



# Hard Lessons: The Iraq Reconstruction Experience

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Stuart W. Bowen, Jr.  
Special Inspector General for Iraq Reconstruction (SIGIR)

The Special Inspector General for Iraq Reconstruction has oversight of \$51 billion that Congress appropriated – taxpayer dollars—for the reconstruction of Iraq. Half of that has been spent on security and that was not what we thought; what the planners thought this money would go to. The plan was to restore the country, to restore services, to rebuild its electrical plants and provide training to teachers. The insurgency that exploded in late 2003 in Fallujah and the disaster that unfolded in early 2004 when the very unprepared Iraqi force was pushed out in the fields led to 2½ years of bloody fighting. Fighting against frequently unseen enemies and fighting against IEDs – something we hadn't seen before – and the creation of new techniques.

Along the way came the expenditures of significant funds. Interestingly the initial plan for Iraq was to spend only \$1.7 billion – 50 times later we still haven't achieved the goals set way back in the spring of 2003. That \$1.7 billion plan the president approved on March 10, 2003 in the situation room briefing was meant to do two things; rebuild war damage and help avert humanitarian disaster. That quickly changed by May 2003, and as a result \$51 billion has been appropriated to help Iraq recover.

We, my office, my auditors, the 35 auditors, inspectors and investigators that are working now in Baghdad, have produced 285 audits and inspections of how that money has been used. It's been a very mixed story. As you know from reading in the newspapers there has been millions wasted on prisons that will never house an Iraqi in the Diyala province. There have been police colleges built whose bathroom facilities are now just shut down because they don't operate at all.

We've also had a problem with fraud in Iraq. There have been eighteen convictions so far and I expect over the course of this summer to see significant progress on the investigative front.

Indeed, that is the area now where most of my resources are being focused – investigations. We have 80 cases ongoing, up from 50 last quarter, and it seems that at this stage of the enterprise people are more willing to come forward and talk about what happens.

Our work has resulted in the saving of over \$200 million and the recovery in the course of those investigations of \$42 million. Interestingly, during my last trip to Baghdad in February, I met with Prime Minister Maliki to return \$13 million that my investigators had found in the course of one investigation; actually, companies had been holding it in unnamed, unmarked accounts and our investigators found it and brought it to their attention and they said, “Well, we meant to return it. We just didn’t know when and how.”

That was a weak excuse in those investigations and now audits to find more of that money continue. But I met with Prime Minister Maliki in February and I said, “We took great pains to ensure that this money was properly wired to an account in the Central Bank of Iraq and it’s there and it’s properly deposited” His response to me was, “Mr. Bowen, next time just bring the money directly to me. I’ll take care of it.”

The truth is strange sometimes and it was during that meeting. The bottom line is that there’s more work to be done. That’s why I’m here, that’s why I’m going to Baghdad again tomorrow. There’s still \$10 billion left to spend and even in the days of TARP and stimulus packages and trillion dollar appropriations – five, ten billion – that’s serious money and it needs to be managed properly.

More importantly, or equally as important at this stage, is how the lessons of Iraq are applied to Afghanistan. That’s part of the reason why we produced *Hard Lessons*, so that we don’t repeat many of the things that went wrong in Iraq. I’m happy to say that within two weeks of inauguration day the national security council of the White House called me over and asked exactly that question – how can *Hard Lessons* be used to improve what’s going on? We gave them extensive briefings in that regard, followed up, and those lessons are being used today. Indeed, I have currently deployed four of my auditors to Afghanistan to support the special inspector general there and produce, I hope, money-saving work.

The most important element, I think, of *Hard Lessons* is revealed in the many examples of lack of integration between the Department of State, the Department of Defense and the U.S. Agency for International Development. This cuts to a key point: the United States does not have a sound structure for the management of overseas contingency operations. Pre-conflict, we know who's in charge, the Department of State. Conflict DOD contingency operations unity of command is missing. There's no clear doctrine or legislative policy that's been articulated as to who does what, thus we've improvised.

Indeed, all of the senior leaders, and I've interviewed all of them, told me with respect to their experience in the Iraq program that the United States doesn't have a capacity to carry out overseas contingency operations. That needs to be ameliorated, amended, repaired and the book is beginning to have that affect in consort with other voices who've recognized the shortfall. We've had a hearing before the House Armed Services Committee and more hearings are coming up this spring and summer that address exactly this issue.

It was evident in my interview with General Petraeus exactly what is at issue here. He told me that, "The state is never going to put an ambassador under a general; DOD is never going to put a general under an ambassador. So you have to resolve to work together. You have to find a way to pull together and join at the hip. You have to have unity of purpose." I would say that that's not quite enough. There was a happy confluence and synchronicity between General Petraeus and Ambassador Crocker. Their unique matching of personalities pulled, I think, a reasonable success out of a very serious fire – something called the surge. The deployment of troops and the money were only part of it. The cease fire was an important part; the "Sons of Iraq" was another important part. Nevertheless, the deferential nature, frankly, of Ambassador Crocker to General Petraeus and his significant resources helped make that strategy work. But depending on that happy confluence is a bad structure and, thus, it seems to me that it's time to find a new structure.

