Special Inspector General
for Iraq Reconstruction

Iraq Reconstruction:

Lessons in Program and Project Management

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CONTENTS

PREFACE

Iraq Reconstruction: Lessons in Program and Project Management is the third and final Report of the Special Inspector General for Iraq Reconstruction's (SIGIR) Lessons Learned Initiative (LLI). Begun in September 2004, the LLI focused on three areas of the U.S. relief and reconstruction effort in Iraq:

- human capital management
- contracting and procurement
- program and project management

The LLI has sought to capture the key lessons learned from the Iraq reconstruction experience and to recommend systemic adjustments within the U.S. government aimed at promoting improved capacity and preparedness for future post-conflict relief and reconstruction operations.

The first LLI Report, *Iraq Reconstruction: Lessons in Human Capital Management,* was released in early 2006. SIGIR published its second Report, *Iraq Reconstruction: Lessons in Contracting and Procurement,* in August 2006. The collected observations of these two Reports amplified the need for targeted reform of U.S. contingency relief and reconstruction planning. Significantly, the U.S. government has responded to a number of issues raised in both of these Reports.[1]

For this Report, SIGIR reviewed all relevant documents and conducted extensive interviews with those possessing direct experience managing programs and projects in Iraq. On April 12, 2006, SIGIR presented the findings of this research to a panel of 27 experts, who participated in a day-long conference at the National Defense University in Washington, D.C. The participants, who are listed at the end of this Report, examined and discussed SIGIR's initial findings, and the Report's subsequent direction was shaped largely by their collective insight.

Thousands of talented and dedicated men and women worked long hours under challenging and often dangerous circumstances to manage and execute the Iraq reconstruction program. They developed, in a very short period of time, a relief and reconstruction endeavor of unprecedented complexity and magnitude. The findings in this Report are intended neither to diminish their individual efforts nor to question their collective commitment. Rather, SIGIR has sought to factually review the evolution of program and project management in Iraq and to derive constructive lessons learned. Learning from the Iraq experience will improve the U.S. government's capacity to execute future relief and reconstruction operations in contingency environments.

OVERVIEW

The operation and management of U.S. relief and reconstruction efforts in Iraq was characterized by continual change. Three successive organizations bore responsibility for providing the program with strategic oversight and tactical direction: the Office of Reconstruction and Humanitarian Assistance (ORHA), the Coalition Provisional Authority (CPA), and the U.S. Mission-Iraq.

ORHA and CPA—both under the aegis of the Department of Defense (DoD)—were dissolved within 14 months of the conclusion of the 2003 invasion of Iraq. The U.S. Mission-Iraq—under the Department of State (DoS)—assumed oversight of the program at the end of June 2004. Each responsible entity developed successive reconstruction strategies responsive to the evolving environment it faced in Iraq.

ORHA emphasized planning for what was expected to be a relatively short-term relief and reconstruction endeavor, developing strategies to ameliorate expected humanitarian crises and potential disasters, such as oil-field fires. ORHA's small reconstruction component intended to restore essential services rapidly back to pre-war levels. Its inchoate operations, however, were superseded by the advent of CPA in April 2003.

Concurrently, in April 2003, the Congress created the Iraq Relief and Reconstruction Fund (IRRF 1), appropriating $2.475 billion, the preponderance of which was allocated to the U.S. Agency for International Development (USAID). The scope and amount of IRRF 1 reflected what many expected the post-invasion situation in Iraq to require: rapid relief efforts, minimal reconstruction, and some stimulus for basic economic development. Moreover, the Administration expected that Iraqi oil revenue would be a primary source for reconstruction funds.

The initial plan anticipated that, within 12 to 18 months, Iraq would assume complete sovereignty, including full responsibility for relief and reconstruction efforts.[2] These optimistic projections presumed that Iraq would promptly take on the oversight of most programs and projects, except oil restoration, which would receive continuing support from the U.S. Army Corps of Engineers (USACE) under the Task Force Restore Iraqi Oil (RIO) program.

The events of summer 2003, however, substantially altered the U.S. strategy in Iraq, including its approach to relief and reconstruction. The virtual collapse of Iraq's governing structures, the recognition that Iraq's infrastructure was severely dilapidated, and the rise in insurgent attacks forced ORHA's successor organization, CPA, to conclude that the relief and reconstruction effort anticipated by IRRF 1 would need to be greatly expanded. In addition, the breakdown in Iraq's oil production and export systems meant that oil revenue would not be sufficient to fund the program.

CPA thus requested a much larger supplemental appropriation than the Congress had provided in the IRRF 1. In November 2003, the Congress appropriated $18.4 billion for the new program, IRRF 2, which, pursuant to CPA's strategic plan, emphasized large-scale infrastructure projects. To oversee this revised and expanded program, CPA created a new management entity: the Program Management Office (PMO). By March 2004, 12 major contractors had won competitively bid, large contracts to design and build projects in six infrastructure sectors. To support PMO's management of these contractors, seven private-sector program management contractors were engaged. USACE partnered with PMO in this process, providing construction management and oversight. USAID's influence correspondingly diminished during this period.

On June 28, 2004, the United States transferred sovereignty to the Iraqi Interim Government (IIG). The U.S. Mission-Iraq concomitantly took the lead in reconstruction management, and the Iraq Reconstruction Management Office (IRMO) was created under DoS to assume responsibility for the strategic direction of the reconstruction effort. The change to DoS leadership led to another shift in reconstruction emphasis. Capital-intensive infrastructure projects, funded by the bulk of the IRRF 2, were given less prominence. And the worsening security situation required substantial funding to be shifted to support the Iraqi Security Forces. USAID, which had a diminished voice during CPA's tenure, regained prominence. And PMO became the Project and Contracting Office (PCO), which continued oversight of most construction projects. USACE's Gulf

Region Division (GRD) increased its management presence and eventually absorbed PCO.

Key Questions

In this Report, SIGIR explores five key questions about program and project management:

- How did the original reconstruction planning efforts affect the ability of managers to oversee the execution of the initial relief and reconstruction projects?
- How was CPA's PMO structured, and what were the advantages and disadvantages associated with this model?
- What were the causes and effects of the reconstruction delays in fall 2003 and winter 2004?
- How did managers meet the challenge of constant change—particularly the reprogramming that occurred during the summer and fall of 2004?
- What were the key execution issues relating to managing subcontractors and Iraqi firms, cost controls for U.S. and non-U.S. funds, and implementing performance metrics and capacity-development initiatives?

