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SENATE HOMELAND SECURITY COMMITTEE

STATEMENT OF STUART W. BOWEN, JR.
SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

BEFORE THE

UNITED STATES SENATE

COMMITTEE ON HOMELAND SECURITY & GOVERNMENTAL AFFAIRS

SIGIR LESSONS LEARNED: PROGRAM AND PROJECT MANAGEMENT

Thursday, March 22, 2007

Washington, D.C.

Chairman Lieberman, Ranking Member Collins, and members of the Committee: thank you for this opportunity to address you today on important matters regarding the Special Inspector General for Iraq Reconstruction's (SIGIR) Lessons Learned report on program and project management of the U.S. reconstruction effort in Iraq. I look forward to a productive exchange with the Committee regarding this issue.

BACKGROUND

I was appointed as the Inspector General of the Coalition Provisional Authority (CPA) in January 2004 and began oversight of the CPA programs and operations with about a dozen staff in Baghdad in March of that year. The Office of the Special Inspector

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General for Iraq Reconstruction was created in October 2004, only two months before the scheduled termination of the CPA Inspector General. SIGIR reports jointly to the Secretaries of State and Defense to keep them fully informed about the results of our independent reviews as well as the specific recommendations for corrective action. Our reports are provided directly to the Congress and made available to the public on our website: www.sigir.mil.

The Congress has tasked SIGIR to provide oversight of the substantial United States investment in relief and reconstruction of Iraq. This investment includes just over \$21 billion in the Iraq Relief and Reconstruction Fund as well as U.S. funds appropriated for fiscal year 2006 for the reconstruction of Iraq, including substantial amounts of the Iraq Security Forces Fund (total \$10 billion; SIGIR oversight, \$8.39 billion), the Commander's Emergency Response Program (total \$2.5 billion; SIGIR oversight, \$.708 billion), and the FY 2006 Economic Support Fund programs (total \$1.595 billion; SIGIR oversight, \$1.545 billion).

SIGIR applies a balanced approach in carrying out its mission, providing oversight, insight and foresight in the Iraq reconstruction program. *Oversight* is the traditional focus of Inspectors General. SIGIR's oversight efforts concentrate on ensuring maximum return for U.S. taxpayer investment and promoting administrative transparency and accountability with respect to utilized Iraqi resources. SIGIR's *insight* efforts involve advising leadership on management issues and emphasizing the creation of rules of law, public trust in Iraq and an overall environment of accountability. SIGIR's *foresight* efforts focus on end-state issues, such as completion, transition and sustainment costs and capacity building.

IMPACT OF SIGIR'S WORK

To date, SIGIR has:

- Produced 12 Quarterly Reports.
- Issued 82 audit products and continues work on an additional 16 audits. SIGIR recently published a report discussing how U.S. agencies in Iraq have implemented corrective actions to improve the transparency and accountability of the Development Fund for Iraq. Specifically, SIGIR reported that of 40 recommendations made, 31 were implemented, 6 remain underway, and 3 have not been effectively addressed.
- Produced 80 project assessments based on inspections of project sites. The most significant for this quarter was our second assessment regarding the construction of the Baghdad Police College.

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- Opened over 300 criminal and civil investigations leading to 10 arrests, 5 indictments, and 5 convictions, including the conviction of Mr. Robert Stein, who was recently sentenced to 9 years in prison and fined \$3.6 million for his role in money laundering and conspiracy to defraud the CPA in Hilla, Iraq. SIGIR Investigations have resulted in 23 cases currently under prosecution at the Department of Justice. Additionally, SIGIR is currently working on 79 ongoing investigations.

Beyond our approach to audits and inspections, we believe that SIGIR should leave behind more than volumes of retrospective reports of waste, fraud and abuse. We felt an obligation to take advantage of our unique role in Iraq reconstruction to identify systemic problem areas and provide guidance to policymakers for future challenges. The document released today is the third in our series of Lessons Learned reports.

SIGIR's Lessons Learned Initiative

The Lessons Learned Initiative began in late 2004. The purpose of the LLI was to capture and apply the lessons learned from the Iraq reconstruction experience. The three subject areas selected for review were:

1. Human Capital Management,
2. Contracting and Procurement, and
3. Program and Project Management.

In February 2006, SIGIR released *Iraq Reconstruction: Lessons in Human Capital Management*. The document identifies and discusses four key components of effective human resource management: policy alignment, workforce planning, recruitment, and continuity.

In August 2006, SIGIR released *Iraq Reconstruction: Lessons in Contracting and Procurement*, which examines the establishment and evolution of the contracting process to identify challenges in planning, systems, policies, and procedures.

The third and final Lessons Learned report, which SIGIR is releasing today, *Iraq Reconstruction: Lessons in Program and Project Management*, focuses on lessons learned from the evolution in oversight of programs and projects exerted by the key agencies tasked to oversee the reconstruction effort.

