad, Kirkuk, Mosul, Fallujah, Ramadi, Al Qaim, Habaniyah, Ba'quba, Basrah, and eventually nine other cities, often gaining access to neighborhood leaders and organizations through relationships established by other USAID initiatives.[94] By the end of 2007, it employed 319,583 Iraqis in short-term labor projects and provided 13,275 with vocational training for a total of 260,000 man-months or employment.[95] More than 260,000 person-months of short-term employment helped make visible community improvements, many of which were overseen by municipal governments in places just swept by violent clearing operations.[96] The role of this economic stimulus in solidifying security gains, while hard to measure, was seen by its implementers and military personnel as an essential element of the surge's success.[97]

All of these programs were carried out with little overt evidence of U.S. funding. The low-profile facilities maintained by USAID, along with the outreach it did in local neighborhoods, meant its people were rarely attacked. USAID, perhaps more than other

reconstruction entities, felt security could be achieved by muting the association with the Coalition and by gaining community trust and cooperation. It was a sociological, rather than an exclusively-physical conception of security. The office of Grand Ayatollah Sistani, for instance, issued a carefully-worded *fatwa* permitting Shi'a to work with USAID implementing partners, but not the Coalition military. Sistani's office even issued identification cards to Iraqi workers hired by one of the USAID programs, giving them safe passage through militia checkpoints at a time when collaborating with the Coalition would have meant certain death.[98]

The Security Net

USAID's compounds constituted a parallel reconstruction apparatus that in 2007 many Embassy personnel did not know existed. The secrecy was in part by design, to keep the Iraqis who worked there safe, but it was also because the embassy's regional security officer deemed these compounds unsafe for government personnel. According to standing Regional Security Office rules, they were off-limits to civilian officials. At a time when mentoring Iraqis was essential, one of the few venues in which Iraqis and Western advisors could build solid relationships was walled off in the name of security.[99]

The security office's restrictions gave rise to a curious asymmetry. During the surge, the military, State officials on ePRTs, and USAID contractors exposed themselves to greater risk by frequently meeting with Iraqis in their communities while other civilian personnel, under more restrictive Chief of Mission security protocols, were prevented from holding or attending such meetings.[100] If the State Department's conservative protocol for measuring danger had been strictly observed, the embassy in Baghdad itself would have closed.[101] The ePRTs were able to achieve the high degree of engagement enjoyed by USAID contractors because the military brigades they worked with assumed responsibility for their security—and the units had a higher acceptance of risk in allowing site visits.[102]

By mid-2007, the Regional Security Office sought to extend its control to vetting assistance provided to Iraqis. In the process, the office nearly smothered the PRT Quick Response Program before it began. Since their creation in 2005, PRTs had lobbied for a CERP-like fund so they could sponsor small and medium-sized projects autonomously. 18 months later, the embassy developed the Quick Response Fund (QRF), funded by Economic Support

Funds. At over $100 million, the QRF program was to be the surge's signature civilian resource—the primary financial means by which PRTs could independently undertake short term, capacity development projects in their areas.[103]

The initial procedures that governed the fund's distribution for projects larger than $25,000 entailed three stages of review.[104] After the PRT completed a seven-page grant application and a five-page summary, the proposal was reviewed by a technical committee at the embassy.[105] From there, proposals went to Washington, where a separate technical committee evaluated them. The QRF funds were thus initially saddled with administrative requirements that far exceeded the military's parallel CERP program, in which a brigade commander could unilaterally approve expenditures up to $200,000. Once these two operational hurdles were cleared, a new requirement mandated that they be sent to the Regional Security Office—which had never before played an active role in vetting recipients of grant funds—for review.[106]

PRT members were flabbergasted when they received an email in September 2007 from a mid-level staffer in the Office of Provincial Affairs detailing the extensive vetting procedures.[107] Rather than checking potential grant recipients against a government database of terrorist suspects, as had been the original policy, the Regional Security Office requested Iraqi applicants to list their associations and life histories on a multi-page form similar to what is used for U.S. government security clearances.[108] In addition, the Iraqis were required to submit fingerprints and agree to have their information stored in a database. Forms could not be faxed or scanned; the security office required an original signature.[109]

Although the danger of money falling into the wrong hands was real, PRT members knew that if the new rules were followed, the fund would be unusable. Iraqis, wary of who would have access to information about their whereabouts and associations, would not consent to the security review. It would be humiliating for grant recipients, usually esteemed members of their communities, to submit fingerprints as though they were common criminals. Finally, no PRT leaders would be willing to send their personnel into the Red Zone for the sake of chauffeuring paperwork. PRT personnel began calling the program the "Quagmire Response Fund."[110]

The rules were eventually streamlined. Micro-purchases would not need prior approval, and projects up to $25,000 could be approved by the embassy. Only those larger than $25,000 would be sent to Washington for review. Nevertheless, the dispute over procedures limited total

disbursements in the program's first five months to just $3.5 million.[111] As a consequence, PRTs initially lost much of their "surge" capacity to engage provincial governments, missing opportunities for progress during early lulls in violence. As of late September 2008, 2,065 programs have been approved through QRF grants and almost 50 percent of funds have been disbursed.[112]

Status of the Sectors

As the civilian surge developed more effective tools, reconstruction went on in each of the major sectors: electricity, oil and gas, water and sewer, security, and justice. The IRRF program had essentially ended. By the end of 2007, just under four percent of the IRRF 2 monies had yet to be obligated; only six percent was unexpended.[113] Security and justice was ultimately the largest sector of the IRRF reconstruction program, constituting 40 percent of its expenditures. Electricity was next at 23 percent, water at 11 percent, and oil and gas at nine percent. Of the contractors responsible for the program's execution, Bechtel expended more than $1.1 billion, followed closely by FluorAMEC, Parsons, KBR, and the Washington Group.[114]

In the new post-IRRF phase, Iraqi expenditures began to rival and even exceed U.S. funding in some areas. Provincial and ministerial budget execution, while still low in absolute terms, nevertheless pushed increasing amounts of Iraqi revenues into capital projects. On the U.S. side, reconstruction was mostly funded by the Commanders Emergency Response Program (CERP), the Economic Support Fund (ESF), and the Iraq Security Forces Fund (ISFF), with the bulk of new construction occurring in the security sector and through efforts directed in the provinces.[115] Provincial Reconstruction Development Committees (PRDCs) were especially active.

FY2006 and FY 2007 funding for Provincial Reconstruction Team and PRDC projects totaled $790 million, with PRDCs managing over 400 projects, with a cumulative value of $495 million. In addition, $217 million went to the Infrastructure Security Program, which spent $110 constructing pipeline exclusion zones—essentially large berms and other obstacles blocking access to the major oil pipelines—aimed to prevent illegal tapping and sabotage. Another $51 million was spent hardening critical sites and making improvements to the facilities used by Strategic Infrastructure Battalions, the main Iraqi force responsible for infrastructure security.[116]

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It was not an easy time. The heightened levels of violence following the Samarra bombing continued well into 2007. Reconstruction personnel faced extraordinarily trying conditions, and many lost their lives. From January 2006 until March 2007, 418 contractors working on reconstruction or for the military were killed.[117] In some places, contractors continued their work, often at great risk, while others suspended operations altogether, leading to high overhead costs as contractors sat idle waiting for projects to resume or be re-scoped. A SIGIR audit found that for reasons of security, mismanagement, and cost overruns, the U.S. government terminated 1, 262 contracts and task orders, either for default or convenience, during the course of the reconstruction program. Of the nearly $1 billion dollar value of these contracts and task orders, the government had already paid out $600 million. Although a few of these projects were near completion, the vast majority were not.[118]

Electricity

In the electricity sector, the push to raise generation capacity and put more megawatts on the grid continued, as did the efforts to stabilize and expand the distribution networks that carried power to Iraqi homes and businesses. In the transition from the IRRF-funded effort, the scope of activities pursued by the embassy broadened to include training of personnel at generation plants and at the Ministry of Electricity. On the generation side, connecting to the right fuel sources remained problematic. In 2007, 16 of the 35 gas turbines built by the U.S. were using diesel, crude oil, or heavy fuel instead of the natural gas they are designed for, resulting in higher maintenance costs and the loss of an estimated 2,000 MW of daily production. Improving access of these turbines to natural gas, and to reliable fuel sources at generation plants nationwide, was linked to ongoing work in the oil and gas sector as well as Coalition efforts to interdict oil smuggling.[119]

The Iraqi government, meanwhile, struggled to gain control over the many substations responsible for routing power across the grid, which remained unstable and prone to insurgent attack. In June 2007, eight of the twelve major transmission lines feeding Baghdad were out of service. Coalition and Iraqi forces moved to improve security along these lines while constructing dozens more transmission lines and substations. To improve the regulation of the grid, a new automated control system was also installed. Overall output, however, lagged 1,740 megawatts below the 6,000 megawatt goal.[120]

Oil and Gas

Increasing capacity in the oil and gas sector remained linked to progress in the electricity sector and to the overall security situation: refineries need reliable power to function, and the network of pipes were vulnerable to attack and criminal tapping. For almost all of 2007, interdiction of the northern pipelines left the southern oil terminal at Basrah as the only node for oil export. Output hovered at just over two million barrels per day, even though the system's capacity—if free from attacks and without maintenance shutdowns—by now reached three million. Ongoing facility upgrades included installing communication links at oil terminals, repairing multiple liquid-natural-gas plants, and installing oil-metering equipment at the terminal. Sustainability and capacity building challenges remained a high priority.[121]

Water

The 1,095 water projects funded by IRRF were 90 percent complete by mid-2007. Although the revised targets for increasing access to potable water and sewage were largely being met, cutbacks dating from the 2004 reprogrammings, which removed more than a billion dollars from the sector in order to fund pressing security needs, meant that the Coalition's original ambitions in the water sector would not be realized. In Baghdad, only 30 percent of homes were connected to distribution lines. Sewer service reached 40 percent in Najaf and 50 percent in Basrah, but remained essentially non-functional in Kirkuk, Samarra, and Fallujah.[122]

The challenges that plagued the water sector nationwide could be seen in the $277 million Nassriya Water Treatment Plant, the single most expensive Coalition reconstruction project. Designed to produce potable water for half-a-million Iraqis in five cities, the plant was found after transfer to Iraqis to be operating at 20 percent of capacity. A litany of problems curbed output: lack of a reliable power supply, a weakened pipe system unable to withstand the plant's higher pressure flow, illegal taps on the transmission lines, and poorly-qualified staff unwilling to attend contractor-provided training.[123] Ambassador Crocker's personal intervention in the failing project spurred performance improvements in the months after it was found to be operating substantially below design capacity. "The Nassriya Water Treatment Plant is not going to be the largest monument to American folly in decades out here," Crocker said. His focus, on the water plant as elsewhere in the reconstruction, was on helping the Iraqis reach solutions on

their own. "How can we help the Iraqis complete the Nassriya main drain?" he said. "We put so much money into sustainment. Don't let it go to waste."[124]

Security and Justice

Throughout 2007, re-training of National Police brigades—a process known as "re-bluing"—continued, as did the training and equipping of Iraq's other security forces, which now numbered more than 350,000.[125] The decline in violence was especially helpful to the court system.[126] The construction of the Rusafa rule-of-law complex, bringing together multiple parts of the justice system in one place, greatly facilitated the processing of cases in Baghdad.[127] Although coaxing judges to use modern investigative methods—including forensic evidence—and to eschew sectarian influences remained a challenge, progress in the judicial system continued.[128] By mid-2008, 655 courts operated in Iraq. Major Crimes Courts—regional branches of the Central Criminal Court of Iraq—were being established in all eighteen provinces. The 567 judges, 281 investigative judges, 312 assistants, and 645 judicial investigators working nationwide were protected by a force of over 5,000 guards.[129] Nonetheless, just under half of all inmates in Iraqi detention were awaiting trial, contributing to overcrowding in four of the six prison facilities transferred to Iraqi control.[130]

The Surge in Late 2007

The surge brought more personnel and funds into Iraq, but more importantly, it redefined the terms of reconstruction. Brigades became a center of gravity in the reconstruction effort in a way they were not previously, with brigade commanders and ePRTs each viewing capacity building as a top priority. No longer was transition—the Casey-era watchword—the primary goal. The surprising agility with which the military embraced the economic and reconstruction missions was made possible by the wide support in its ranks for the counterinsurgency doctrine articulated and implemented by Petraeus. What was resisted in 2003 and 2004 was seen as absolutely necessary by 2007. Using brigades as "landlords" for the ePRT program yielded the intended multiplier effect on capacity building and reconstruction. Through these innovations, civil-military cooperation reached new heights.

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Despite significant progress in specific places, Iraq in 2007 proved stubbornly resistant to many of the surge's political and economic innovations, and to the Coalition effort overall. In July 2007, the new Prime Minister of Britain, Gordon Brown, proposed a host of policy initiatives in a letter to Iraqi Prime Minister Nouri al-Maliki. These included "an integrated energy strategy," "banking reform," and possibly a "National Investment Commission"—ideas that had been minted by the Coalition back in 2003, and were still relevant only because they had not been fulfilled.[131] In August 2007, Minister of Finance Bayan Jabr announced that completing Iraq's reconstruction would require an additional investment of $100 billion to $150 billion—an amount equal to what had already been spent.[132] It was a sobering reminder of how the continuing violence had undone so much of the infrastructure investments made by the U.S. and Iraq.