This Report is organized into three sections:

Pre-ORHA through Early CPA (Fall 2002 to August 2003)— ***Initiating the Program***: Section one provides an overview of the planning environment, which had a direct effect on the capacity of program managers to execute and control reconstruction projects.

The Later CPA Period (August 2003 to June 2004)— ***Re-initiating the Program***: Section two analyzes PMO and the delays in executing reconstruction projects during this period.

U.S. Mission/Iraqi Government (July 2004 to Present)— ***Executing and Controlling the Program***: Section three focuses on the three program realignments and their effect on the execution of the reconstruction program. This section also discusses the management of reconstruction projects, including performance management, cost and quality control, and capacity development.

A Note on Scope and Methodology

To define program and project management, this Report uses the Project Management Institute's (PMI) definition of these terms:

- A *project* is a "temporary endeavor undertaken to create a unique product of service."
- A *program* is a "group of related projects managed in a coordinated way."

This Report also uses PMI's five phases of program and project management: initiating, planning, executing, controlling, and closing. Within these phases, key components of project management—including scope, time, cost, quality, people, communication, and risk—are discussed.[3]

The development of contracting plans and the solicitation of contract awards are explained in *Iraq Reconstruction: Lessons in Contracting and Procurement*. Workforce planning, recruitment, and continuity of staff are discussed in SIGIR's first Lessons Learned Report, *Iraq Reconstruction: Lessons in Human Capital Management*.

This Report describes the management and execution of IRRF, seized, vested, and DFI funds. It does not directly discuss the management of other funding streams, including the Economic Support Fund and the Iraq Security Forces Fund.

RECOMMENDATIONS

RECOMMENDATIONS

Program management in Iraq grew increasingly complex from 2003 to 2007, ultimately involving hundreds of contractors and thousands of projects. The reconstruction effort required, but did not initially receive, consistent and effective oversight. U.S. policymakers repeatedly shifted strategy in response to the constantly changing circumstances in Iraq. These policy shifts, including leadership changes, meant that program managers not only dealt with long periods of uncertainty, but also had to adjust to new systems, procedures, and reporting requirements. This compounded the difficulty of delivering projects on time, within scope and budget.

Over the past four years, DoD, DoS, and USAID have adapted to relentless and challenging demands with commitment and agility, internalizing and drawing on important lessons learned in the course of their work. SIGIR offers these recommendations, based on these lessons learned, to both help the ongoing Iraq relief and reconstruction program and to promote systemic adjustment through legislative and regulatory reform. Such reforms are essential to preparing the United States for future post-conflict contingency relief and reconstruction operations.

1. The Congress should consider 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 the Coordinator for 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 S/CRS by some 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 presidentially 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. Existing 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 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 (e.g., 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.

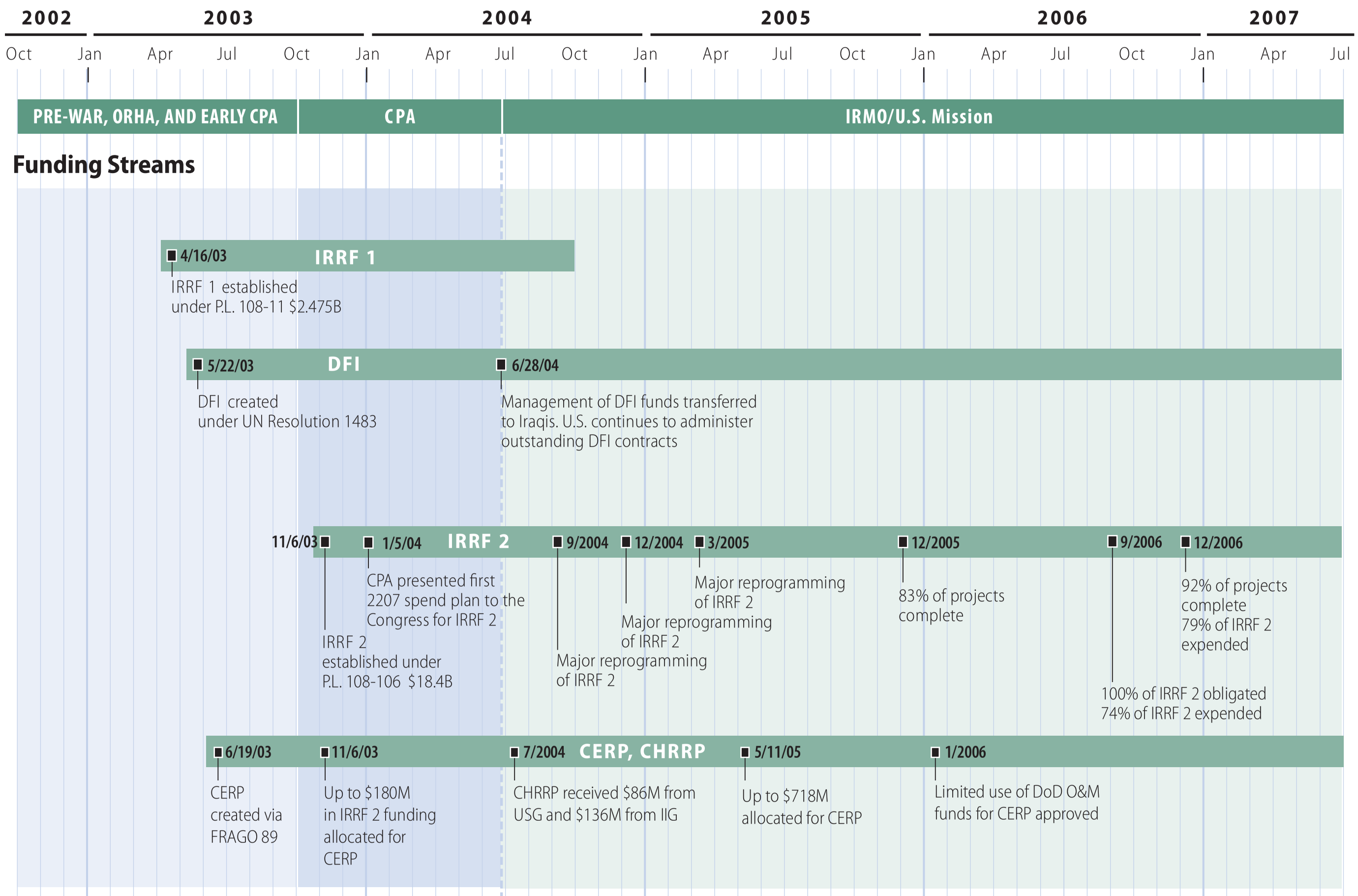
9. Future post-conflict contingency planning should provide for well-resourced and uninterrupted oversight of relief and reconstruction programs to ensure effective monitoring from the outset and permit real-time adjustments.