Thus, a U.S. office for contingency operations should be considered. The problem is one of balkanization. Clearly, describing these departments – those of you with D.C. experience know that balkanization is inherent when interdepartmental enterprises are undertaken. The response to this evidence of balkanization in Iraq has been to create on the State side an act that gives the State Department full authority without pulling in the DOD and DOD pushing forward with huge stability operations.

There is a golden moment now and a body of evidence in the ongoing experience in Afghanistan that militates in favor of a new office. It's not really the creation of something out of thin air, it is reorganization. The U.S. Office for Contingency Operations would bring together the good work already done in DOD under directive 3000.05, the stability operations, and the good work being done at the State Department and the work waiting to be done at the U.S. Agency for International Development under one person that would plan, prepare and develop the contracting rules, the personnel, the systems, all those pieces that were missing in Iraq when I got over there a little more than five years ago. The strategic solution is the key one because this is the kind of operation the United States is going to be facing in the 21<sup>st</sup> century – the overseas contingency operation. Without a system, a structure and an office that prepares for it we're doomed to likely repeat the mistakes that we detailed in *Hard Lessons*.

Finally, an Iraq update: What's going on today? What am I going back to look at? First and foremost is to find out what is going on with the Sons of Iraq situation. That is the 100,000 Sunnis who, as part of the surge, were paid to essentially leave the battlefield. The duty to support them moved to the government of Iraq in April and rather than sustain that duty they started arresting the leadership of the Sons of Iraq and there was an amnesty provision that was supposed to prevent that. It's being violated and you all have noted that the last month has been a difficult month in Baghdad and beyond and, indeed, the bloodiest month in Iraq in twenty months – and the deadliest month for U.S. forces since last August. These are bad signs. A little bit of déjà vu all over again – our eye shifting to another venue: Afghanistan. Iraq's long off the front pages, really out of Section 8 at this point, as matters began to decay there and I think the Sons of Iraq issue is an enormously significant one.

On the economic front, the Iraqi government had to downwardly revise its budget three times because of the collapse of the world's oil prices. For the first time in their history there is deficit spending in their budget, notwithstanding those downward relations. That means the recovery, the reconstruction costs that they must shoulder, is impacted. The United States is out of reconstruction capital in Iraq. It is not going to move forward very quickly.

On the political front, serious problems exist together. They have been there but they've come to a head with respect to the Arab-Kurdish split. I don't know if you know this but for an Arab to

travel to Kurdistan in the northern quarter of Iraq – it’s across the Green Line, the border – he has to show papers. It’s very much two countries and most are turned away and there’s a deep division between what the Kurds think the Green Line is and what the Arabs think the Green Line is. The head of the U.N. mission in Iraq is working out a compromise there but that’s significant.

In conjunction with that is the problem with the Kurdish oil. The second largest oil reserves in the country are in Kurdistan and until yesterday interestingly the Maliki government firmly opposed the export of that oil. That appears to have changed and I’m going over to find out exactly why and what that means. The Kurds have stood in the way of the passage of hydrocarbon legislation for Iraq that would set the rules for investment and exports and that has held back the growth of the country in a very severe fashion.

Ultimately, as I said, the US’ role in Iraq has changed significantly and has a new face in 2009, quite literally a new face – Ambassador Chris Hill just landed there two weeks ago. He was, as you probably know, negotiating the Korean nuclear issue for the last five years. I met with him. He doesn’t have regional experience but he has energy, drive and determination to address these issues. He sees them as paramount issues – the ones I just listed. General Odierno of course, I would call him the Father of the Provincial Reconstruction Team program and one of the primary movers of investing in Iraq by contracting with Iraqi firms and he continues as the commanding general. I think there is a potential synchronicity between him and Ambassador Hill that will help sustain progress as long as these significant issues regarding the Sons of Iraq and the Kurds and the unfortunate collapse of oil prices for Iraq are managed by the Maliki government.

Finally, there’s an issue I talked about with Prime Minister Maliki, with Deputy Prime Minister Issawi, and with Vice President Tariq Hashimi this last February and they all acknowledged that corruption is a huge problem. The second insurgency we talked about inflicts Afghanistan as well as some regional problems but given that the government owns all of the means of production in Iraq – the oil industry – the corruption essentially siphons off the economic capacity of much of the country.

The last two weeks is the first time I’ve seen serious action by the Maliki government in the last year to pursue known corrupt practices and finally getting after the Ministry of Trade which has been a cesspool of criminal practice. Yesterday Prime Minister Maliki made a speech and said in



essence that he's going to start prosecuting. My only response is "finally." That has been an open wound for the last four years and it needs attention.

Thanks again, Curtis, for having me here and all of you for coming out this evening and I'll begin my record-setting jaunt late this evening and will be back in Baghdad in about thirty-six hours to spend a couple of weeks catching up on all of these issues.

So, thanks again for your time and attention.

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