In September, there were further setbacks. Prime Minister Maliki ousted the head of the U.S.-created Commission of Public Integrity, an anti-corruption unit in Iraq's government. After receiving numerous death threats, Judge Radhi Hamza al-Radhi requested political asylum in the United States. He later testified before the Congress that thirty-one of his employees and twelve of their family members had been assassinated, making it impossible to fulfill his mandate of investigating corruption cases.[133] Targeted killings also continued. On the first day of Ramadan, Sheikh Abd al-Sattar, leader of the Anbar awakening, was assassinated just a week after President Bush, during a September 2007 visit, personally commended his efforts at fighting al Qaeda.[134]

By fall 2007, the surge and other political developments in Iraq, including the Sunni awakening, brought about a modest reduction in violence, with total attacks trending downward across Iraq.[135] Calmer conditions did not immediately translate into progress on reconciliation or passage of the legislative articles Congress had hoped Iraqi leaders would tackle.[136]

The Congress wrote eighteen benchmarks into the 2007 emergency supplemental appropriations act that funded the surge; the President had to certify the Iraqi government was making progress towards meeting them before receiving further support from the Economic Support Fund, absent a Presidential waiver of the requirement.[137] An initial White House assessment in July 2007 found that few of the benchmarks had been fulfilled, but that satisfactory progress was being made.[138] A later GAO audit, released in advance of the September 15, 2007, testimony of General Petraeus and Ambassador Crocker before Congress,

found that the Iraqi government had met three, partially met four, and had not met eleven of the eighteen benchmarks.[139] Petraeus and Crocker acknowledged in their testimony that few of the benchmarks had been met, but cited continued Iraqi progress towards them as reason enough for the Coalition to continue the surge.[140]

A second set of benchmarks came into play in the International Compact for Iraq, a framework negotiated in 2007 through which international donors and aid organizations, including the World Bank, United Nations, and International Monetary Fund, pledged support in return for progress in bringing Iraq's laws and economy in line with international best practices.[141] It was another step, along with the stand-by agreement negotiated with the International Monetary Fund, at reintegrating Iraq into the regional and international economy. Although signs of progress could be discerned, the road ahead remained long. Iraq in 2007 was rated by analysts at the World Bank as falling in the bottom 10 percent of all countries in measures of corruption and accountability, political stability, government effectiveness, regulatory quality, and rule of law.[142]

The Surge and its Aftermath in 2008

As 2008 dawned, violence continued to recede. The military effort to pacify first Baghdad and then western and north central Iraq came at great cost to U.S. and Iraqi troops. Attacks against Coalition forces during the initial phases of the surge reached their highest level since 2003. However, relative calm returned to large parts of the country, partly because of the surge, but also due to the organization of Sunni—and eventually Shi'a—groups into local security forces. Neighborhoods gripped by near-constant violence since the increase in attacks after Samarra returned to near normalcy, and levels of ethno-sectarian violence fell precipitously. During 2008, the Iraqi Army demonstrated increasing ability as they performed clearing operations in Basrah and Sadr City with limited U.S. support. Although fierce fighting persisted in parts of Ninewa, Diyala, Salah Din, and Basrah provinces, overall attacks in mid-2008 fell to 2005 levels, when between 500 and 1000 Iraqi civilians died violently each month.[143] The improving security situation was a boon to civilian programs. In mid-2008, a USAID contractor estimated that with fewer meetings and convoys cancelled, the Local Governance Program was achieving a 25 percent higher mission-accomplished rate.[144]

More than any year since the 2003 invasion, 2008 was one of gradual and persistent transition to Iraqi leadership in reconstruction and security. In April 2008, Ambassador Crocker testified before the Congress that "the era of U.S. major infrastructure projects is over."[145] Although some new construction continued, it was the effort to build capacity that was in full swing, with 238 Coalition employees working in the non-security ministries and many large sustainment programs being carried out across the country.[146]

The global economy provided an unexpected boost to Iraq reconstruction. Record oil prices—which peaked at over $140 per barrel during the summer of 2008—and sustained export production buoyed Iraq's coffers and continued the trend towards greater capital expenditures by its ministries and provincial governments.[147] But the decline in prices a few months later began to constrain Iraq's reconstruction planning.

The establishment in March 2007 of uniform contracting and funds disbursal regulations by the Ministries of Planning and Finance enabled Directors General across Iraq's government to execute their budgets more easily. "It proved the basic point that there was some bureaucratic rationality at play here," Treasury attaché Jeremy Pam said. The existence of clear rules and a national budget passed by Iraq's parliament meant that U.S. reconstruction officials increasingly worked to reinforce Iraqi priorities, rather than retrofitting U.S. projects into the Iraqi system. "You don't have to worry about getting post-hoc buy-in," said the Treasury attaché, when "things originate in the Iraqi system."[148] In part because the absolute size of budgets was now larger, overall budget execution remained lower than hoped for, renewing concerns about the willingness of Iraq to finance capital investment.[149]

Political progress was varied. Although passage of a hydrocarbons law and de-Ba'athification reform remained elusive, Parliament succeeded in passing a provincial powers and elections law that would lay the foundation for eventual provincial elections in early 2009.[150] Although the Iraqi government began performing at ever higher levels, the U.S. presence still remained large, with 164,000 contractors and 157,000 troops seemingly an enduring feature of the political and security landscape.[151] Despite the continued engagement of so many soldiers and advisors, care was not always taken to ensure Iraqi input and acceptance. Officials conducting a review of Provincial Reconstruction Teams—now the signature reconstruction program—were astonished to learn that Prime Minister Maliki had never been fully briefed on

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the program's details. The U.S. in effect had teams of advisors interacting with an entire swath of the Iraqi government without having formally sought the Prime Minister's permission.[152]

The Ultimate Impact of Reconstruction

There were few direct ways toward the end of 2008 to take a final measure of the impact of U.S. reconstruction programs. The ultimate U.S. goal went beyond putting megawatts on the grid or providing more gallons of treated water. Using reconstruction as a tool, the goal was to create a self-reliant Iraqi government and a satisfied population, so that trust would be kindled between Iraqis and the U.S. and among Iraqis themselves.

Only recently have nationwide surveys measuring satisfaction rates with essential services been undertaken with any degree of consistency. The data that do exist suggest that, broadly speaking, a majority of Iraqis remain unsatisfied with delivery of basic services, including electricity, water and sewer, and trash removal. More significantly, these satisfaction rates tend to vary by location and sectarian identity. Rates in Baghdad, for instance, are markedly lower than many other areas in the country, especially the Kurdish region. Interestingly, the rates of satisfaction with essential service delivery during the surge have been broadly similar among Sunnis and Shi'a for potable water, sewage, food, and trash, but divergent for electricity, fuel delivery and, to a lesser extent, health.[153] For electricity in particular, this is counterintuitive, given that Sunni-majority provinces typically enjoyed more hours of power per day than almost all Shi'a-majority provinces during the same time period.[154] Actual differentials in service delivery thus do not alone account for the differing rates of satisfaction among sectarian communities. Historical entitlements, perceived political disenfranchisement, and expectations raised by early Coalition pledges also likely affected satisfaction rates.

Even with Iraqi levels of satisfaction trending upward and violence trending downward, the U.S. was still caught in a nation-building effort it had not anticipated and still did not fully understand. In 2000, future Secretary of State Condoleezza Rice articulated her belief that the U.S. military should focus primarily on combat operations. "Carrying out civil administration and police functions is simply going to degrade the American capability to do the things America has to do," she said, adding, "We don't need to have the 82nd Airborne escorting kids to

kindergarten."[155] Eight years later, during the surge, the 82nd Airborne, serving its second Iraq deployment, was helping oversee the construction of greenhouses outside Tikrit.[156]

More than five years after the overthrow of Saddam Hussein, the ultimate success of the reconstruction program, and along with it the future of Iraq, remained in doubt. The Joint Campaign Plan that Crocker and Petraeus promulgated was predicated on the belief that stopping openly-violent clashes would allow Iraqis gradually to resolve their conflicts through elections rather than militias. Such a transformation was both elusive and extraordinarily costly—for Americans and Iraqis—in lives and national treasure.

Even as the security situation improved dramatically in the second half of 2008, potentially violent rivalries between political groups competing for power threatened to overwhelm Iraq's fragile government structures. "SCIRI is fighting Sadr is fighting Fadhila," said an Iraqi whose home is in Basrah, where clashes have frequently taken place. The social effects of violence have taken their toll on family life. For most of the past four years, he said, "it is too dangerous for my kids to play outside the house. They have bicycles; they are walking on the roof. They play football inside the house." Even as violence recedes and life regains a degree of normalcy in many provinces, the new realities of post-Saddam life bring their own complications. Before, he said, many Iraqis could remain largely ignorant of politics. "Now it's a truth for all life."[157]

~ *Essential Services – After the Surge* ~

Outputs[1]

Service	Pre-invasion	Post-invasion	CPA Transition	Negroponte Era	Khalilzad Era	Surge Ends
Electricity Production	4,075 MW	711 MW	3,621 MW	4,262 MW	3,475 MW	4,400 MW
Oil Production	2.58 MBPD	.30 MBPD	2.16 MBPD	2.13 MBPD	1.95 MBPD	2.43 MBPD
Access to Potable Water						
citizens	12.9 million	4.0 million	8.4 million	8.25 million	8.25 million	16.82 million
Iraqi Security Forces						
soldiers and police	1,300,000	7,000-9,000	87,000	171,300	328,700	478,500
Telecommunications						
landline subscribers	833,000	0	791,000	998,000	1,111,000	1,360,000

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mobile subscribers	80,000	0	461,000	2,422,000	8,720,000	12,000,000
Education						
schools opened	14,121	0	14,121	14,159	14,179	14,931
schools rehabilitated	0	0	2,358	3,100	6,271	6,404
Human Toll						
U.S Troop Fatalities	-	139	862	1,745	3,248	4,115
Civilian contractors	-	1	46	217	916	1,229
U.S. civilians	-	~9	52	113	224	271
Iraqi civilians	-	7,413	16,848	29,155	72,858	95,236
Financial Cost (in billions)						
U.S funding	-	$3.45	$22.93	$29.21	$36.96	$50.46
Iraqi funding	-	$0	$16.00	$21.03	$37.27	$50.33
International funding	-	$0	$13.60	$13.87	$15.20	$17.00
Total funding	-	$3.45	$52.53	$64.11	$89.43	$117.79

Source:

By mid 2008, daily electricity production had edged up, sustaining outputs above pre-war levels—4,400 megawatts (MW) per day. The third quarter of 2008 showed postwar highs, averaging over 4900 MW per day. But Iraqi demand still far outpaced production. In most provinces, production met around half of demand. Electricity distribution system improved as well, but equitable allocation remained a problem.[2]

Oil production continued to rise by mid 2008, falling just short of pre-war levels of 2.58 million barrels per day (MBPD), with July 2008 production reaching 2.43 MBPD—the highest since the 2003 invasion. Because of the success of infrastructure security measures, no pipeline attacks occurred in 2008.[3]

By mid 2008, U.S water projects provided eight million people with access to potable water. Nevertheless, more than 40 percent of Iraq's population remained without access to potable water and modern sanitation systems. Water distribution among the provinces was still uneven. Basrah was the worst, with a mere two percent of the population with access to sources of good drinking water.[4]

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[49] SIGIR interview with Mike Antoine, Rasheed ePRT, September 3, 2007.
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[52] SIGIR interview with Timothy Zuniga-Brown, Team leader, Rasheed ePRT, September 3, 2007.

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[55] SIGIR interview with David Atteberry, USAID officer, Rasheed ePRT, September 3, 2007.
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Essential Services – After the Surge

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Chapter 27

HARD LESSONS

We spent as much money as we could, and got as little for it as people could make up their minds to give us.

- Charles Dickens,
Great Expectations

In March 2003, the United States invaded Iraq, made short work of its armed forces, and easily toppled Saddam Hussein's government. A well-trained and properly equipped force achieved a quick and efficient military victory. But the United States was unprepared and ill-equipped to deal with what came next: a "post-conflict" environment riven by violence from looters, criminals, and a nascent insurgency; a governmental system in a state of complete collapse; and an economy that had slipped into idle and then switched off.

Washington—with no plans to manage the increasing chaos it faced, no developed doctrine of nation building, and no established structures through which to carry out complex relief and reconstruction operations—was forced to forego its hoped-for quick transfer of power to an Interim Iraqi Authority and give way to an occupation of undetermined length. Thrust into this deepening crisis, Ambassador Bremer and the Coalition Provisional Authority were asked to do the impossible: restore order, restore governance, restore the economy, and restore basic services—with limited resources and little capacity to act.

Focusing on the economy and not security, Bremer quickly improvised a massive infrastructure-oriented reconstruction program that became the largest foreign reconstruction effort undertaken by the United States since the Marshall Plan. Although there was a short period of shaky peace immediately after Saddam's fall, the rapidly growing problems in Iraq—especially the security situation—were beyond the CPA's capacity to solve. The formal dissolution of Iraq's military and the extensive de-Ba'athification effort aggravated matters by sidelining two potential—and planned for—

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sources of Iraqi assistance at the very moment their help could have made the greatest impact.

The United States struggled over the next four years to develop and implement a strategy for reconstructing Iraq as a stable, democratic country on the road to prosperity. Deteriorating security both informed and complicated every decision. The U.S. employed a variety of tactics to address the violence, pouring money and—finally—more troops into the country, all while trying to rebuild both Iraq's physical infrastructure and its capacity to govern. U.S. governmental agencies, military units, non-governmental organizations, international organizations, and private sector firms—both international and Iraqi—all engaged in the gargantuan effort.