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.

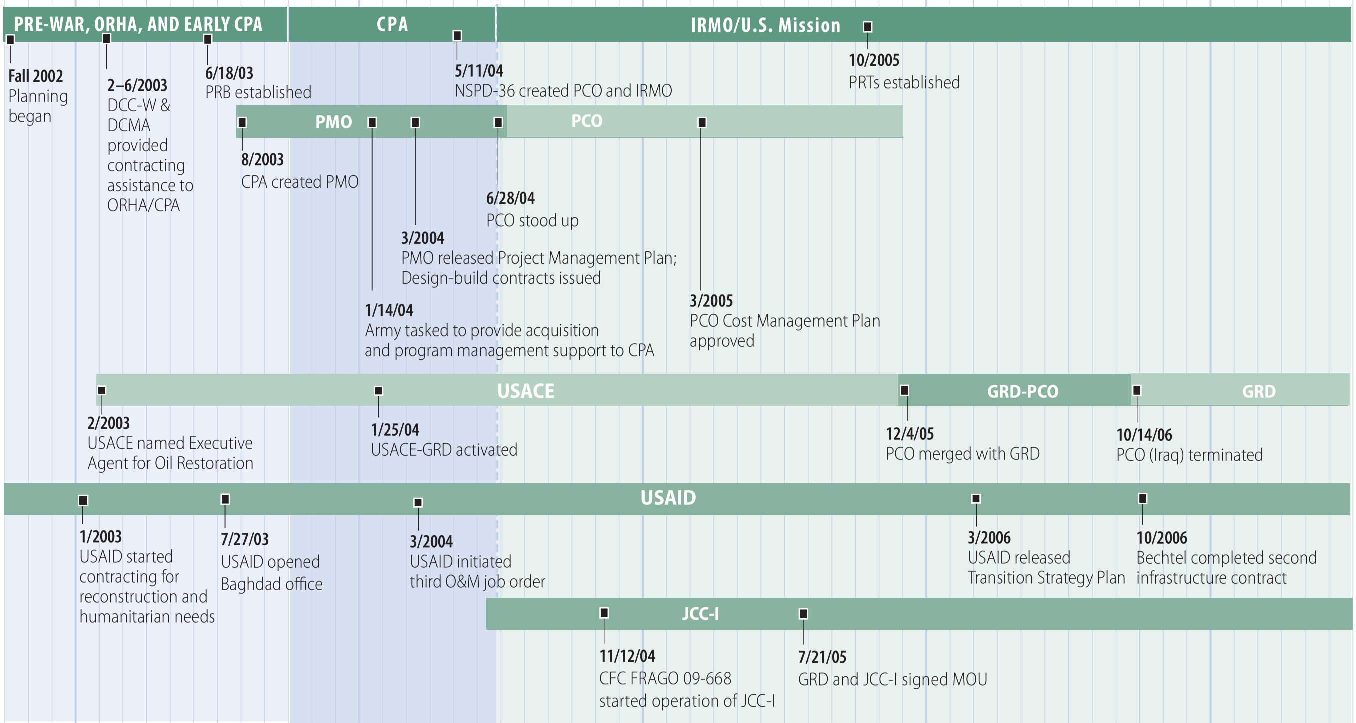
Operations that involve multiple agencies, funding streams, and management systems require that the Congress take steps to standardize oversight and provide clear guidance on any reporting requirements involving multiple agencies.

IRAQ RECONSTRUCTION

Program and Project Management Timeline



Major Program and Project Management Events



PRE-ORHA THROUGH EARLY CPA (FALL 2002 TO AUGUST 2003)—INITIATING THE PROGRAM

Before military operations began in March 2003, several reconstruction plans were in place. Federal agencies had developed these various plans in classified environments to prevent speculation about war plans. As a result, they often worked independently from each other.[4]

Some assumptions upon which these plans were based later proved inaccurate, and the plans were never fully integrated into a single operational strategy. This lack of coordination subsequently affected the capacity of program managers to execute projects in Iraq.[5]

Initial Planning for Relief and Reconstruction

Iraq reconstruction planning began during the fall of 2002.[6] The National Security Council (NSC) Deputies Committee and the Office of Management and Budget (OMB) sponsored interagency working groups to prepare post-war plans. DoD created Joint Task Force IV[7] to coordinate post-war plans, and other U.S. agencies, including USAID, developed internal planning groups.

In January 2003, just two months before the start of the March 2003 invasion, ORHA was established as a temporary organization under DoD to coalesce the existing plans for humanitarian assistance and reconstruction. The establishment of ORHA, and the shift from an NSC to a DoD-led effort, was the first major evolution in the reconstruction program. ORHA was established partly because it became clear that there was a need for an operational entity on the ground in Iraq to play a primary coordinating role.[8] But it proved

The plans were **never fully integrated** into a single operational strategy. This lack of coordination **subsequently affected the capacity of program managers** to execute projects in Iraq.

more challenging than expected to integrate the "disparate team of government agencies"[9] involved under a newly created and poorly resourced lead organization.

ORHA comprised individuals from a variety of agencies[10] and backgrounds, with responsibilities divided into three pillars:

- humanitarian assistance
- civil administration
- reconstruction

Several assumptions influenced planning across each of ORHA's three pillars. The expectation that a significant humanitarian crisis would occur meant that assistance resources were focused on providing refugees with water, food, and medicine. Reconstruction funding was limited and was designed to target critical infrastructure[11] in order to bring Iraq's essential services back to pre-war levels. Iraq was expected to rapidly assume the financial burden for much of the reconstruction program with funding from oil revenues.[12]

Reconstruction planners assumed that events in Iraq would follow a fairly linear progression from war to recovery to stability. Humanitarian relief would supplant martial activity, and stabilization would permit rapid reconstruction.[13] In February 2003, an interagency exercise, held in Washington, D.C., anticipated that a lack of security could cause looting, but no specific strategy to prepare for this contingency was developed.[14] Stability was expected to be achieved relatively soon after hostilities ceased.