These three reports help satisfy with SIGIR's mandate from Congress to provide recommendations that promote economy, efficiency, and effectiveness in the administration of the reconstruction program in Iraq. To that same end, SIGIR now is working on a cumulative account of the Iraq reconstruction experience. This capping report will provide a comprehensive and accessible narrative history of the planning and execution of the overall reconstruction program, drawing together information from

SIGIR's Quarterly Reports to Congress, audits, inspections, investigations, interviews with key decision-makers, and SIGIR's lessons learned reports. SIGIR will publish "The Story of Iraq Reconstruction" at the end of 2007.

Iraq Reconstruction: Lessons on Program and Project Management

Process

For this Report, SIGIR conducted about 35 interviews with key program managers and contract administrators for Iraq reconstruction. In addition, our research included:

- Audits of SIGIR and other oversight organizations
- Studies by government entities, independent organizations, and academia
- U.S. Government after-action reports and assessments; and
- Interviews conducted by the CPA historian

SIGIR provided a draft discussion white paper to a 27-member expert panel comprised of senior executives and experts from the U.S. government, industry, and academia—many with first hand experience in Iraq. This panel convened for a day-long forum to evaluate the findings and provide recommendations aimed at increasing the effectiveness of U.S.-led stabilization and reconstruction operations in Iraq and to inform planning for future reconstruction efforts.

SIGIR then released the revised paper to key contributors and forum participants. Approximately 75 individuals received the draft program and project management paper and reviewed the document to ensure its accuracy and completeness. Responses were considered and incorporated into the next draft. The new draft was circulated to DoD, USAID, and DoS, and OMB for review. The paper was also provided to key reconstruction organizational leaders. Most recipients responded, and SIGIR revised the paper accordingly.

Substance

Iraq Reconstruction: Lessons in Program and Project Management tracks the evolution of the three organizations responsible for providing the strategic oversight and tactical direction for the reconstruction program: The Office of Reconstruction and Humanitarian Assistance, the Coalition Provisional Authority, and the U.S. Mission-Iraq.

The report begins with an overview of the planning environment, which had a direct effect on the capacity of program managers to execute and control reconstruction projects. It then analyzes CPA's Program Management Office—the entity established to plan and manage the \$18.4 billion infrastructure-focused program—and the delays in executing reconstruction projects during the winter and spring of 2004. The final section

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of the report describes how program managers met the challenge of constant change, particularly the reprogramming that occurred during the summer and fall of 2004.

Over the past four years, DoD, DoS, and USAID have adapted to relentless and challenging demands with commitment and agility, internalizing and drawing upon important lessons learned in the course of their work. From mid-2003 to 2007, program and project management in Iraq grew increasingly complex and improved over time, ultimately involving hundreds of contractors and thousands of projects. U.S. policymakers repeatedly adjusted strategy in response to the constantly changing circumstances in Iraq. These policy shifts meant that program managers faced periods of uncertainty and consequent limited productivity, as they adjusted to new systems, procedures and reporting requirements. This compounded the difficulty of delivering projects on time and within scope and budget.

Recommendations

SIGIR offers the following recommendations based on the lessons learned derived from the program and project management experience in Iraq:

- 1. The Congress should consider legislating a “Goldwater Nichols”-like reform measure to promote better integration among DoD, USAID, and DoS, particularly with respect to post-conflict contingency operations.**

In 1986, the Goldwater-Nichols Act initiated a fundamental reorganization of the Department of Defense. As a result of this Act, U.S. forces increased cooperation and integration. It was not an easy process, but over the past twenty years the United States has benefited greatly from the improved coordination among the military services.

The Iraq experience illustrates the need to expand cooperation and integration across U.S. agencies, but most especially among DoD, DoS, and USAID. Unlike other agencies, these three have missions that require them to operate primarily outside the United States and engage constantly with other governments and international entities.

Steps have already been taken to move this integration forward. National Security Presidential Directive 44 and DoD Directive 3000.05 both encourage interagency cooperation. USAID has created an office of military affairs to serve as a liaison to DoD. DoS, in response to NSPD-44, established the Office of Reconstruction and Stabilization. USAID and DoS staff regularly attend military training exercises to share lessons learned and to brief military personnel on their responsibilities and capabilities. DoD’s Joint Concept Development and Experimentation Office is currently looking at ways to improve civilian/military planning. These steps, although important, are just a beginning. The experience of the Goldwater Nichols Act suggests that the Congress should consider new legislation that could advance further cooperation among DoD, DoS, and USAID on post-conflict contingency reconstruction and relief planning and execution.

2. The Congress should adequately fund the Department of State's Office of the Coordinator for Reconstruction and Stabilization.