Through trial and error, U.S. strategy moved away from the CPA's infrastructure-heavy approach in 2003 and 2004 to a more modest, Iraqi-driven program focused on capacity development. Along the way, the U.S. government created a series of ad hoc offices and systems as it moved from crisis to crisis. Both the government and the private contractors it employed adapted as they learned hard lessons from the rebuilding program, becoming seasoned and thus more effective in the exceedingly-lethal environment. Notwithstanding this progress, the U.S. still struggled in late 2008 to make Iraq's reconstruction a success.

Each of the four periods of reconstruction chronicled in *Hard Lessons* yields unique conclusions.[1] Taken collectively, they underscore the need for the U.S. government to reform its approach to contingency relief and reconstruction operations and to develop greater capacity to carry them out.

Pre-War Planning and ORHA (September 2001-April 2003)

The U.S. approach to Iraq reconstruction has its origins in the fall of 2001, when the President and the Secretary of Defense began fashioning the Iraq war plan according to a "liberation" model. From the outset, the Pentagon's leadership believed that victory in Iraq would be swift and that an Interim Iraqi Authority could quickly assume power. They assumed Iraq's police would provide post-war security and that relief and reconstruction projects would be funded by Iraqi oil revenues. When these assumptions

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and plans were overcome by Iraq's withering post-invasion reality, there was no "Plan B" upon which to fall back.

During pre-war planning, the Department of State and USAID had argued that Iraq's reconstruction would be more difficult, would take more time, and would require an extraordinary commitment of financial and human resources. But even veteran development experts misjudged what would be necessary to rebuild Iraq's physical and governmental infrastructure. "We needed to be thinking at a much different order of magnitude of what is required to reconstruct a failed state, in the context of a U.S. military invasion," USAID's Deputy Administrator later said.[2]

Force size was a perennial issue. Officials across the government—including within the military—disagreed on how many troops would initially be necessary. Prewar analyses of force-levels in post-conflict situations suggested that at least 300,000 troops—and perhaps as many as 500,000—would be required to maintain order in a country with the size and population of Iraq. But the President and his advisors, both military and civilian, decided against deploying so large a number of troops and against making extensive preparations for large-scale reconstruction operations. They instead decided on deploying a relatively light and agile force and focused post-conflict planning on averting humanitarian disasters similar to those that followed the first Gulf War in 1991. They planned according to the best-case scenario for securing, governing, and reconstructing Iraq, even as they prepared for a worst-case humanitarian scenario.

Historically-rooted conceptions of defense, diplomacy, and development shaped both the content of pre-war deliberations and the structures in which they took place. Military planners, imbued with the notion of war-making as simply the use of overwhelming force, excluded post-conflict experts from the crucial, early deliberations that determined U.S. policy. USAID Administrator Andrew Natsios, the highest-ranking Administration official with both development and combat experience, was not invited to National Security Council meetings until long after the war began.

The way the U.S. government is organized facilitated this exclusion. Since 1947, the Departments of Defense and State—and later USAID—have operated mostly independently of one another, even though in today's world most overseas missions require a blending of each one's strengths, as well as those of other U.S. government

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agencies. Integrating their various capabilities was left to the President's war cabinet and the National Security Council staff, where joint planning is notoriously difficult to manage and subject to the personalities of those who inhabit key posts. "Don't try to use Iraq as the model [for reform]," Secretary of State Colin Powell cautioned, "without recognizing and acknowledging that it was as much a process and personality as it was a structural problem."[3]

The government's lack of strong mechanisms to integrate the work of separate departments—coupled with a desire to ensure unity of effort—led the White House to delegate interagency missions to a "lead agency," which would then be in charge of all others. The battle over whether the "liberation" model would guide Administration policy in Iraq became a simultaneous battle for which department would control reconstruction itself. In the absence of a clear precedent for how post-war operations of this magnitude should be coordinated, the President decided in late 2002 to hand operational control for planning and managing post-invasion Iraq to the Department of Defense, sidelining in the process the only interagency system—the National Security Council—designed to orchestrate the government as a whole.

Even Secretary of Defense Rumsfeld recognized it was not a perfect solution. "The U.S. government has had to rely on quickly assembled, ad hoc efforts, such as ORHA, to coordinate reconstruction," he later wrote.[4] "The truth is," Secretary of State Rice later said, "we really did not have, either in any department or in the U.S. government as a whole, an institution that could really deal with post conflict stabilization."[5]

CPA (May 2003-June 2004)

The "liberation" model—in which a rapid transfer of power to Iraqi authorities would enable U.S. troops to depart 90 days after the regime's fall—broke down almost immediately after the invasion. Neither the U.S. military nor the civilian leadership was prepared for the complete disintegration of the Iraqi government and the subsequent loss of law and order. Looting and the chaos it engendered destroyed plans for a rapid transfer of power. With public institutions and critical infrastructure crippled, the

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mission of ORHA's successor agency—the Coalition Provisional Authority—turned from restoring essential services to rebuilding from scratch the ministries that provided them.

The CPA adopted a maximalist approach to reconstruction, developing plans to conduct nation-building on a grand scale. During the occupation's first months, CPA's planners set out to transform every aspect of Iraqi society, from the banking system to traffic laws. But the CPA and the U.S. government agencies that supported it demonstrated an inadequate understanding of both Iraqi culture and the complicated internal political relationships that existed among and within various Iraqi groups.

Policy was seldom clear. The CPA issued momentous orders—de-Ba'athification and the disbanding of the military—with insufficient interagency debate. While there were good political reasons for removing members of the Ba'ath party from senior government positions and for dissolving the army, both decisions added considerably to the difficulty of reconstruction and the establishment of a functioning government. Had these issues been fully discussed by the war cabinet and within the CPA, the United States might have acted differently. Instead, the United States was left to scramble to deal with the loss of technocrats, and—far more importantly—to build new Iraqi security forces, a task that would ultimately consume more than half of all U.S.-appropriated reconstruction dollars.

The root problem was that the U.S. lacked an agreed-upon approach to contingency relief and reconstruction operations that could inform how decision-makers should address the complex array of problems at play in Iraq. There was no doctrine generally accepted by U.S. government agencies, little understanding of the fundamental dynamics of post-conflict rebuilding, and no structure for the provision of resources or the resolution of important disagreements among the agencies. As a result, the CPA's leadership was left without a policy reference point or effective mechanisms for devising and executing many significant initiatives and considering the trade-offs they entailed.

Those at the head of what had become the largest reconstruction program in U.S. history struggled to differentiate between the pursuit of transformational goals for their own sake and what it would take to achieve quickly the U.S. national interest in a stable Iraq. Efforts in many sectors were poorly conceived, overambitious, and often at cross-

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purposes with one another. Part of the problem was that the CPA frequently failed to consult seriously with Iraqis and thereby understand what they really wanted from the reconstruction program. As a result, CPA too often made decisions that undercut the goals they were trying to achieve.

The reform of Iraq's economy was a striking example of how the lack of an agreed-upon strategy, calibrated to Iraqi practices, undermined U.S. objectives. The CPA decided, over considerable internal opposition, to discontinue support to Iraq's state-owned enterprises. Its economic advisors did not appreciate the deep interdependence among factories producing chlorine, agricultural fertilizer, and cement and the impact of their closing on Iraq's oil, electricity, water, and agricultural sectors. The advisors also underappreciated how much of Iraq's economy was integral to these industries and the large numbers of people they employed. The CPA rejected the possibility that state-owned enterprises might be important in an economic recovery. Rather than committing resources to their continued existence, the CPA chose instead to rely on a private sector that was far from developed enough to employ large numbers of people or produce the goods and services needed by the country.

For fear of antagonizing the Iraqi public, whose disaffection would have further destabilized the country, the CPA decided not to tackle the food, oil, and electricity subsidies that distorted the economy. The oil subsidy in particular perpetuated an enormous black market that fueled corruption and violence at all levels of the Iraqi state.

By mid-summer 2003, the CPA had settled on a strategy to spur growth by rebuilding the infrastructure—particularly in the electricity, oil, and water sectors. These projects, once completed, would support an expanding economy and supply Iraqis with essential services in order to foster stability. The Administration persuaded the U.S. Congress to appropriate $18.4 billion to this end, and the CPA created the first of what would be several ad hoc temporary organizations to manage the reconstruction money: the Program Management Office. Like the organizations that came before and those that followed, the Program Management Office lacked the personnel and the systems to administer such a large program effectively.

Believing that conditions in Iraq demanded speed, the CPA developed its reconstruction strategy in great haste, missing opportunities to integrate adequately the

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views of Iraqis or implementing agencies—USAID, the State Department, even the military—in the process that created the IRRF 2 plan. Many infrastructure projects also suffered from inadequate design, weak government oversight, and a lack of planning for Iraqi sustainment.

At the end of its short tenure, the CPA had barely begun executing the grand reconstruction program it had designed. Growing Iraqi opposition to the long transition to Iraqi self-rule—complemented by a desire to disengage from a long-term responsibility—resulted in a surprise announcement on November 15, 2003, to transfer sovereignty from the CPA to Iraq by June 30, 2004. Reconstruction plans that had just been devised on a two-year timetable had to be abandoned, and the rush began to prepare Iraq's government to stand on its own in seven months. The shift also meant that U.S. appropriations for reconstruction—slowed by bureaucratic inertia in Washington—would not arrive until the very end of CPA's tenure. As a result, the CPA had to fund most of its early reconstruction projects, as well as Iraqi government operations, from Iraqi funds held in trust. Unfortunately, the CPA failed to keep detailed accounts of how most of the Iraqi money was spent. Expenditures were initially tracked on Excel spreadsheets, hardly a sufficient control.

An even more fundamental problem plagued CPA's efforts. The reconstruction strategy was premised on a "permissive" environment, free from violence; but most of Iraq was nothing if not violent. Almost immediately after the invasion, many in Iraq—from the CPA Administrator and the Commanding General of Coalition forces to Iraqis in the ministries and on the streets—recognized that security was the most compelling issue confronting the CPA. Lt. Gen. Sanchez, the man in charge of the U.S. military in Iraq, requested more troops in May 2003. Until mid-July, though, the United States stuck to its original plan to reduce troop strength as quickly as possible. The troop withdrawal stopped only when General Abizaid replaced General Franks as the CENTCOM commander.[6]

With the increase in violence, which continued for the duration of CPA's tenure, planners confronted a political and economic landscape that was evolving faster than they could adapt or even understand. All the while, the magnitude of what needed to be done was overwhelming. The absence of doctrine or a coordinated strategy caused the CPA's

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approach to reconstruction to have a disjointed, ad hoc quality: Get the oil flowing. Stop the smugglers. Get the electricity up and running. Clean out the sewers. Re-write the textbooks. Change the currency. Employ more Iraqis. Focus on the cities. Focus on agriculture. Focus on security.

The U.S. Mission (July 2004-June 2005)

When the U.S. Embassy inherited the CPA's reconstruction program in July 2004, the new Ambassador inherited two critical problems. First, the U.S. had to adjust the program to address the deteriorating security conditions in Iraq. And second, the U.S. needed to mobilize more capabilities to implement quickly the large reconstruction program. The entire management structure—an "adhocracy" predicated on increasing U.S. government capacity by having the private sector both administer and execute the program—was overwhelmed by the challenges of building in a war zone. Design-build firms found it difficult to work in dangerous environments, and the lack of adequate oversight by government contracting officers, program reviewers, and other agencies allowed wasteful spending to careen out of control. Safeguarding reconstruction personnel, equipment, and work sites against insurgent attacks drove up costs. The violence also prevented managers and quality control engineers from traveling to work sites, collapsing the system of oversight so crucial to effective reconstruction. The United States was ultimately forced to change course.

Immediately after the transfer of sovereignty in June 2004, Ambassador John Negroponte ordered a review of the IRRF 2 program and reprogrammed more than $3 billion of the appropriated funds, mostly into the security sector. During the first eighteen months of the IRRF 2 program, U.S. officials had reprogrammed nearly a third of it—more than $5.6 billion—transferring money into security, job creation, and economic reform projects. The CPA had designed IRRF 2 for a postwar environment, but the rise of a violent insurgency forced the reconstruction program to change emphasis from laying the foundation for economic growth in the long-term to producing near-term results in support of a counterinsurgency campaign. The challenge, of course, was to do

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both: achieve the desired security gains without compromising the process of long-term development.

As U.S. policymakers came to understand the imperative for security, the U.S. military upgraded its headquarters from a three- to a four-star command. At the same time, the State Department established an embassy in Iraq and sought to foster a greater degree of Iraqi responsibility by reducing the Coalition presence inside Iraqi ministries and in the provinces, lessening the ability of the U.S. to monitor and influence the reconstruction program. The change was caused by the State Department's inability to maintain appropriate staffing levels as it made the transition to the new embassy in 2004. Project management systems remained problematic. In late 2005, the U.S. embassy still lacked the ability to identify projects with the contracts that funded them, and to estimate how much they would cost to complete.

Although reconstruction took months to begin, by the middle of 2005 the United States had completed a thousand projects using IRRF 2 funding and had another thousand underway. Hundreds of firms—American, international, and Iraqi—were active across the country, employing tens of thousands of foreign contractors and an estimated 180,000 Iraqis. The rebuilding effort, however, proved to be more expensive, and more time consuming, than planners anticipated. Moreover, it did not significantly improve essential services. Power generation and distribution continued to fall short of Coalition goals, as did oil production, in part because so much of Iraq's critical infrastructure was vulnerable to sabotage and in poor condition. Other projects failed after being turned over to Iraqis who, for a variety of reasons, were often unable to maintain and operate the facilities. The failures highlighted the need to build capacity in Iraqi institutions so the country could manage the infrastructure it was receiving.