> I think our assumption [was that we would] have a certain degree of stability. The Iraqis are going to go back to work, the ministries aren't going to be looted. You're essentially going to have a functioning state, but unlike Bosnia, our assumption was this is an oil-rich state. So, within a year or maybe 18 months...there will be oil revenues flowing...
>
> [We planned] out a series of discrete interventions...that [would] keep the place from falling apart and do the absolutely critical things that need[ed] to be done to pull Iraq back together...[until the] oil revenues [would come] pouring into the country.... Planning was done on operating assumptions that [were] so radically different from what ultimately evolved...[15]

The key assumptions regarding the anticipated post-conflict environment in Iraq—that stabilization would be quickly achieved; that Iraq's governing institutions would resume operations; and that oil revenues would provide reconstruction funds—drove the plans developed by each of ORHA's three pillars.

HUMANITARIAN ASSISTANCE PILLAR

DoS and USAID partnered to develop ORHA's humanitarian assistance pillar, which focused on preparing for the anticipated humanitarian crisis. The DoS Bureau of Population, Refugees, and Migration joined with USAID's Office of Foreign Disaster Assistance (OFDA), to develop an assistance program aimed at providing immediate relief—including food, water, shelter, and medical care—to displaced Iraqis.

USAID's Disaster Assistance Response Team (DART), managed by OFDA, deployed to the Gulf Region and prepared to move into Iraq to meet the immediate needs of internally displaced persons.[16] Before deployment, the DART team had participated in extensive preparatory exercises, including disaster assistance training,[17] instruction on Iraqi culture, and safety procedures. DART spent approximately $1 million on these preparations.[18] USAID's Office of Transition Initiatives (OTI)—an office that provides "fast, flexible short-term assistance targeted at key political transition and stabilization needs"[19]—partnered with DART in these efforts.

By the time hostilities began in March 2003, the humanitarian pillar's staff[20] was in place in the Gulf Region, contingency funding was available,[21] and contractors and non-governmental organizations (NGOs) were engaged. Importantly, by February 2003, the DoS/USAID interagency effort accomplished several important staging milestones:

- pre-positioned supplies throughout the region, totaling $26.5 million[22]
- fielded a 65-person team
- established a 24-hour support office
- secured contingency support funding through USAID
- identified and funded contractors and grantees

CIVIL ADMINISTRATION PILLAR

The strategy for the civil administration pillar was intended to rapidly re-establish Iraqi governmental functions after hostilities ceased. This approach called for Coalition senior advisors to help Iraqi civil servants continue to operate Iraqi ministries,[23] thereby maintaining the delivery of critical services, particularly water and electricity.

Unlike the humanitarian assistance pillar, the civil administration pillar, which operated under the aegis of DoD, accomplished little preparation before deploying to Iraq. The civil administration team was not sufficiently staffed, adequate funding had not been secured, DoD **deployed** without adequate funding mechanisms, contracting support, or contract administrators **to assist the senior advisors' activities** with Iraqi ministries.

and contractors required to supplement the staff had not been identified.

> There was no pre-planning done to address the civil administration needs. There was an assumption that Iraqis who normally took care of such things would continue to do so. When they didn't, there was no plan in place on how to make these civil administration tasks happen.[24]

DoD deployed without adequate funding mechanisms, contracting support,[25] or contract administrators to assist the senior advisors' activities with Iraqi ministries.[26] Although logistics and basic service support was to be provided through the Army's Logistics Civilian Augmentation Program (LOGCAP) contract,[27] the means for providing adequate funding to support senior advisors' activities with Iraqi ministries were not established in advance.

ORHA's Comptroller and his limited team were prepared to manage the operating budget of ORHA[28] but not to support reconstruction projects. The Principal Deputy Under Secretary of Defense, Acquisition, Technology, and Logistics requested that the Defense Contract Management Agency (DCMA) provide contracting support for ORHA, but specifically stated that DCMA's support would not include reconstruction and humanitarian efforts.[29] Only after arriving in Kuwait—and in response to increasing requests made once operations were established in Iraq—did the ORHA

Comptroller's team expand its mandate and establish procedures to support reconstruction activities.[30]

RECONSTRUCTION PILLAR

In the fall of 2002, before the creation of ORHA, the NSC and OMB sponsored initial planning for the reconstruction program. U.S. agencies involved included DoD, DoS, USAID, the Department of the Treasury (Treasury), and the Department of Justice. With the creation of ORHA, these interagency working groups became less active,[31] and ORHA designated USAID to lead the reconstruction pillar, thereby activating many of the plans that USAID had already been developing.

Agency Relief and Reconstruction Plans

USAID developed relief and reconstruction plans for ten sectors: health, education, water and sanitation, electricity, shelter,[32] transportation, governance and rule of law, agriculture and rural development, telecommunications, and economic and fiscal policy.[33] These plans included "benchmarks to be achieved within one month, six months, and one year."[34] Activities targeted critical program interventions[35] to bring Iraqi essential services back to pre-war levels.

During the fall of 2002, USACE concomitantly evaluated possible post-conflict damage scenarios for Iraq and developed a cost estimate for the reconstruction of Iraq's infrastructure. The team estimated that the reconstruction effort would require $35 billion, based on a moderate damage scenario. USACE had not been specifically tasked to do this, and it is unclear whether this estimate was ever disseminated to inform others engaged in post-conflict planning.[36]

In March 2003, the Department of the Treasury created the Iraq Financial Task Force (IFTF) to "coordinate the planning and execution of Treasury's role in post-war stabilization, administration, and reconstruction of Iraq."[37] Specific efforts included planning for a new Iraqi currency. Treasury also provided technical advisors to assist the Iraqi Ministry of Finance and the Central Bank of Iraq.