The Office of the Coordinator for Reconstruction and Stabilization (S/CRS) was created by the President in response to the need for better post-conflict contingency coordination among U.S. departments. S/CRS completed a post-conflict implementation plan in October 2006. This plan identifies short-, medium-, and long-term tasks that the U.S. government should execute to improve planning, preparation, and execution of post-conflict contingency operations. The plan commendably seeks to address many of the lessons learned from Iraq that SIGIR and others have identified. Most important, it aims at institutionalizing ongoing interagency contingency exercises and developing a civilian reserve corps. A lack of funding and weak recognition of the S/CRS Office by some other agencies have prevented the plan from being fully realized. The Congress should provide S/CRS with the funding and authority to fulfill its mission.

3. The U.S. government should clarify the authorities of the multiple agencies involved in post-conflict operations to avoid ambiguity over who is in charge.

Although no single U.S. agency demonstrated the capacity to manage the large and complex Iraq program alone, the resultant and unavoidably *ad hoc* response that sometimes ensued was less than optimal. Developing *ad hoc* organizations in theater, such as the PMO and IRMO, consumed significant U.S. resources and time. Moreover, these new offices did not have the appropriate staff, procedures, systems, or institutional strength to direct effectively the complex, interagency rebuilding effort.

S/CRS should be fully empowered to take up its mandated responsibility for coordinating the planning for future contingency relief and reconstruction operations. Additionally, S/CRS should be provided legal authority, working within the interagency structure and guidelines, to decide who should be in charge of what in any post-conflict reconstruction operation.

4. Implementing agencies should institutionalize the most effective project management systems, procedures, policies, and initiatives developed during the Iraq reconstruction effort.

Because U.S. government agencies did not have appropriate systems in place to properly manage a program of the magnitude and complexity of the IRRF, they often created new systems and procedures. Over time, many of these procedures became effective in practice. USAID, DoS, and DoD, should identify and institutionally incorporate the best practices from the Iraq experience.

5. Program managers should integrate local populations and practices at every level of the planning and execution process.

In planning for future contingency operations, the U.S. government should involve, from the outset, a broad spectrum of individuals with intimate familiarity about the affected nation (from policy makers to contractors to international experts). In Iraq, successful reconstruction managers took the time to understand local customs and practices.

Project design and execution should incorporate local contractors and vendors. Also, planning for projects should consider local and regional quality standards, rather than trying to impose U.S. standards, which too often caused increased cost and delayed execution in Iraq.

6. Funding designated for post-conflict contingency programs should support flexible programs and projects that yield both short-and long-term benefits.

Consideration should be given to developing multi-year programs with properly-sequenced reconstruction projects. Both short-and long-term relief and reconstruction programs can be better planned and implemented through a multi-year financing strategy rather than through unscheduled supplemental appropriations. Contingency funding should also be made available for essential but unforeseen programs and projects. In Iraq, adequate reserves were not set aside to fund unanticipated projects, and the frequent reprogramming of funds adversely affected outcomes in several infrastructure sectors.

7. Develop policies and procedures to manage non-U.S. appropriated funds.

The United States deployed to Iraq without standardized policies and procedures to manage non-U.S. appropriated funds (i.e., the Development Fund for Iraq). Policies and systems were thus developed reactively and not implemented consistently. As a result, there were questions about the accountability of non-U.S. funds. As oversight entities pursue allegations of waste, fraud, and abuse, jurisdictional questions continue to surface. Before contingency operations begin, planners should develop clear policies regarding the management of non-U.S. funds.

8. Develop comprehensive planning for capacity development.

Before approving reconstruction funds, the Congress should require agencies to present a capacity-development strategy that will enable the effective transfer of operational responsibility for reconstruction projects to the host country.

In Iraq, capacity-development programs were not adequately integrated into the overall effort. Projects should include an organizational and management component as well as training in operations and maintenance.

9. Future post-conflict contingency planning should provide for well-resourced and uninterrupted oversight of relief and reconstruction programs to ensure effective monitoring from the outset and permit real-time adjustments.

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An effective monitoring and oversight plan needs to be in place within each agency from the outset of contingency operations. This will allow for early and direct feedback to program managers, who can implement course corrections in operating practices and policies. Early and effective oversight will also deter fraud, waste, and abuse. For construction projects, there should be consistent oversight, including appropriate quality assurance and quality control programs. In Iraq, successful projects were usually those that received good quality assurance and effective quality control.

Operations that involve multiple agencies, funding streams, and management systems require that the Congress take steps to standardize oversight and provide clear guidance on any reporting requirements involving multiple agencies.

CONCLUSION

SIGIR remains committed to meeting the expectations of the U.S. Congress, the Secretaries of State and Defense and the American public with timely and helpful information and analysis on the progress and performance of U.S. reconstruction efforts in Iraq. As required, I will report our most recent findings to Congress at the end of the next quarter.

I look forward to your questions today.