The U.S. Mission (June 2005-2008)

U.S. reconstruction strategy continued to evolve during the tenure of Ambassador Zalmay Khalilzad, who arrived in Baghdad in June 2005. A new approach to counterinsurgency operations, called Clear-Hold-Build, further integrated military and civilian efforts. Khalilzad deployed Provincial Reconstruction Teams (PRTs), a concept

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he brought from his tenure as Ambassador to Afghanistan. The PRTs, together with Provincial Reconstruction Development Councils, helped provincial governments improve their working relationships with Iraq's central government and strengthened the coordination of Iraqi and Coalition resources.

From Khalilzad forward, the reconstruction effort began to shift toward more modest projects designed to deliver jobs and services to the most vulnerable, violent, and strategically-consequential neighborhoods, and to do this as much as possible through municipal and provincial institutions. By going through official Iraqi institutions instead of around them, U.S. reconstruction expenditures directly served the goal of building a functioning Iraqi state.

Even as the United States' ability to deliver reconstruction resources improved, the amount of money it had left to spend diminished—and Iraq fell further into chaos. As many as 300 companies may ultimately have provided security services to the U.S. reconstruction effort, increasing costs on some large reconstruction contracts from 24 to 53 percent.[7] The Samarra bombing in February 2006 exacerbated sectarian tensions, overlaying the insurgency with civil conflict among Iraq's sects. The resulting political fragmentation complicated efforts to build capacity in government institutions captured by political parties with sectarian or regional agendas. As the nature of the violence evolved in places from traditional insurgency to civil conflict, economic incentives proved less effective at stopping the violence than did coercive force.

The 2007 surge of troops and increased civilian effort—accompanied by a significantly-revised counterinsurgency strategy, formulated by General David Petraeus and Ambassador Ryan Crocker—ushered in a new era of reconstruction. As the major program of U.S. infrastructure rebuilding began drawing to a close, emphasis moved to building capacity inside Iraqi institutions and using contracts with Iraqi firms to drive a recovery of the Iraqi economy.

As troops exposed themselves to more risk in order to quell violence, the tension between force protection and classical development approaches increased. Getting the Iraqis to deliver their own services—at a time when the provision of services by American brigades led to security gains—necessarily meant that short-term, cash-heavy

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interventions through the Commander's Emergency Response Program sometimes occurred at the expense of long-term development and capacity-building objectives.

As the surge of troops and civilian development resources reached maximum strength, so, too, did the U.S. investment in Iraq's security forces begin to pay dividends. In 2005, the Congress had authorized the Iraq Security Forces Fund, a major new appropriation that quickly rivaled—and eventually matched— the IRRF in size. During the following three years, ISFF channeled more than $18 billion into the training and equipping of police and soldiers, the building of the facilities they used, and the development of the Ministries of Defense and Interior. The increase in size, reliability, and readiness of Iraqi forces contributed to the reduction of violence that began in summer 2007.

The hard-fought security gains that accumulated during 2007 led to a more permissive reconstruction environment in 2008. Attacks dramatically decreased. With the accumulation of oil revenues in Iraqi capital budgets, budget execution emerged as a key objective, unifying capacity-development efforts. By the end of 2008, the reconstruction effort was many orders of magnitude more Iraqi-driven and Iraqi-funded than when it began in 2003.

Over five years, the U.S. reconstruction program had undergone an extraordinary evolution from what planners initially envisioned in 2002. The originally-conceived modest program to repair war damage quickly had ballooned into an expansive nation-building effort, which in turn was superseded by a counterinsurgency campaign and a country-wide initiative to build Iraqi capacity. The shift from a large-scale physical reconstruction plan to a program that combined "soft" and "hard" projects aimed at mitigating security problems and building capacity was spurred by constant re-evaluations of how U.S. resources could be employed to achieve the desired result of a stable Iraq.

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 that can guide the use of military and economic power so that the U.S. is ready when it next must—as inevitably will occur—intervene in a failed or failing state or in the aftermath of an armed conflict between states. The Iraq

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reconstruction experience chronicled in this report, in hundreds of audits and inspections, and in three previous Lessons Learned reports led SIGIR to identify these most significant hard lessons:

Principles of Contingency Relief and Reconstruction

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 carrying out the projects as well as the critical infrastructure upon which essential services depend. In Iraq, the scope of reconstruction was too often unmatched by available security resources. To this day, Iraq's reconstruction environment has never been truly "post-conflict." Endlessly rebuilding in the wake of sustained attacks on reconstruction personnel and critical infrastructure proved to be a demoralizing and wasteful proposition. To guide decisions on funding a project faced with security threats, the U.S. government should analyze whether and at what costs security risks can be mitigated. Projects should only proceed when senior leaders determine that the strategic objective they fulfill outweighs the risk of failure and the costs of mitigating security risks.

- **Capacity development—people and systems—is as important as bricks and mortar.** The CPA's reconstruction program focused chiefly on large infrastructure projects aimed at improving service delivery. Little of its money was set aside to boost government capacity. The failure to pursue capacity-building efforts alongside infrastructure construction led to a crisis in sustainability that continues to this day. The continuing deterioration of infrastructure projects transferred to Iraqi control could result in the largest potential source of waste in the reconstruction program. Capacity development could have helped obviate this circumstance, and should be an inherent component of any contingency relief and reconstruction operation.

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- **"Soft" programs are essential complements to military operations in unsecure environments.** An emerging lesson from Iraq is that when violence is pervasive, soft programs—including PRTs—are especially important in advancing U.S. goals. Operating through Iraqi intermediaries reduces the exposure of reconstruction personnel to violent attack and helps deliver economic stimuli to local communities even when Coalition military forces are engaged in clearing operations. The apparent success of these programs, although hard to quantify, highlights the extent to which social capital matters. 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 can achieve. Especially because many such programs will 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 towards indigenous priorities and needs.** Host country buy-in is essential to reconstruction's long-term success. Much of the early and even some later efforts in Iraq focused on large projects that were meant to benefit Iraqis directly. Other projects devised new and more-efficient systems for conducting business inside the Iraqi government. In both cases, there was often a lack of sufficient Iraqi participation in deciding how or what to reconstruct and ensuring that projects could be maintained afterwards. 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.** The reconstruction experience in Iraq reveals deficiencies in how the U.S. government understands the dynamics of societies it seeks to influence through military and non-military means. War, politics, and reconstruction are linked in ways that individuals within the government failed to appreciate in the opening years of the Iraq conflict. If war, as Clausewitz famously said, is an extension of politics by other

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means, so too is relief and reconstruction an extension of political, economic, and military strategy. In this regard, there is a distinct difference between pursuing reconstruction in order to catalyze long-term economic growth and deploying reconstruction in support of a counterinsurgency campaign. Differentiating between the two can have significant implications for how one pursues this strategy, and at what cost.

Organizing the Interagency System for Contingency Operations

- **The absence of executive authority below the President hinders reconstruction's effectiveness.** The role of executive authority—and the lack thereof—over interagency coordination lies at the heart of the failures documented in Iraq. Stronger integration is needed not only between the military and civilian agencies but also among civilian agencies themselves. The question of who is in charge, in both Washington and Baghdad, was fiercely contested throughout the reconstruction effort. Was the CPA Administrator the President's envoy or an employee of the Secretary of Defense? Was the Ambassador the President's personal representative, with authority over all U.S. personnel and resources in theater, or merely the chief State Department official? Do personnel on detail report through their agency chain of command or to the heads of embassy sections? To what extent can the "lines of operation" coordinators designated by the Ambassador and Commanding General task agencies under their purview for support? The lack of "unity of command" in Iraq meant that "unity of effort" was often not achieved. Too often, programs were designed to meet agency goals, rather than U.S. national interests. With weak interagency cooperation an endemic feature of the U.S. national security system, reform efforts must press for structures that will promote the development of a unifying strategy with clearly delineated agency responsibilities and provide enough executive authority to enforce its execution.

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- **A well coordinated management structure is necessary to integrate interagency efforts.** After the reconstruction program got underway in 2003, at least sixty-two offices and agencies ultimately became involved in managing IRRF funding alone.[8] Interagency project management and information systems did not exist to coordinate the activities of hundreds of individual firms and subcontractors performing work orders at thousands of sites. A coordinated management structure—complemented by an interoperable information system—would have ensured the planning and execution of programs with effective communication, coordination, and cooperation.

- **Outsourcing to contractors complicates lines of authority in interagency efforts.** The widespread use of private-sector contractors to perform relief and reconstruction operations and provide needed security adds legal complications to the effort to achieve interagency cooperation. By law, contractors report solely to government contracting officers or their designated representative. In Iraq, authority for reconstruction plans and policy was given to the Iraq Reconstruction Management Office, under control of the embassy. At the same time, contracting officers for reconstruction projects were in the Project and Contracting Office, working with military supervision and only ostensibly under the authority of the Ambassador. The proliferation of contractors serving as managers and advisors in each of these offices complicated matters still further, raising fundamental and frequently-debated questions about how to define an inherently governmental position, and the extent to which a lead agency has authority over personnel under contract with other parts of the government.

Contracting Mechanisms and Human Resources in Contingency Operations

- **The U.S. government does not have a 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

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effort. Employing experts to work temporarily in Iraq often entailed long delays before their deployment, and many of those who finally arrived stayed for only three to six months. 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 that 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 and a large stable of ready-to-deploy personnel.

- **The U.S. government is unprepared to manage significant outsourcing in a large-scale contingency relief and reconstruction operation.** Once Baghdad fell and the looting began, the scope of reconstruction quickly overwhelmed the American government's standing capacity to respond. The post-Cold War downsizing of USAID and military construction capacities increased the reliance on the private sector. Nonetheless, outsourcing in the reconstruction effort turned out to be another nest of problems. Neither the National Security Council, the CPA, nor the Pentagon could mobilize contractors fast enough as they struggled to comply with the complex Federal Acquisition Rules while awarding large cost-plus contracts. Nor were they able to provide the degree of government oversight that would be necessary. The decision to reduce the number of warranted contracting officers during the ten years preceding the Iraq invasion had particularly negative consequences.[9] It became clear that the U.S. and international contractors hired by CPA were not ready to mount an operation on such a scale—and with such speed—in the security environment they ultimately had to face. This raises the question about the extent to which the private sector

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can be a capable surrogate for the government on the scale that was attempted in Iraq.

- **Demand for diplomatic, development, and area expertise in Iraq exceeded the supply of qualified civilian personnel.** Despite the need for development and diplomatic expertise in contingency relief and reconstruction, as well as for area experts fluent in local culture and politics, the civilian agencies that provide them proved unable to staff the number of positions needed in Iraq. Iraq reconstruction illustrates the extent to which civilian agencies were unable to project power abroad. Cuts at USAID, meanwhile, have halved the number of permanent American employees, hindering the agency's technical competence and managerial facility.[10] To remedy this weak link in U.S. foreign policy, Secretary of Defense Robert Gates has called for a "dramatic increase in spending on the civilian instruments of national security."[11] The Congress and the President may want to consider a long-term strategy for building technical and area expertise in the government's civilian agencies and creating mechanisms for deploying such capabilities abroad in times of crisis and peace.

- **Uninterrupted oversight is essential to ensuring taxpayer value.** In the absence of effective management by government officials, contractors were often left in dangerous circumstances to carry out insufficiently-defined contracts, written by inexperienced contracting officers who lacked the situational awareness required for success. In this chaotic environment, it was at times difficult to differentiate between reliable contractors who could carry out good work and those whose lack of experience and ad hoc operation pointed to failure. As a result, contractors fell into two clusters. Most companies responsibly complied with the requirements of their contracts, even if the U.S. administrative apparatus did not make the best use of their capabilities. A relative few took advantage of the situation by committing fraud, at significant cost to U.S. national interests and Iraqi well-being. In this context, uninterrupted oversight by inspectors general and Congress—accompanied by adequately-staffed quality-

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control and quality-assurance programs—became essential to ensuring the efficient and effective use of taxpayer dollars.

- **Wartime contracting rules that allow for greater flexibility are necessary.** The need for contingency contracting reform that enables U.S. dollars to be channeled into the local economy is another lesson Iraq teaches. A "Contingency Federal Acquisition Regulation" should be developed by the Congress and the executive branch. The complicated set of contracting regulations, which vary by agency, need to be knitted into a single set of simplified, uniform rules for conflict environments. This would provide officials from multiple agencies greater flexibility in dealing with exigencies and making use of local labor and businesses, while at the same time enabling a level of oversight appropriate to ensure good stewardship of taxpayer funds. A much larger corps of contracting officers familiar with all appropriate regulations must also be developed and deployed at 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 speed a contingency operation's start-up phase.

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The following Afterword suggests ways the hard lessons of Iraq reconstruction can be addressed further, focusing on the Reconstruction and Stabilization Civilian Management Act of 2008, which Congress passed to enhance the ability of the United States to carry out contingency relief and reconstruction operations abroad.