USAID concurrently began issuing contracts to support the planned relief and reconstruction effort, with most contracts issued during the spring of 2003.[38] These contracts were eventually funded by IRRF 1, which the Congress approved in April 2003. The scopes of work for these contracts were based on easily accessible information about the country and region, which often proved to be inconsistent and/or misleading. For example, although program managers were able to develop fairly detailed plans for the rehabilitation of the Port of Umm Qasr (because of sound intelligence information), there was limited data available on the condition of Iraq's water sector, and thus the scopes of work for projects in this sector were correspondingly inadequate.[39]

USAID deployed with approximately 27 personnel, including sector managers, contracting experts, financial officers, logistical teams, and inspector general personnel. USAID also hired a contractor to provide additional program management and logistical support, developing a "Mission-in-a-Box"—the people and systems needed to manage the anticipated effort in Iraq.[40]

USAID headquarters established an Iraq reconstruction office in Washington, D.C., comprising USAID personnel and contractors. This office acted as a liaison, providing reach-back and technical advice to USAID/Iraq. USAID also prepared to establish a relatively large infrastructure office in Iraq to manage USAID's largest contract—a $1.03 billion infrastructure project awarded to the Bechtel

Corporation in April 2003. USAID's Iraq infrastructure office was staffed by approximately 24 USAID and contract personnel.

In late February 2003, the Department of the Army tasked USACE to repair the expected damage to Iraq's oil infrastructure and to restore Iraqi oil and gas production capacity to pre-war levels.[41] USACE's Southwest Division was given the mission, and Task Force Restore Iraqi Oil (RIO) was formed to execute the program. To support the RIO effort, USACE entered into a contract with KBR[42] and mobilized more than 100 USACE personnel, including project managers for oil production, refined products, communications, and security.[43]

USACE expressed interest in becoming more involved in international reconstruction efforts.[44] Some believed that USACE was better suited—given its experience and mission—to oversee construction projects than USAID. This created some tension[45] between the two agencies; but ultimately, in May 2003, the decision was made to have USAID and USACE enter into an interagency agreement that tasked USACE personnel to provide construction management and quality assurance support for USAID's infrastructure projects. Specifically, USACE was to help "ensure that the reconstruction contractor's work [was] completed in accordance with the job order, international standards, environmental requirements, and in compliance with U.S. government policies."[46]

In addition to forming Task Force RIO and partnering with USAID, USACE planned to deploy up to ten Forward Engineering Support Teams (FESTs) to the region to support engineering needs in Iraq. These teams of five to ten military and civilian personnel were intended to augment an operational military unit's existing engineering capability. Their primary responsibility was to conduct assessments of infrastructure needs encountered by the operational units.[47] The teams employed "tele-engineering" to access support offered in the United States by a mix of military and civilian staff at the Engineer Infrastructure and Intelligence Reachback Center.[48]

In addition to its infrastructure reconstruction projects, USACE provided senior advisors to specific ministries such as irrigation, electricity, housing and construction, transportation and communications, and health.[49]

FUNDING AND THE ORIGINAL RECONSTRUCTION GOALS AND EXPECTATIONS

In April 2003, the Congress appropriated $2.475 billion to IRRF 1 under Public Law (P.L.) 108-11. The Congress designed the law to be flexible and to allow the transfer of funds across sectors (subject to notification). It also permitted reimbursement to agencies that had expended their own funds on reconstruction planning and activities.[50]

USAID's "Vision for Iraq" plan supported much of the initial request for reconstruction funding under IRRF 1. NSC and OMB approved the plan in February 2003,[51] which included milestones and goals for key sectors and established a timeframe for completing projects. Many of the goals defined by USAID sought to achieve quick results and reflected specific targets provided by the NSC or created by USAID in response to directives from the NSC.[52] USAID included several of the same outcomes outlined in the document in the scopes of work for its initial reconstruction contracts. However, the plan did not clearly define what it meant to restore Iraq's infrastructure to "pre-war levels."[53] Thus, reconstruction plans and programs were not consistently gauged to a specific goal.[54] This was in part because there was difficulty getting accurate information about the state of Iraq's infrastructure.[55]

The feasibility of achieving the initial reconstruction milestones was questioned at the time. From the outset, "there was a gap between goals and available funding—$680 million [the amount originally allotted for USAID infrastructure reconstruction efforts] was nowhere near the amount needed to attain the goals."[56] One of USAID's critical goals was to help the Iraqi ministries become operational as quickly as possible,[57] but one USAID contractor questioned how to accomplish capacity building in ministries that, for all practical purposes, had ceased to operate.[58]

Table 1 illustrates the goals for selected components of the original reconstruction program as outlined in the USAID "Vision for Iraq," USAID contracts, and the CPA strategic plan, which was created in July 2003. Reported program results are also included.[59]

Early Reconstruction Goals and Eventual Program Results

	USAID Vision Document (Feb. 2003)	USAID Contracts (FY 2003)	CPA Strategic Plan (Summer 2003)	Results
Schools	Within six months, 3,000 schools [will be] repaired or rehabilitated.[a]	Within six months the contractor will repair or rehabilitate up to 3,000 school buildings.[b]	By October 2003, rehabilitate 1,000 priority schools.[c]	Since 2003, approximately 3,000 schools had been rehabilitated, in full or in part.[d] (In addition, GRD-PCO completed 807 schools and MNF-I completed 1,365.[e])
Health Care	Basic health services will be available to a targeted 50% of the population, and maternal/child health to 100% of the population, in secure areas, within six months.[f]	Basic health care available to 12.5 million persons.[g]	By October 2003, restore basic health care services to 95-100% of pre-war levels.[h]	USAID does not report results relating directly to percentage of population served. Rather, it posts several specific accomplishments relating to health services, including: • immunizing more than three million children under five • vaccinating more than 700,000 pregnant women against tetanus • re-equipping more than 600 health clinics with essential equipment and supplies[i]
Electricity	Within one year: Generation of 6,750 MW achieved.[j]	Within 12 months generating capacity will be restored to 75% of the pre-1991 level of 9,000 MW (or 6,750 MW.[k]) (Note: Pre-war capacity has been estimated at 4,500 MW.[l])	By October 2003, improve generating capacity to 4,000 MW.[m] By January 2004, improve generating capacity to 5,000 MW.[n] By 2005, improve generating capacity to 7,000 MW.[o]	The December 2006 quarterly average was 4,260 MW.[p]

Table 1

a USAID document, "USAID's Vision for Post-Conflict Iraq," February 2003 (online at: http://pdf.dec.org/pdf_docs/PDABY341.pdf, accessed May 12, 2006).

b USAID document, "Iraq Infrastructure Reconstruction Statement of Work," April 17, 2003 (online at: http://www.usaid.gov/iraq/contracts/pdf/BechtelSecC.pdf, accessed May 12, 2006), p. 14.