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[1] For a cumulative analysis of SIGIR inspections and audits, see: SIGIR PA 08-139, "Summary of Project Assessments Through April 2008," July 24, 2008; and SIGIR Audit 08-020, "Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts," July 27, 2008.
[2] SIGIR interview with James Kunder, USAID Acting Deputy Administrator, February 15, 2008.
[3] SIGIR interview with Gen. (Ret.) Colin Powell, former Secretary of State, February 4, 2008.
[4] Donald Rumsfeld, former Secretary of Defense, letter to Stuart Bowen, Special Inspector General for Iraq Reconstruction, April 4, 2008.
[5] Condoleezza Rice, Secretary of State, Testimony before the House Foreign Affairs Committee, February 13, 2008.
[6] SIGIR interview with Lt. Gen. (Ret.) Ricardo Sanchez, former CJTF-7 Commander, October 26, 2007.
[7] SIGIR Audit 09-005, "Agencies Need Improved Financial Data Reporting for Private Security Contractors," October 30, 2008, i, 3, 6.
[8] SIGIR Audit 07-008, "Fact Sheet on the Roles and Responsibilities of U.S. Government Organizations Conducting IRRF-Funded Reconstruction Activities," July 26, 2007, 2.
[9] For a detailed analysis of the history of Army contracting, see: Jacques S. Gansler, Chairman, "Urgent Reform Required: Army Expeditionary Contracting," Commission on Army Acquisition and Program Management in Expeditionary Operations, October 31, 2007, 17, 29.
[10] The number of government employees has fallen from 4,058 in 1980 to 2,200 in 2008. Brian J. Atwood, M. Peter McPherson, and Andrew Natsios, "Arrested Development: Making Foreign Aid a More Effective Tool," *Foreign Affairs* 6 (October-November 2008).
[11] Secretary of Defense Robert Gates, "Remarks at Landon Lecture, Kansas State University," November 26, 2007.

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AFTERWORD:

THE U. S. APPROACH TO REFORMING CONTINGENCY RELIEF AND RECONSTRUCTION OPERATIONS

Since the Marshall Plan transformed Europe in the wake of World War II, the United States has undertaken relief and reconstruction missions—large and small—in countries from Bosnia and Haiti to Sri Lanka and Somalia. Every President since Harry Truman has faced at least one contingency operation requiring the deployment of civilian and military resources abroad. Even so, the government as a whole has never developed a legislatively-sanctioned doctrine or framework for planning, preparing, and executing contingency operations in which diplomacy, development, and military action all figure.

On October 14, 2008, the President signed into law "The Reconstruction and Stabilization Civilian Management Act of 2008" (RSCMA) as part of the Duncan Hunter National Defense Authorization Act for 2009. It represents the most significant Congressional legislation ever passed regarding the structure of and planning for contingency relief and reconstruction operations.[1]

RSCMA addresses a number of recommendations for contingency operations reform that SIGIR has put forward through its three previous lessons learned reports.[2] Most notably, the Act creates a structure to address planning, personnel, and program management needs previously identified by SIGIR as paramount. The Act puts responsibility for preparing the civilian side of contingency relief and reconstruction operations within the Department of State (DoS) and directs the Secretary of State—in consultation with the Administrator of the United States Agency for International Development (USAID)—to develop an interagency strategy for executing reconstruction and stabilization operations.[3]

RSCMA notably provides for a Presidentially-appointed, Senate-confirmed Coordinator for Reconstruction and Stabilization, whose significant duties and responsibilities include:

- coordinating the development of interagency contingency plans and procedures to mobilize and deploy civilian personnel and conduct reconstruction and stabilization operations for various types of crises;

- identifying personnel in state and local governments and in the private sector who are available to participate in the Civilian Reserve Corps or otherwise participate in reconstruction and stabilization activities;

- taking steps to ensure that training and education of civilian personnel to perform reconstruction and stabilization activities are adequate and are carried out, as appropriate, with other agencies involved with stabilization operations;

- planning, in conjunction with USAID, to address requirements, such as demobilization, disarmament, rebuilding of civil society, policing, human rights monitoring, and public information, that commonly arise in reconstruction and stabilization crises; and

- maintaining the capacity to field on short notice an evaluation team consisting of personnel from all relevant agencies to undertake on-site needs assessments.[4]

The Act further provides that the Secretary of State, in consultation with the USAID Administrator, may create a Response Readiness Corps and a Civilian Reserve Corps. The Response Readiness Corps "shall be composed of active and standby components consisting of United States Government personnel, including employees of the Department of State, the United States Agency for International Development, and other agencies." The Civilian Reserve Corps is to employ and train "individuals who have the skills necessary for carrying out reconstruction and stabilization activities, and who have volunteered for that purpose."[5]

A Giant First Step

The bold new architecture created by RSCMA establishes in U.S. law reforms that the President set in motion when he signed NSPD-44, which assigned the State Department the lead in managing government-wide civilian preparation for contingency

operations.[6] The duties that must now be carried out by the State Department's Coordinator for Reconstruction and Stabilization (S/CRS) are monumental. The coordinator's office must monitor activities worldwide, prepare contingency plans, coordinate the development of relief and reconstruction strategy across the government, and perform human-resources functions (recruitment, training, equipping) on a grand scale. But absent adequate funding and a large staff, S/CRS will not be able to accomplish all these tasks. Three things are necessary to fulfill the Act's purpose.

First, the Congress must provide appropriations suitable to meet the RSCMA mandate. Some of that funding may come from the President's Fiscal Year 2009 Budget Request to Congress, which included $249 million for a Civilian Stabilization Initiative that would vastly improve the civilian partnership with United States Armed Forces in post-conflict stabilization situations by establishing an Active Response Corps of 250 persons, a Standby Response Corps of 2,000 persons, and a Civilian Response Corps of 2,000 persons.[7]

Second, more must be done to ensure that the interagency coordination required by RSCMA actually occurs. The Office of the Coordinator of Reconstruction and Stabilization (S/CRS) was initially created in June 2004 to lead civilian planning, but it has been hamstrung both by weak budgets and by a lack of authority. Only in late 2008, more than four years after its establishment, were the office's proposals for government-wide reform beginning to gain traction.[8] Even though the Congress has now written the roles of S/CRS into law, its ability to foster change across the government remains unproven, and many of the same structural obstacles remain. Contingency relief and reconstruction operations are not inherently the function of any single department, and the concept has no single constituency in the Congress, whose oversight committees are organized along departmental lines.[9]

The Department of Defense, the single most important partner in large-scale contingency relief and reconstruction operations, has pursued its own course towards enhancing its relief and reconstruction capacities. DoD Directive 3000.05, issued in November 2005, provided that "stability operations are a core U.S. military mission" that "shall be given priority comparable to combat operations and be explicitly addressed and integrated across all DoD activities." The directive assigns the military

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departments responsibility to conduct contingency relief and reconstruction operations if civilian agencies cannot.[10] As part of this directive—and learning from its operations in Iraq—the U.S. Army Corps of Engineers has strengthened its engineering support to combatant commands and enhanced its own capacity to deploy divisions specializing in post-conflict reconstruction.[11] In addition, the Army has made stability operations a central part of its doctrine.[12] However, progress towards meeting the goals of directive 3000.05 has been uneven, as noted by many reports, including the Gansler Commission on Contracting.[13]

Third, RSCMA does not provide significant mechanisms for integrating the civilian and military components of contingency relief and reconstruction operations during the planning, deployment, and operational phases. The President and his applicable Cabinet Secretaries will need to ensure that all the agencies—especially Defense and State—better integrate contingency planning and execution.

Although the Iraq experience was unique, it nonetheless made painfully clear that contingency relief and reconstruction operations are inherently complicated, and that they require a coordinated and cross-jurisdictional response. This broaches a conundrum: how to achieve unity of command in a multi-agency operation. The military has the security role; State has the diplomatic mission; USAID provides humanitarian relief; and other agencies have targeted missions. Although each agency's role may adjust as contingency conditions change, to whom they report does not: their department heads in Washington.

As General Petraeus noted:

> State is never going to put an ambassador under a general and DOD is never going to put a general under an ambassador. So you have to resolve to work together. You have to make way and pull together and be joined at the hip. You have to have unity of purpose, is the bottom line.[14]

When unity of purpose does not foster unity of effort, conflict can only be resolved at the top. Interagency working groups operating at several levels across the

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government can and do make decisions that affect many departments and agencies. But only the President has the decisive authority to require interagency coordination.

The Iraq endeavor fell short on many occasions precisely because unity of effort was not achieved. Agencies and offices too often worked in their respective "stovepipes" without ensuring that their activities fully supported U.S. goals and objectives and avoided duplicating other agencies' efforts. The National Security Council was frequently powerless to break the logjams that occurred.

The Project on National Security Reform, under the auspices of the Center for the Study of the Presidency, recently issued a report, noting that, "Presidential intervention to compensate for the systematic inability to integrate or resource missions well centralizes issue management and burdens in the White House." The fact that "integration across disciplines is left to the President" has serious consequences: the government often cannot coordinate its own actions in a contingency environment.[15] A new integrated interagency management system for contingency relief and reconstruction operations is necessary to ensure their future success.

As the Iraq reconstruction experience shows, the U.S. government was neither prepared for, nor able to respond to, the ever-changing demands of the contingency relief and reconstruction operations undertaken in Iraq. Lessons learned along the way improved matters, but at too great a price. Reform of U.S. policy for contingency operations—embodied recently by RSCMA—is a prerequisite to their future success. And there will be more such operations. As Secretary of Defense Robert Gates observed, "In recent years the lines separating war, peace, diplomacy, and development have become more blurred, and no longer fit the neat organizational charts of the 20th century."[16] The 21st-century challenges of contingency relief and reconstruction operations after or during war, disaster, or political chaos demand new ways of preparing for and managing the projection of civil and military power.

To ready the country and the government for this new era, the President and Congress must take further steps toward achieving this goal. Time and resources must be devoted to developing a sound doctrine for contingency relief and reconstruction operations and the capabilities throughout the government for carrying them out. Great effort, reflection, and imagination can put the reconstruction experience of Iraq to good

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use, yielding new institutions and approaches that preserve and build on the hard lessons learned in Iraq.

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[1] SIGIR, *Quarterly Report to the United States Congress*, October 2008, 9.
[2] SIGIR, "Iraq Reconstruction: Lessons in Human Capital Management," January 2006; SIGIR, "Iraq Reconstruction: Lessons in Contracting and Procurement," July 2006; and SIGIR, "Iraq Reconstruction: Lessons in Program and Project Management," March 2007.
[3] S. 3001, "Duncan Hunter National Defense Authorization Act for 2009," Title XVI: Reconstruction and Stabilization Civilian Management.
[4] S. 3001, "Duncan Hunter National Defense Authorization Act for 2009," Sec. 1605.
[5] S. 3001, "Duncan Hunter National Defense Authorization Act for 2009," Sec. 1605.
[6] National Security Presidential Directive 44, "Management of Interagency Efforts Concerning Reconstruction and Stabilization," December 7, 2005. For an overview of State Department actions in response to NSPD-44, see: DoS, Office of the Spokesman, "President Issues Directive to Improve the United States' Capacity to Manage Reconstruction and Stabilization Efforts," December 14, 2005.
[7] Office of Management and Budget, "Appendix to the Budget of the United States Government for Fiscal Year 2009," 771-772. In February 2008, the Administration requested almost $649 million for the Civilian Stabilization Initiative (CSI) to develop "a coordinated capacity across the 15 United States Government civilian agencies and the Department of Defense for a 'Whole of Government' response to emergent Reconstruction and Stabilization crises." DoS, *Congressional Budget Justification Fiscal Year 2009*, 531-533. Congress later appropriated around $75 million to support the CSI. Nina M. Serafino, Congressional Research Service Report RL32862, "Peacekeeping/Stabilization and Conflict Transitions: Background and Congressional Action on the Civilian Response/Reserve Corps and other Civilian Stabilization and Reconstruction Capabilities," updated September 18, 2008, 2.
[8] For a review of the government's reform efforts to date, see: GAO Report 08-39, "Stabilization and Reconstruction: Actions Are Needed to Develop a Planning and Coordination Framework and Establish the Civilian Reserve Corps," November 2007.
[9] Project on National Security Reform, "Ensuring Security in an Unpredictable World: The Urgent Need for National Security Reform," Preliminary Findings, July 2008, 60-61; and Derek Chollet, Mark Irvine, Bradley Larson, "A Steep Hill: Congress and U.S. Efforts to Strengthen Fragile States," CSIS, March 2008, 27-29.
[10] DoD Directive 3000.05, "Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations," November 28, 2005, 2.
[11] Michael A. Alexander, Army War College Report A270974, "The U.S. Army Corps of Engineers Support of Combatant Commands," March 15, 2008, 5.
[12] FM 3-07, "Stability Operations," Department of the Army, October 2008.
[13] Jacques S. Gansler, Chairman, "Urgent Reform Required: Army Expeditionary Contracting," Commission on Army Acquisition and Program Management in Expeditionary Operations, October 31, 2007, 2-4; and Robert Gates, "Report to Congress on the Implementation of DoD Directive 3000.05 *Military Support for Stability, Security, Transition and Reconstruction (SSTR) Operations,"* April 1, 2007.
[14] SIGIR interview with Gen. David Petraeus, Commander of MNF-I, March 2, 2008.
[15] Project on National Security Reform, "Ensuring Security in an Unpredictable World: The Urgent Need for National Security Reform," Preliminary Findings, July 2008, 30, 32.
[16] Robert Gates, "Remarks before the U.S. Global Leadership Campaign," July 15, 2008.