c CPA document, "CPA Strategic Plan," July 2003.

d USAID website, "USAID Assistance for Iraq: Education" (online at: http://www.usaid.gov/iraq/accomplishments/education.html, accessed January 5, 2007).

e SIGIR Report, "SIGIR Quarterly Report and Semiannual Report to the United States Congress," January 2007, p. 69.

f USAID document, "USAID's Vision for Post-Conflict Iraq," February 2003 (online at: http://pdf.dec.org/pdf_docs/PDABY341.pdf, accessed May 12, 2006).

g USAID document, "Health System Strengthening in a Post-Conflict Iraq Statement of Work," April 30, 2003 (online at: http://www.usaid.gov/iraq/contracts/pdf/ABTSecC.pdf, accessed May 12, 2006), p. 10.

h CPA document, "CPA Strategic Plan," July 2003.

i USAID website, "USAID Assistance for Iraq: Health" (online at: http://www.usaid.gov/iraq/accomplishments/health.html, accessed May 12, 2006).

j USAID document, "USAID's Vision for Post-Conflict Iraq," February 2003 (online at: http://pdf.dec.org/pdf_docs/PDABY341.pdf, accessed May 12, 2006).

k USAID document, "Iraq Infrastructure Reconstruction Statement of Work," April 17, 2003 (online at: http://www.usaid.gov/iraq/contracts/pdf/BechtelSecC.pdf, accessed May 12, 2006), p. 12.

l SIGIR Report, "SIGIR Quarterly Report to the United States Congress," April 2006, p. 57.

m CPA document, "CPA Strategic Plan," July 2003.

n CPA document, "CPA Strategic Plan," July 2003.

o CPA document, "CPA Strategic Plan," July 2003.

p SIGIR Report, "SIGIR Quarterly Report and Semiannual Report to the United States Congress," January 2007, p. 25.

We were **bumping into one another** as we tried to **solve the same problem**.

Insufficient Capacity To Meet Immediate Needs

In March 2003, ORHA personnel began deploying to Kuwait. In April 2003, members of ORHA's humanitarian assistance, civil administration, and reconstruction pillars all moved into Iraq, where ORHA took the lead in U.S. relief and reconstruction efforts. However, ORHA was never able to develop a fully coordinated plan. In the absence of an integrated strategy, each participating entity deployed to Iraq with divergent understandings and assumptions about the goal of the reconstruction effort, its proposed length and scale, and the responsibilities and functions assigned to each agency. This led to confusion and duplication of effort.

One former ORHA official stated: "We were bumping into one another as we tried to solve the same problem."[60] Another reported that he did not know USAID's role and had never heard of DART or OTI until he arrived in Kuwait in March 2003.[61]

> Initially we were told repetitively to stay in [our] lane and the lanes turned out to be, I think, more like stovepipes. So very few of us really had any idea what others' capabilities were, what their mandate was. There was a lot of confusion that probably could have been avoided had there been much more consultation from the beginning.[62]

Existing strategic plans failed to reach some military units. For example, in April 2003, the 101st Airborne Division "began to be concerned with reconstruction, stability and ops, and [it] basically generated [its] own plan, based on the conditions there, in total segregation from whatever plans may have existed within ORHA and within the Corps of Engineers."[63]

The experience of a USACE FEST member based in northern Iraq illustrates the confusion that plagued the initial phase of reconstruction operations. As FEST teams completed assessments of infrastructure needs throughout the country, the information they acquired was sent to Baghdad, where needs were prioritized and then provided to various entities for execution. However, information was not clearly communicated, which created duplication of effort. In one instance, a local contractor hired by a FEST team to renovate a building found that a military unit was already doing the work.[64]

Once in Iraq, it quickly became clear that the anticipated humanitarian crisis had not materialized. There were not large numbers of refugees, nor had there been a general breakdown in the food distribution system. There was, however, an acute need to restore basic services—e.g., trash collection, sewage line repair, and electrical power. ORHA had neither the capacity nor the organization to carry out these tasks, so other agencies expanded their mandates to begin to meet these urgent needs.[65]

USAID's OTI was a bright spot during the initial chaos, agilely responding to the needs it confronted. One CPA official noted that the OTI program succeeded because it had money and was "the easiest to access and the most useful."[66] An OTI staff member explained the early activities of the organization:

> I was astounded to find that OTI was practically the only organization in [Baghdad] that had any money in hand and had an ability to implement right at the beginning.[67] We were there essentially to try to respond to events as they unfolded, and so initially, it was to try to employ as many people as possible, and secondly, to try to demonstrate that there was some things happening that were positive to the Iraqi people, and that's essentially what our mission was.[68]

The degree to which civilians would be expected to **work in hostile environments** had not been adequately examined before the start of operations.

One of OTI's initial tasks was to assist various ministry staff resume operations by replacing essential equipment that had been looted. Through grants, OTI provided desks, chairs, computers, and basic office supplies purchased from the local market.[69] This initiative, "Ministry-in-a-Box," helped more than 30 Iraqi ministries recover from the massive looting that had ransacked virtually every government facility in Baghdad.[70]

When the expected humanitarian crisis did not materialize, DART and its implementing partners became an underutilized asset, even though DART possessed the organic capacity to fund grants and write contracts for urgent relief and reconstruction needs, a function that ORHA's civil administration pillar lacked. However, DART's leadership was reluctant to authorize DART teams to operate in the insecure environment that constituted post-conflict Iraq.[71]

The degree to which civilians would be expected to work in hostile environments had not been adequately examined before the start of operations. This was a concern for DART and USACE's forward engineer teams, which included both military and civilian personnel.[72] Differing expectations among these organizations contributed to administrative logjams that delayed project execution because available capacity was not used to meet urgent needs.

ORHA Shifts to CPA

Soon after ORHA mobilized into Iraq, CPA was created, supplanting ORHA as the entity responsible for governing Iraq and overseeing the reconstruction effort. The first official recognition of CPA appeared in a U.S. Central Command (CENTCOM) order that Commanding General Tommy Franks issued on April 16, 2003. On May 9, 2003, the President appointed Ambassador L. Paul Bremer III as his envoy to Iraq, giving him specific direction:[73]

> All USG elements in Iraq, other than those under the command of the Commander, U.S. Central Command, will keep you fully informed, at all times, of their current and planned activities.[74]

On May 13, 2003, the Secretary of Defense designated Ambassador Bremer as the CPA's Administrator, providing that, as Administrator, he would be responsible for "the temporary governance of Iraq, and…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."[75]

CPA quickly absorbed the resources and operations of ORHA. On June 16, 2003, the Deputy Secretary of Defense stated that "ORHA is dissolved and its functions, responsibilities, and legal obligations [are] assumed by the CPA."[76] The memo also stated that the Secretary of the Army, who became the executive agent (responsible for providing administrative, logistics, and contracting support) for ORHA on May 21, 2003, would now be the executive agent for CPA.