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ACRONYMS

CAP	Community Action Program
CENTCOM	United States Central Command
CERP	Commander's Emergency Response Program
CFLCC	Coalition Forces Land Component Command
CMATT	Coalition Military Assistance Training Team
CPA	Coalition Provisional Authority
CPATT	Coalition Police Assistance Training Team
DAI	Development Alternatives, Inc.
DART	Disaster Assistance Relief Team
DFI	Development Fund for Iraq
ESF	Economic Support Fund
FAR	Federal Acquisition Regulation
GRD	Gulf Region Division
GST	Governance Support Team
HCA	Head of Contracting Activity
IAMB	International Advisory and Monitoring Board
ISF	Iraqi Security Forces
IDIQ	Indefinite-delivery, indefinite-quantity [contract]
IGC	Iraqi Governing Council
INL	International Narcotics and Law Enforcement
IRDC	Iraqi Reconstruction Development Council
IRMO	Iraq Reconstruction Management Office
IRRF	Iraq Relief and Reconstruction Fund
ISFF	Iraq Security Forces Fund

JCC-I	Joint Contracting Command - Iraq
JTF	Joint Task Force
KBR	Kellogg, Brown & Root
LGP	Local Governance Program
MNC-I	Multi-National Corps - Iraq
MNF-I	Multi-National Force - Iraq
MNSTC-I	Multi-National Security Transition Command - Iraq
NSC	National Security Council
NSPD	National Security Presidential Directive
OMB	Office of Management and Budget
ORHA	Office of Reconstruction and Humanitarian Affairs
OTI	Office of Transition Initiatives
PCO	Project and Contracting Office
PMO	Program Management Office
PRB	Program Review Board
PRDC	Provincial Reconstruction Development Council
PRT	Provincial Reconstruction Team
RIE	Restore Iraqi Electricity
RIO	Restore Iraqi Oil
RRB	Requirement Review Board
RTI	Research Triangle Institute
SAMP	Single Acquisition Management Plan
TAL	Transitional Administrative Law
USACE	United States Army Corps of Engineers
USAID	United States Agency for International Development

DRAMATIS PERSONAE

General John Abizaid – *Commander, United States Central Command (July 2003-March 2007)*

Elliot Abrams – *Special Assistant to the President and National Security Council Senior Director for Near East Affairs (December 2002-February 2005)*

Ambassador L. Paul Bremer III – *Administrator, Coalition Provisional Authority (May 2003-June 2004)*

General George Casey – *Director, Joint Staff (October 2001-January 2003); Commander, Multi-National Force-Iraq (June 2004-February 2007)*

Ambassador Wendy Chamberlin – *USAID Assistant Administrator (December 2002-December 2003)*

Lieutenant General Peter Chiarelli – *Commanding General, 1st Cavalry Division (2003-2005); Commander, Multi-National Corps-Iraq (January 2006-July 2008)*

Robin Cleveland –*Associate Director for National Security Programs, Office of Management and Budget (2003-2004)*

Ambassador Ryan Crocker – *United States Ambassador to Iraq (March 2007-)*

Maj. Gen. Paul Eaton – *Commander, Coalition Military Assistance Training Team and the Office of Security Cooperation (June 2003-June 2004)*

Douglas Feith – *Under Secretary of Defense for Policy (July 2001-August 2005)*

General Tommy Franks – *Commander, CENTCOM (July 2000-July 2003)*

Lieutenant General (Ret.) Jay Garner – *Director, Office of Reconstruction and Humanitarian Assistance (January 2003-May 2003)*

Brigadier General Steven Hawkins – *Commander, Joint Task Force Four; Commander, Task Force Fajr (concurrently January 2003-July 2003)*

Charles Hess – *Director, Iraq Project and Contracting Office (August 2004-April 2005)*

Ambassador Zalmay Khalilzad – *United States Ambassador to Iraq (June 2005-March 2007)*

Major General William H. McCoy – *Commander, US Army Corps of Engineers-Gulf Region Division (June 2005-October 2006)*

Lieutenant General David McKiernan – *Commander, Combined Forces Land Component Command (September 2002-May 2003)*

Dr. Peter McPherson –*Chief of Economic Policy, Coalition Provisional Authority (April 2003-September 2003)*

Frank Miller – *Chairman, Executive Steering Group of the National Security Council (August 2002-March 2003)*

Christopher Milligan –*Iraq Deputy Director, USAID (March 2003-2005)*

Rear Admiral (Ret.) David Nash – *Director, Program Management Office (July 2003-May 2004)*

Andrew Natsios – *Administrator, USAID (May 2001-January 2006)*

Ambassador John Negroponte – *United States Ambassador to Iraq (June 2004-March 2005)*

Rear Admiral (Ret.) David Oliver – *Director, Coalition Provisional Authority, Office of Management and Budget (June 2003-November 2003)*

General David Petraeus – *Commander, 101st Airborne Division (March 2003-June 2004); Commander, Multi-National Security Transition Command-Iraq (June 2004-September 2005); Commander, Multi-National Force-Iraq (February 2007-September 2008)*

General (Ret.) Colin Powell – *Secretary of State (January 2001-January 2005)*

Dr. Condoleezza Rice – *National Security Advisor (January 2001-January 2005); Secretary of State (January 2005-January 2009)*

Donald Rumsfeld – *Secretary of Defense (January 2001-December 2006)*

Ambassador Joseph Saloom – *Director, Iraq Reconstruction Management Office (May 2006-May 2007)*

Lieutenant General Ricardo Sanchez – *Commander, Combined Joint Task Force-7 (June 2003-June 2004)*

Brigadier General Stephen Seay – *Commanding General, Joint Contracting Command-Iraq/Head of Contracting Authority (October 2004-2005)*

Ambassador Daniel Speckhard – *Director, Iraq Reconstruction Management Office (June 2005-August 2006); Deputy Chief of Mission (August 2006-November 2007)*

James "Spike" Stephenson – *USAID Iraq Mission Director (February 2004-March 2005)*

Lieutenant General Carl Strock –*Deputy Director of Operations, Coalition Provisional Authority (June 2003-September 2003); Commander and Chief of Engineers, US Army Corps Engineers (2004-2007)*

Ambassador William B. Taylor – *Director, Iraq Reconstruction Management Office (July 2004-May 2005)*

Thomas Warrick – *Head of the Future of Iraq Project (April 2002-March 2003)*

Dr. Paul Wolfowitz –*Deputy Secretary of Defense (March 2001-May 2005)*

Annex A

THE GENESIS AND METHODOLOGY OF *HARD LESSONS*

Genesis of the Project

The Special Inspector General for Iraq Reconstruction (SIGIR) is the successor to the Coalition Provisional Authority Inspector General (CPA-IG), which was created by the Congress in November 2003. The Congress created SIGIR in October 2004 by amendment to Public Law 108-106. The agency's mandate, expanded several times by the Congress, is the oversight of the use of reconstruction funds for Iraq, most notably the two Iraq Relief and Reconstruction Funds (IRRF 1 and 2) and the Iraq Security Forces Fund, the Commander's Emergency Response Program, and the Economic Support Fund. To carry out this mandate, SIGIR conducts audits, inspections, reviews, and investigations.[1]

SIGIR's work is embodied in quarterly reports to Congress, audit reports, project assessment reports, Congressional testimony by the Special Inspector General, and the SIGIR Lessons Learned Initiative. SIGIR's lessons learned reports capture and apply the lessons learned from the Iraq reconstruction experience, comporting with SIGIR's congressional mandate to provide advice and recommendations that "promote economy, efficiency, and effectiveness in the administration of [reconstruction] programs and operations" in Iraq.[2]

The SIGIR lessons learned effort began with "Lessons Learned in Human Capital Management," the development of which included a day-long forum at Johns Hopkins University on September 20, 2005, where more than 30 experts, many of whom served in Iraq, discussed issues of human-capital policy, recruitment, retention, and continuity of staff, among other issues that related to personnel in Iraq reconstruction programs. Similar sessions were part of SIGIR's two subsequent Lessons Learned reports: Contracting and Procurement (released in July 2006) and Program and Project Management (released in March 2007).[3] At about the time of the second report's release, SIGIR began work on a more-comprehensive narrative of the reconstruction effort, focusing on the major events that shaped its course and the central themes that emerged

as the entire effort was studied and analyzed, aiming to produce a cumulative report on the lessons learned in Iraq reconstruction.

Hard Lessons is the capping report of SIGIR's Lessons Learned Initiative. It seeks to answer the following questions:

- How did the U.S. government meet its mission to restore Iraq's infrastructure and economy, foster a civil society in which the people of Iraq can live in security, and help establish democratic institutions in a country tyrannized for decades by dictatorship?
- What lessons have been learned that can guide the United States in finding ways to make future reconstruction efforts more cost-effective and successful?

Methodology

The *Hard Lessons* team drew on SIGIR's audits, investigations, inspections, and other reports to root the book's findings in the broader context of the U.S. mission in Iraq. Its members used government archives, including the unclassified documentary record from ORHA, the CPA, the U.S. Embassy Baghdad, and those records in the Departments of Defense and State, USAID, and the White House that relate to Iraq reconstruction. Further documentary resources included USAID contractor reports and data from the Project Contracting Office and the U.S. Army Corps of Engineers Gulf Region Division.

It should be noted that this report is not an audit product. Its methodology differs from the standards set for audit reports, which use generally-accepted government-auditing norms, issued by the Comptroller General of the United States—otherwise known as the head of the U.S. Government Accountability Office (GAO). SIGIR's historical account of reconstruction is also drawn from a wider range of source material, including books, articles, and reports by scholars, think tanks, and individuals who were participants in the effort.

This documentary evidence, however useful, can only tell part of the story of Iraq's reconstruction. This account was greatly strengthened by hundreds of interviews conducted by SIGIR staff and the Special Inspector General, These interviews provide a

great deal of information on when key decisions were made, why they were made, and what were their consequences. Efforts were made to interview key Iraqi officials as well as American and Coalition participants. The writers made every attempt to balance the statements of individual interviewees with other sources, so that conclusions were not based solely on the memory or the opinion of one person.

Research was conducted mainly in SIGIR's offices in Arlington, Virginia, but also included several staff trips to Iraq between 2006 and 2008. These trips yielded many interviews with U.S. and Coalition personnel, contractors, Iraqi government officials, and Iraqi private citizens. The Special Inspector General interviewed key civilian and military leadership, including virtually all of the high-ranking officials from the Departments of State and Defense involved in Iraq reconstruction. Among these were the current and former Commanding General of Multi-National Force-Iraq and the current and former U.S. Ambassadors to Iraq. While in Iraq, team members observed reconstruction first-hand as they visited Civil Affairs units, the Army Corps of Engineers, military brigades, NGOs, and contractors working on behalf of the U.S. mission. Team members, along with staff from SIGIR's audits, inspections, and investigations directorates, conducted site visits at all major reconstruction institutions and projects in dozens of cities across Iraq.

In addition, SIGIR researchers consulted scholars who are conducting similar projects. Dr. Gordon Rudd, the CPA/ORHA historian, graciously agreed to provide access to his interviews of key officials. The United States Institute for Peace, the Center for Strategic and International Studies, and the Center for Army Lessons Learned also provided interview transcripts and other documentation.

The major conclusions and recommendations were presented to and discussed by a diverse group of experts on April 30, 2008, at a peer roundtable hosted by the Center for Strategic and International Studies. Participants included experts on Iraq and reconstruction from academia, major Washington think tanks, nonprofit organizations, and U.S. government agencies. They included representatives of the Departments of State and Defense, USAID, the U.S. Institute for Peace, the U.S. Army Corps of Engineers, the GAO, the Army's Peacekeeping and Stability Operations Institute, and the National Defense University.

The project was also ably served by the ongoing advice of outside reviewers. Several editorial advisors—all experts in the field of post-conflict operations—commented on drafts at various points in the project, and met four times in 2007 and 2008 to review chapter drafts and comment on the direction of the project. This project also had the benefit of advice from individuals both inside and outside of government who made helpful comments on early drafts. In addition, officials from SIGIR's audits, investigations, and inspection divisions provided the writing team with invaluable comments at various stages of the drafting process.

Lastly, SIGIR asked stakeholder agencies to vet a final draft. Copies were sent to the Departments of State and Defense, USAID, the U.S. Army Corps of Engineers, and the GAO. While this occurred formally near the end of the editing process, all of these agencies were involved in the project at various times along the way. Their staff provided helpful technical and analytical observations that were subsequently integrated into the text.

[1] The Office of the Special Inspector General for Iraq Reconstruction (SIGIR) was created by Congress in 2003 as the Office of the Inspector General of the Coalition Provisional Authority (CPA–IG). The CPA-IG was created by the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan (P.L. 108-106, Section 3001), enacted November 6, 2003, in order to provide for independent and objective conduct and supervision of audits and investigations relating to the programs and operations of the Coalition Provisional Authority. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375), enacted October 28, 2004, redesignated the CPA-IG as SIGIR.

[2] P.L. 108-106, Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan for Fiscal Year 2004, Section 3001(a)2(A), November 6, 2003.

[3] For previous lessons learned reports, see: SIGIR, "Initiatives: Lessons Learned," http://www.sigir.mil/initiatives/lessonslearned.aspx.