This rapid organizational evolution produced several significant challenges for those managing initial reconstruction projects and funds, including: unclear understanding of various agency capabilities; insufficient capacity to meet immediate needs; inadequate policies, procedures, and systems; shifting strategies and funding uncertainties; weak communication systems and large information demands; and lack of expertise in program management.

Management of Vested Iraqi Funds

On March 20, 2003, the President signed Executive Order 13290, which provided that vested funds—Iraqi funds frozen in U.S. banks—would be transferred to the U.S. Department of the Treasury, and "should be used to assist the Iraqi people and to assist in the reconstruction of Iraq."[77] Under this authority, the ORHA Comptroller began using these funds to initiate reconstruction projects approved by Iraqi ministries. An interagency group determined that vested funds needed to be treated like U.S.-appropriated dollars.[78]

MANAGEMENT OF PAYMENTS TO IRAQI CIVIL SERVANTS USING VESTED FUNDS

Treasury was aware of the logistical and procedural challenges associated with paying nearly two million Iraqi civil servants: there was no functioning banking system and no easy way of identifying valid employees. Neither ORHA nor CPA was equipped with the necessary resources to accomplish this task.

While in Kuwait, Treasury officials turned to the ORHA Comptroller for assistance in developing a plan to use vested funds to pay civil servants.[79] The Comptroller requested $100 million to pay civil servants and to support humanitarian relief and small reconstruction. Washington approved the use of vested funds for these projects.[80]

After ORHA determined where the money would be housed, it set up the process for paying civil servants. An April 11, 2003 memo from the Deputy Secretary of Defense stated that Americans would have fiduciary responsibility for the money until it was transferred to another responsible individual or entity. After a discussion with an interagency group, ORHA decided that a "trusted Iraqi" would be used to pay the civil servants. The trusted Iraqi would assume responsibility for the funds after an American official transferred the money. The trusted Iraqi was responsible for obtaining lists of civil servants to be paid and then distributing payments. The Army provided security as funds were disbursed to the trusted Iraqi and subsequently at the paying stations.[81] After the payments were made, the trusted Iraqi was to provide a list of disbursements and signatures of the people who received the money. Compliance with this process, however, was inconsistent at best.

MANAGEMENT OF INITIAL RECONSTRUCTION PROJECTS FUNDED BY VESTED FUNDS

In April and May 2003, the ministry advisors in ORHA's civil administration pillar began to identify relief and reconstruction needs. These advisors immediately observed the damage that widespread looting had caused in Baghdad after hostilities ended:

> One of the biggest obstacles to the ability of ORHA to implement anything was the rampant looting that had taken place. The [Iraqi] ministry buildings effectively no longer existed. There were no windows or doors. They were just concrete shells of buildings.[82]

Initially, there was no process within ORHA's civil administration pillar for funding rapid relief projects for the decimated ministries.[83] Building on the process to pay civil servants, ORHA put together systems to fund project requests from the senior advisors and the military. The ORHA Comptroller became the conduit for submitting requests to the OSD Comptroller. The process required senior advisors or military officers to complete a standard form stating requirements based on the needs of the ministries. Initially, there was no formal review of requests in Iraq beyond the individual ministry approval of suggested projects. After project funding was approved, ministerial advisors designated a trusted Iraqi to be responsible for the project.[84]

Funds were often disbursed before work was performed so materials could be purchased. The responsible individuals would later provide evidence that the project had been completed.[85] There was limited capacity to provide oversight of these transactions. One official noted that the overarching goal was to get Iraqis back to work, restore basic services, and execute projects that quickly improved local communities. The conditions and time constraints presented by the chaotic post-conflict environment meant that depending on the trustworthiness of Iraqi workers was essential to the success of a project.[86]

As of June 2, 2003, $500,000 of vested funds had been given to support these emergency projects. An additional $2.1 million was set aside, pending DoD's demonstration that the initial $500,000 had been spent on projects that benefited the Iraqi people.[87]

Management of Seized Funds

On May 7, 2003, based on a British model that gave British forces "walking around money,"[88] a Combined-Joint Task Force 7 (CJTF-7) operations order initially gave up to $25,000 in seized funds to individual brigade commanders.[89] A three-page handout detailed the procedures to be followed by a paying agent and a field ordering officer, who were responsible for disbursing funds for small projects. The commanders were responsible for documenting the expenditures and providing reports to ORHA. By June 2, 2003, $4 million of seized funds had been given to the Brigade Commanders' Discretionary Fund. This was supported by $400,000 of vested funds.[90]

On June 16, 2003, the CPA Administrator changed the fund's name to the Commander's Emergency Response Program (CERP), and on June 19, 2003, the Commander of CJTF-7 issued

CPA **failed to clearly define** roles and responsibilities, failed to implement adequate controls, and did not consistently enforce its own rules to ensure **transparency of the management and disbursal of the DFI.**

Fragmentary Order (FRAGO) 89, ordering CERP into operation. Some CERP projects were managed by military officers with little reconstruction and development experience.

One civil affairs officer noted that he needed "design and implementation assistance: none of us has ever built a landfill or paved city roads back in the United States."[91] Other CERP projects lacked sufficient oversight and appropriate documentation.[92] But CERP went on to become one of the most important programs in Iraq's relief and reconstruction.