Annex B

OVERSIGHT OF RECONSTRUCTION PROGRAMS AND EXPENDITURES

Since 2003, the U.S. Congress has appropriated over $50 billion for the support of relief and reconstruction efforts in Iraq, including the restoration of the country's oil and electricity sectors, the establishment of new security forces, and bolstering Iraq's capacity to govern itself.[1] A number of federal agencies—including SIGIR, the U.S. Army Audit Agency, the Inspectors General of the Departments of Defense, State, and USAID, and the Government Accountability Office—have conducted oversight of and reporting on the expenditure of funds for Iraq relief and reconstruction activities.[2] This extensive body of work is available in studies, reports, audits, inspections, and Congressional testimony covering issues that arose during the expenditure of U.S. government funds for or in Iraq. These studies ranged from meticulous analysis of specific projects to broad overviews of entire programs and sectors. Most included recommendations for improving the management of reconstruction efforts now and in the future.

In 2008, the Congress established the independent, bipartisan Commission on Wartime Contracting to study U.S. wartime contracting in Iraq and Afghanistan. Its mandate is to study, assess, and make recommendations concerning contracting for "the reconstruction, logistical support, and performance of security functions" in both theaters from 2003 to the time of the commission's final report in 2010. Its objectives include assessing "the systemic problems identified with interagency wartime contracting," identifying instances of waste fraud and abuse, and "ensuring accountability for those responsible.[3]

The tension inherent in maintaining financial accountability while achieving foreign objectives has long had a place in the history of nations. In an iconic letter, the Duke of Wellington asked the British Foreign Office in 1812 if he was to "train an army of uniformed clerks in Spain for the benefit of the accountants…in London or, perchance, to see to it that the forces of Napoleon are driven out of Spain." He had, he said, accounted for every farthing, "with two regrettable exceptions." One, he claimed, was a "hideous confusion as to the number of jars of raspberry jam issued to a cavalry regiment during a sandstorm in Western Spain," and the other a shilling-and-nine-pence

unaccounted for in a battalion's petty cash. "This reprehensible carelessness," Wellington wrote, "may be related to a pressure of circumstance, since we are at war with France, a fact which may come as a bit of surprise to you gentlemen in Whitehall."[4]

Those overseeing and report on the expenditure of billions of U.S. dollars appropriated for the reconstruction of Iraq had to face many of the same challenges faced by the reconstruction managers themselves—particularly that of providing an adequate number of personnel to do oversight. Given the vicissitudes of the reconstruction effort—which was dogged from the start by persistent violence, shifting goals, constantly-changing contracting practices, and weakened by a lack of unity of effort—an absolutely complete accounting of all reconstruction expenditures is impossible to achieve. After a slow start in 2003 and 2004, the oversight reporting cumulatively comprises an impressive body of work, providing insights into an endeavor that mixed success with shortfalls, waste with well-executed projects, and effective programs with occasional malfeasance—and points to the importance of early planning for oversight to mitigate the risk of fraud, waste, and abuse.

In a comprehensive 2008 report on challenges to major organizations with oversight responsibility for Iraq reconstruction, the Department of Defense Inspector General (DoD-IG) noted that the "risk of critical gaps in the contracting process increases during contingency operations. The challenge in a wartime environment is to mitigate these gaps."[5] If not mitigated, those gaps can result in inappropriate expenditures of funds and failure to provide adequate documentation and proper accountability for goods and services. A few unscrupulous individuals in the acquisition process can take advantage of these gaps for personal profit. Honest individuals can also be guilty of unintentional waste and abuse of funds.

An irrefutable lesson from the Iraq reconstruction experience is that oversight must be an integral part of planning for any future contingency relief and reconstruction operations. While maintaining the appropriate balance between operational effectiveness and stewardship over resources in such an environment is always a challenge oversight reports should be seen as tools to help them achieve their objectives.

Oversight activities on the part of U.S.-government audit agencies during the Iraq reconstruction program began slowly. No oversight plan accompanied either Lt. Gen. Garner or Ambassador Bremer as they went to Baghdad to head the Office of Reconstruction and Humanitarian Assistance (ORHA) and the Coalition Provisional Authority (CPA), in April and May of 2003, respectively. During the run-up to war and the initial months following the invasion, oversight did not exist, with the notable exception of limited efforts by the USAID-IG. USAID included an IG as part of the Iraq Task Force set up within the agency during the planning phase in advance of combat operations. USAID-IG staff went into Iraq ahead of other federal oversight agencies, establishing a Baghdad office in the early summer of 2003. At first, the office was staffed by assignments on a 3-month temporary duty (TDY) rotation basis until July, 2004; at that point, it became permanent and tour length became more regular.[6]

During its short duration, ORHA never had an inspector general (IG) dedicated to oversight of the office's reconstruction programs. For the CPA, Ambassador Bremer in June of 2003 appointed an interim IG—a single official on loan from the DoD-IG—but he had no staff and had very little effect. An Iraq-specific oversight presence, with a clear mandate, was not created until passage of the law that funded the second tranche to the Iraq Relief and Reconstruction Fund (IRRF 2) in November 2003.[7] Oversight of contracting and acquisition activities conducted by ORHA and the CPA, therefore, was mostly a retrospective endeavor. For example, an audit—published by the DoD-IG in March 2004—of contracts awarded by ORHA and CPA for humanitarian assistance concluded that in the quick acquisition of supplies and services, "contracting rules were either circumvented or liberally interpreted" and that there was no assurance that "DoD received fair and reasonable prices…or that the contractors performed" the required work.[8] But this regarded activities that had occurred a year earlier.

From the summer of 2003 into the spring of 2004, oversight activity was sporadically performed by permanent oversight offices. The Department of Defense Inspector General (DoD-IG) issued the one audit referred to previously.[9] In 2005, DoD-IG issued three reports on Iraq reconstruction or military operations in Iraq.[10] The

Department of State Inspector General (DoS-IG) conducted five Iraq reconstruction-related reviews in 2004, although none were released until the latter half of the year.[11] In 2003 the Government Accountability Office published three Iraq-related reports—one on military operations, one on military contracting (specifically LOGCAP, the Logistics Civil Augmentation Program), and a general report on prospective issues regarding rebuilding Iraq.[12]

The Federal Oversight Agencies

USAID

Until the March 2004 arrival in Baghdad CPA-IG's first auditors, inspectors, and investigators, the USAID-IG was the only IG to house a fully-staffed in-country office in Baghdad. The USAID-IG had institutional experience in conducting oversight abroad. Since 2008, the office has conducted audits of the contracts comprising most of the USAID-based effort in Iraq. The USAID-IG released its first Iraq audit in March 2004, followed by audits of the first ten Iraq reconstruction contracts issued by the agency. Although the audits identified some minor irregularities, they found no substantial problems and lauded USAID staff for their performance under the trying circumstances in which contracts were awarded and executed. As of the end of 2008, the office had released a total of 28 Iraq audits reporting on both "hard" and "soft" infrastructure programs.[13]

Government Accountability Office

The Government Accountability Office (GAO) is charged with enabling the Congress to meets its constitutional responsibility to ensure that federally-programmed funding is expended properly for its legislated purpose and used for the benefit of the American people. By 2008, GAO's responsibilities in Iraq had substantially increased since the planning stages of the Iraq war. Since January 2002, GAO has produced over 106 testimonies and reports on the Iraq war. More than 100 of these reports specifically

targeted reconstruction issues. The agency's remaining reports on Iraq focused heavily on military or veterans' affairs.[14]

Department of State Inspector General

The Department of State Inspector General (DoS-IG) conducted five Iraq reconstruction-related reviews in 2004; three of them addressed routine aspects of embassy operations. In 2005, State's Inspector General issued fourteen Iraq-related reports on topics ranging from a review of the U.S. Embassy in Baghdad to Iraqi police training. Seven reports were released in 2006, five of which dealt with indirect cost rates (such as the costs of operating and maintaining facilities and equipment and administrative salaries). The other two focused on State Department contracting procedures. In 2007, the office released three Iraq reports, examining the Iraqi Police contract with the Bureau of International Narcotics and Law Enforcement (a joint audit with SIGIR), the delivery of security services by DynCorp International, and an audit of projects conducted by the National Endowment for Democracy. By the end of 2008, the DoS-IG had issued 33 Iraq audits.[15]

Department of Defense Inspector General

The DoD-IG role in oversight of Iraq reconstruction, governance, and security efforts includes supporting other DoD audit and investigative organizations. DoD-IG did the first auditing on Iraq contracting.[16] Between 2004 and the end of 2008, DoD-IG produced 46 audits relating to Iraq reconstruction, with many others related to military operations in Iraq.[17] In July 2008, a DoD-IG report on recommendations made by the panoply of audit agencies regarding oversight in Iraq identified the "most prevalent" systemic management and performance challenges. These included: contract management and resource limitations; asset accountability; and financial management, including accuracy of cost reporting and accountability.[18]

U. S. Army Audit Agency

Between May 2004 and the end of 2008, the U.S. Army Audit Agency (USAAA)—which effectively serves as the internal auditor for the security of the Army— released 61 Iraq reports or audits. The major focus of the agency's oversight efforts have been various aspects of the Logistics Civil Augmentation Program (LOGCAP), which was the contracting mechanism for approximately half the Army's Iraq reconstruction-related work. The agency has also examined various other programs, such as the Commander's Emergency Response Program (CERP), as well as the procurement and repair of military and logistical equipment.[19]

Like many other agencies, USAAA did not initially send auditors to Iraq and, when they were finally deployed, their numbers fluctuated. By the fall of 2005, nine were working in Iraq and six in Kuwait. In April 2006, a total of fourteen were assessing LOGCAP contracts in both places; that number fell to eleven by July 2006 and was down to four at the end of 2006, although it increased to 29 following the holiday season.[20] During the summer of 2007, USAAA had seven auditors working in Iraq and six others working on LOGCAP in Kuwait. As of September 30, 2008, a staff of seventeen auditors were working in Iraq and seven in Kuwait.[21]

Defense Contract Audit Agency

With a staff of more than 4,000 in 300 field offices across the world, the Defense Contract Audit Agency (DCAA)—which effectively serves as internal auditor for the Comptroller of the Department of Defense—is a major force for accountability of contracts awarded by the Department of Defense.[22] Although the audits are not generally public documents, DCAA has conducted thousands of audits on Iraq reconstruction, including some undertaken in coordination with SIGIR.

Early in the reconstruction program, the DCAA alerted the DoD-IG to irregularities it had noticed in contracts awarded by the Defense Contracting Command-Washington for ORHA and CPA. A subsequent review found that, although procedural shortcuts had led to less than full accountability, contracting officers had not acted in bad faith. The commander of Defense Contracting Command-Washington wrote that it would

be "unconscionable to recommend that administrative action be taken against the contracting officials and not hold senior officials responsible for generating the demands."[23]

Later DCAA reviews identified more serious problems. In early 2006, a controversy arose over the near-full payment of fees of $263 million billed by the contractor KBR for oil-sector work, including what appeared to be exorbitant charges for transporting fuel to Iraq from Turkey and Kuwait. DCAA auditors raised serious questions about these charges.[24] Although a 2004 audit reported that the costs were inflated and not supported by documentation, the Army decided to pay KBR all but $10.1 million of those contested costs. That meant the Army withheld payment on just 3.8 percent of the charges questioned by the Pentagon audit agency, far below the rate at which the agency's recommendation is usually followed or sustained by the military.[25]

The CPA Inspector General/ Special Inspector General for Iraq Reconstruction

Not until some six months after the CPA took over the reconstruction mission in Iraq did the Congress create the office of the CPA-IG, included in the IRRF 2 legislation.[26] Had an operational IG in place from the start of CPA would irregularities discovered post-hoc may have been prevented. During the ORHA and early CPA periods, there were frequent uses of procedural shortcuts and liberal interpretation of federal acquisition regulations, leading to contracting irregularities. Some—but not all—of these can be understood in light of the exigencies associated with jump-starting Iraq's reconstruction program in a war-time environment. An audit criticizing the CPA oversight of $8.8 billion in Development Fund for Iraq (DFI) money provided to Iraqi ministries was challenged by Ambassador Bremer on exactly those grounds, arguing that it was unrealistic to demand anything else in the midst of a country in chaos.[27]

During the process leading to passage of IRRF 2 legislation, a lively debate in the Senate followed Sen. Byrd's introduction of an amendment proposing that the GAO audit the CPA. Although some senators thought that enough oversight already existed, and that the GAO would serve as the default oversight agency, a number were in favor of even

more stringent oversight to be conducted by a Special Inspector General. Senator Russ Feingold (D-WI) introduced an amendment that proposed setting aside $10 million for the creation of the Office of Inspector General for the CPA. When the bill went to conference, the Feingold amendment was ultimately adopted.[28]

The legislation gave the CPA-IG the same powers as other federal agency inspectors general, but President Bush, in his signing statement, added some restrictions. He said that the IG was to refrain from "initiating or carrying out an audit or investigation, or from issuing a subpoena" requiring

> access to sensitive operation plans, intelligence matters, counterintelligence matters, ongoing criminal investigations by other units of the Department of Defense in relation to national security, or other matters the disclosure of which would constitute a threat to national security.

The statement added, however, that the Secretary of Defense "may make exceptions to the foregoing direction in the public interest."[29] This exception, as a matter of fact, never impeded CPA-IG or SIGIR's work.

The IG was appointed on January 20, 2004, and the first CPA-IG auditors arrived in Baghdad in mid-March 2004, just over three months before the CPA was to close its doors. The transfer of sovereignty to the Interim Iraqi Government, which took place on June 28, 2004, started the clock toward the sunset of the CPA-IG—which was scheduled to occur six months after CPA's demise.[30] In June 2004, Robin Cleveland, Deputy Director of the Office of Management and Budget, put forward a plan to transfer the CPA-IG's oversight responsibilities to the IGs of USAID, the Department of State, and the Department of Defense. However, in October 2004, again at Senator Feingold's impetus, the Congress took oversight in a different direction passing a new law that transformed the CPA-IG into the Special Inspector General for Iraq Reconstruction (SIGIR) and gave it oversight responsibilities for all IRRF 2 relief and reconstruction dollars.[31]

The CPA-IG, having started from scratch in February 2004, had expanded to a staff of over 80 by the summer. It was rapidly reducing by the fall as it planned to close by its end-at-2004 expiration date. Congress' creation of SIGIR immediately reversed that process, and SIGIR began to grow into what would become the most robust oversight presence in Iraq.

SIGIR initiated new oversight activities under its mandate to report on IRRF 2. Independent accountability in Iraq was buttressed by the full-scale staffing of SIGIR, the development of innovative oversight practices by a new staff of inspectors, a focus on timely performance auditing rather than ex post facto forensic accounting, and the increasing coordination the new agency fostered among the other executive-branch audit and investigative agencies.

From its inception through 2008, SIGIR has produced over 250 audits and inspections and initiated over 370 investigations, that have resulted in eighteen arrests and eleven convictions for fraud.[32]

Audits and Inspections: The hundreds of SIGIR audits and inspections since 2004 cover a range of reconstruction issues, including contracting, anti-corruption, funding obligations, asset transfers, and the Iraqi Security Forces. The purpose of SIGIR audits has been to determine whether programs and operations funded by the U.S. are being managed efficiently and effectively and to promote effective change.[33]

SIGIR's inspections focus on the construction and/or sustainment of specific projects. Assessments determine if project components were adequately designed before construction or installation, if construction or rehabilitation adequately met the standards of the design, if the contractor's quality control plan and the U.S. government's quality assurance program were adequately carried out, if project sustainability and operational effectiveness were adequately addressed, and if project results were consistent with the original objectives.[34]

In July 2008, SIGIR issued a capping report prepared by its audits directorate that identified key recurring systemic management issues identified in the agency's audits of

Iraq reconstruction efforts. Four broad issues were seen as central contributing causes to the deficiencies noted in the body of SIGIR's audit work:

- The difficulty of implementing reconstruction programs in an unsecure environment points to the need for a better understanding of the potential impact of the lack of security on contingency reconstruction efforts.
- The lack of an integrated management structure that provides clear lines of authority, interagency coordination, and program accountability impacted the successful delivery of projects.
- The need to attract, develop and keep qualified program and contract-management personnel was not anticipated and worked against the effective implementation of reconstruction programs.
- Working closely with host-country government officials and other groups is essential in developing reconstruction projects and programs that will—and can be—accepted and maintained.

Understanding these issues, the report states, is "critical to avoid repeating them in the future." Their prevalence in Iraq "contributed significantly to reduced program effectiveness and increased the potential for fraud, waste, and abuse."[35]

Investigations: In addition to audits, inspections, and the lessons learned initiative, SIGIR undertook a number of criminal investigations, with more than 370 cases opened between the agency's inception and the end of 2008. At that time, SIGIR had 67 open investigations, over 30 of which had been assigned to prosecutors at the Department of Justice. The investigatory work of SIGIR had also resulted in sixteen arrests, seventeen indictments, and eleven convictions, as well as several imprisonments. This work has also led fines, forfeitures, recoveries, and restitution of funds of over $17 million.[36]

Lessons Learned Initiative: SIGIR's Lessons Learned initially focused on three main areas of Iraq reconstruction: human capital management, contracting and procurement, and program and project management. Three reports were issued on February 2006, July

2006, and March 2007—the latter two at hearings before the Senate Homeland Security and Governmental Affairs Committee. The initiative's purpose was to identify significant challenges in reconstruction and to identify actionable recommendations to improve the overall reconstruction effort. Much of the data, documentation, and personal observations supporting the lessons-learned conclusions were gleaned from a series of forums which brought together experts representing the full spectrum of agencies, organizations, and individuals participating in the reconstruction of Iraq.[37]

The reports have led to legislative and executive action that has improved both operations in Iraq and the government's approach to managing contingency contracting and operations. For example, the Office of Federal Procurement Policy adopted SIGIR's contracting recommendation as guidance for contingency situations. The Accountability in Government and Contracting Act, introduced by Senator Susan Collins (R-ME) and unanimously approved by the Senate in 2007, proposed implementation of a number of SIGIR's recommendations.[38]

Quarterly Reports**:** SIGIR's quarterly reports to Congress provide a snapshot of the current state of Iraq reconstruction. No other IG reports quarterly to the Congress. Nineteen reports have been issued between March 2004 and the end of 2008. They break down reconstruction progress by sector and funding stream, with a focus on IRRF-funded programs and projects. Published 30 days following the end of each quarter of the fiscal year quarter, the reports summarize SIGIR findings, including audits, inspections, investigations, and analysis of data and developments related to Iraq reconstruction progress, as well as a summary of oversight conducted by other agencies. The activities of the IG during each quarter and updates on various SIGIR initiatives are also reported.[39]

Interagency Initiatives

As the number of oversight agencies deploying auditors and inspectors to Iraq increased after 2003, SIGIR spearheaded several coordinating bodies to ensure duplicate

work did not take place and to provide additional support to incoming agencies. These include: the Iraq Inspectors General Council, the Iraq Accountability Working Group, the Special Investigative Task Force for Iraq Reconstruction, and the International Contract Corruption Task Force. Each body has a specific purpose, but all provide a forum for discussion and collaboration on oversight efforts in Iraq. For example, the Iraq Inspectors General Council—based in Arlington, Virginia—is a vehicle for collaboration among the IGs and staff of the many agencies involved in using and overseeing IRRF 2; the Iraq Accountability Working Group also coordinates audit efforts in Baghdad. The Special Investigative Task Force for Iraqi Reconstruction (SPITFIRE)—a partnership including the IRS, FBI, Department of Homeland Security, and the Department of State IG—pursued the Bloom/Stein conspiracy and followed a number of leads arising from that case. The International Contract Corruption Task Force is a group of federal agencies that combines resources to investigate and prosecute cases of contract fraud and public corruption in U.S. government spending on Iraq reconstruction. In addition to SIGIR, it includes the Defense Criminal Investigate Service, U.S. Army Criminal Investigations, and the IGs of the State Department and USAID.

Oversight of contingency operations is important and must begin early. Although there is a trade-off between operational necessity and accounting accuracy during conflict the danger that huge amounts of money may be potentially wasted or stolen makes it essential to provide a meaningful and robust oversight presence as soon as this is possible. Future post-conflict reconstruction plans should include a strong oversight function to make sure American taxpayers' money is properly used to achieve the nation's objectives.

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[1] SIGIR, *Quarterly Report to the United States Congress*, October 2008, 16; and GAO Testimony 08-568T, "Stabilizing and Rebuilding Iraq: Actions Needed to Address Inadequate Accountability over U.S. Efforts and Investments," March 11, 2008, 1.
[2] The Department of Treasury Office of Inspector General also issued one report reviewing the agency's activities in Iraq. See: Treasury-IG Audit 06-029, "International Assistance Programs: Review of Treasury Activities for Iraq Reconstruction," March 23, 2006.
[3] Commission on Wartime Contracting, "Background Information and Chronology," http://webb.senate.gov/pdf/wtcontractbg.pdf.
[4] Duke of Wellington, letter to the Foreign Office, 1812 as cited in: Clive Grace, "The Rapidly Changing World of Audit and Inspection," *Public Management and Policy Association,* October 11, 2004.
[5] DoD-IG Report D-2008-086, "Challenges Impacting Operations Iraqi Freedom and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007," July 18, 2008, 2.
[6] SIGIR interview with Joseph Farinella, Acting Assistant Inspector General for USAID, October 31, 2005.
[7] P.L. 108-106, Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan for Fiscal Year 2004, November 6, 2003.
[8] DoD-IG Audit D-2004-057, "Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington," March 18, 2004, ii.
[9] DoD-IG Audit D-2004-057, "Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington," March 18, 2004.
[10] DoD-IG Audit D-2005-053, "FY 2004 Emergency Supplemental Funding for the Defense Information Systems Agency," April 29, 2005; DoD-IG Audit D-2005-045, "FY 2004 Emergency Supplemental Funding for the Defense Logistics Agency," May 9, 2005; and DoD-IG Audit D-2006-010, "Contract Surveillance for Service Contracts," October 28, 2005.
[11] DoS-IG Audit AUD/CG-04-41, "Fact Sheet on Iraqi National Congress Support Foundation," July 1, 2004; DoS-IG Audit AUD/IQO-04-48, "Review of Cashiering Operations at Embassy Baghdad," September 1, 2004; DoS-IG Audit AUD/IQO-04-47, "Review of Department of State Procurement Competitions to Support the Iraqi Police Training Program," September 1, 2004; and DoS-IG Audit IBO/IQO-A-05-02, "Review of Radio Sawa Support to Transition in Post-Saddam Iraq," October 1, 2004; and DoS-IG Audit ISP-IQO-05-53"Review of the Staffing of Embassy Baghdad," December 1, 2004.
[12] GAO Report 03-792R, "Rebuilding Iraq," May 15, 2003; GAO Report 03-1088, "Military Operations: Fiscal Year 2003 Obligations Are Substantial, But May Result in Less Obligations Than Expected," September 1, 2003; and GAO Report 04-305R, "Defense Logistics: Preliminary Observations on the Effectiveness of Logistics Activities during Operation Iraqi Freedom (Briefing)," December 18, 2003.
[13] USAID-IG, "Iraq Information: Reports to Management," http://www.usaid.gov/oig/iraq_information_rptsmemos html; and SIGIR, *Quarterly Report to the United States Congress*, October 2008, Appendix N.
[14] GAO, "Topic Collection: Iraq and Afghanistan," http://www.gao.gov/docsearch/featured/oif.html; and SIGIR, *Quarterly Report to the United States Congress*, October 2008, Appendix N.
[15] DoS-IG, "Office of Inspector General: Iraq & Afghanistan," http://oig.state.gov/c26058.htm. For a list of completed audits, reports, and testimonies of various oversight agencies see: SIGIR, *Quarterly Report to the United States Congress*, October 2008, Appendix N.
[16] DoD-IG Report D-208-086, "Challenges Impacting Operations Iraqi Freedom and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007," July 18, 2008, i.
[17] SIGIR, *Quarterly Report to the United States Congress*, October 2008, Appendix N.
[18] DoD-IG Report D-2008-086, "Challenges Impacting Operations Iraqi Freedom and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007," July 18, 2008, 1-2, 5.
[19] For a list of completed USAAA audits, see: SIGIR, *Quarterly Report to the United States Congress*, October 2008, Appendix N.

[20] SIGIR, *Quarterly Reports to the United States Congress*, October 2005, 104; April 2006, 216; July 2006, Appendix L; January 2007, Appendix K; and April 2007, Appendix L.
[21] SIGIR, *Quarterly Reports to the United States Congress*, July 2007, Appendix L; and October 2008, Appendix M.
[22] DCAA, "DCAA History," http://www.dcaa mil/.
[23] DoD-IG Report D-2004-057, "Acquisition: Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington," March 18, 2004, iii.
[24] DCAA Audit 3311-200K17900055, "Report on Audit of Proposal for Restore Iraqi Oil Task Order No. 5," October 8, 2004.
[25] James Glantz, "Army to Pay Halliburton Unit Most Costs Disputed by Audit," *New York Times*, February 27, 2006.
[26] P.L. 108-106, "Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan for Fiscal Year 2004," Title III, Section 3001, November 6, 2003.
[27] SIGIR Audit 05-004, "Oversight of Funds Provided to Iraqi Ministries through the National Budget Process," January 30, 2005, 9.
[28] Congressional Record–Senate, "Emergency Supplemental Appropriations for Iraq and Afghanistan Security and Reconstruction , 2004-Continued," Amendments 1846 and 1847, October 15, 2003, S12585-S12589; and P.L. 108-106, "Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan for Fiscal Year 2004," Title III, Section 3001, November 6, 2003.
[29] George W. Bush, "Statement on Signing the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004," *Weekly Compilation of Presidential Documents* 39 (November 6, 2003), 1549.
[30] P.L. 108-106, "Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan for Fiscal Year 2004," Title III, Section 3001, November 6, 2003. The legislation stated that: "The Office of Inspector General shall terminate six months after the authorities and duties of the Coalition Provisional Authority cease to exist."
[31] P.L. 108-375, "Ronald W. Reagan National Defense Authorization for the Fiscal Year 2005, October 28, 2004.
[32] SIGIR, *Quarterly Report to the United States Congress,* "SIGIR Summary of Performance," October 2008.
[33] SIGIR, "Audits," http://www.sigir mil/audits/Default.aspx.
[34] SIGIR, "Inspections," http://www.sigir mil/inspection/Default.aspx.
[35] SIGIR Audit 08-020, "Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts," July 27, 2008, ii.
[36] SIGIR, *Quarterly Report to the United States Congress,* "SIGIR Summary of Performance," October 2008.
[37] SIGIR, "Initiatives: Lessons Learned," http://www.sigir mil/initiatives/LessonsLearned.aspx.
[38] 110th Congress, 1st Session, S.680, "An Act: To ensure proper oversight and accountability in Federal contracting, and for other purposes," passed the Senate November 7, 2007.
[39] SIGIR, "Reports: Quarterly Reports to Congress," http://www.sigir.mil/reports/quarterlyreports/default.aspx.