Management of DFI Funds

On May 22, 2003, U.N. Security Council Resolution 1483 recognized the Development Fund for Iraq (DFI) as a primary source for funding Iraq's recovery. The DFI subsumed the existing Oil-for-Food funds and frozen Iraqi assets that belonged to the Iraq government or that had been controlled by Saddam Hussein.[93] The resolution underlined that these funds be transparently managed and disbursed under the direction of CPA for the benefit of the Iraqi people.[94] On June 15, 2003, the CPA's Administrator signed CPA Regulation 2, which applied to the "administration, use, accounting, and auditing of the DFI."[95]

A CPA-IG audit of CPA's management of the DFI found that CPA "policies and procedures, although well-intended, did not establish effective controls."[96] CPA failed to clearly define roles and responsibilities, failed to implement adequate controls, and did not consistently enforce its own rules to ensure transparency of the management and disbursal of the DFI.[97]

Of particular concern were the insufficient financial and contractual controls. CPA was responsible for implementing U.S. financial management policies, such as the DoD Financial Management Regulations (FMR). The CPA-IG audit revealed that the DoD FMR "could have been easily adapted to establish policies and procedures to account for DFI cash."[98] CPA developed new policies and procedures to manage DFI, but failed to enforce them effectively. Further, CPA failed, pursuant to its own rules, to secure the services of an effective outside auditing firm to review and advise CPA on DFI controls. The accounting firm that CPA did employ only managed balance sheets for CPA's comptroller.[99]

NEW POLICIES LAUNCHED WITHOUT PROPER TRAINING

CPA's disbursing and paying agents were pressed into service before they could be given adequate training on the procedures governing the handling of DFI disbursements. CPA-IG's review of 26 DFI disbursements found that only one included the documentation required under CPA's regulations.[100]

An early 2005 review of CPA's financial management practices by the OSD found that "effective, efficient financial management of non-U.S. fund sources was not accorded a high enough priority."[101] The OSD assessment report found that "financing of reconstruction activities began before procedures and staffing were fully in place," and "many policies and procedures were developed in response to new situations, not in advance."[102] Further, the report noted that "the Army's financial management system was selected, but the other services [members from Navy, Air Force, etc.] were not trained in, and therefore did not completely understand, this system."[103]

The OSD review further observed that "at the onset of stability and reconstruction operations, there was a lack of clearly defined authorities and lines of accountability for financial management internal controls," adding that "modern systems to conduct procurement, asset control, budget execution, and accounting were not in place. Financial records were largely kept in a manual system, limiting access only to in-theater personnel."[104] The concerns raised by this review were substantiated by CPA-IG's audit of CPA's management of DFI.[105]

The story of the DFI's management underscores the need to include an effective oversight component in the initial planning of any reconstruction effort.

TOO FEW CONTRACT ADMINISTRATORS TO MANAGE CONTRACTS

Initially, only three contracting officers were in Baghdad to support CPA's relief and reconstruction demands.[106] This limited contingent constrained CPA's capacity to provide effective execution of needed contracts and contract oversight. There was a similar dearth of contracting officer representatives (COR), who were needed to provide technical expertise and to monitor contract performance.[107] Unsurprisingly, the lack of sufficient personnel to support CPA contracting early on produced problems. A CPA-IG audit found CPA "contract files to be in disarray."[108] Some contracts were missing, and others were stored on personal email accounts, individual hard drives, or external storage devices. See SIGIR's *Iraq Reconstruction: Lessons in Contracting and Procurement* at www.sigir.mil.

Management of U.S. Funds

Initially, USAID and USACE were the two main U.S. agencies responsible for managing U.S-funded reconstruction projects in Iraq. By early May 2003, USAID contractors and staff had established offices in Baghdad, although many personnel were still in Kuwait awaiting deployment. The formal establishment of the USAID mission in Baghdad was announced on July 27, 2003. During the summer of 2003, USAID managed 12 relief and reconstruction contracts and a number of grants and cooperative agreements. USACE simultaneously managed Task Force RIO and the FESTs deployed with operational Army units. During the spring and summer of 2003, both agencies faced challenges managing their projects because of shifts in program scope and funding uncertainties.

In the spring of 2003, contractor mobilization and the execution of initial reconstruction planning efforts were limited by funding uncertainties. IRRF 1 was approved by the Congress in April 2003 when USAID was beginning to implement its relief and reconstruction programs. Early delays were ameliorated when, on May 22, 2003, the President issued Executive Order 13303, allowing contractors to spend U.S.-appropriated funds immediately on reconstruction efforts.[109]

Notwithstanding this new spending authority, many program managers in Iraq found that, during the summer of 2003, their budgets were being cut because of CPA's shifting spending strategies. Consequently, some contractor staff demobilized, and some ongoing activities were canceled or de-scoped. One contractor had to lay people off, close regional offices, and scale down reconstruction efforts.[110] Other contractors were asked by CPA to slow down spending as the IRRF 1 program strategy was being revised.[111]

CPA's assumption of control over all reconstruction planning in June 2003 bred tension between CPA and USAID. As CPA expanded and began to exercise its broad authority, USAID contractors were required to coordinate their ongoing programs with the new strategic plan under development by CPA and the senior advisors. This collision of reconstruction management activities sometimes caused contractors to receive conflicting requests from different U.S. government entities or officials.[112]

Oversight of contractors became an immediate concern:

> The situation in Iraq was less than stable, and security was becoming a concern across the board. Security cost began to escalate rapidly and was the subject of almost daily briefings/discussions.... Not long after the award of the contracts, [USAID] did get four contract specialists into country to 'oversee' the contracts. I use that term rather loosely because I do not believe anyone was able to freely visit the contractor sites to see how progress was going...[113]

During this time, USACE faced growing challenges managing the expansion of the RIO project:

> Project management was not an issue, program expansion was. Our original mission was to restore the oil infrastructure to keep crude oil flowing, thus enabling the Iraqi government to receive funds to support their recovery. Our first add-on mission was to restore the production of [liquified petroleum gas] LPG for cooking and boiling of water. That task fell to the RIO team. Then benzene (auto fuel) became an issue (gas lines) and our mission expanded to include purchasing and transporting fuel from Kuwait. Repairs to the production infrastructure were adversely impacted by acts of sabotage, but completed prior to hand-off back to the Iraqi Ministry of Oil.[114]

Program Review Board

On June 18, 2003, in an effort to coordinate and prioritize reconstruction planning and projects, the CPA Administrator signed CPA Regulation 3, establishing the Program Review Board (PRB). The PRB reviewed proposed reconstruction projects—regardless of whether they were underwritten by seized, vested, DFI, or appropriated funds—and recommended expenditures.[115]

The PRB coordinator developed processes, forms, and instructions for requesting PRB approval for reconstruction projects. A database was created to track PRB-approved projects. Initially, this system only tracked the number of approved projects, and it provided no information on project status. This limited reporting capacity obscured visibility on the progress of reconstruction projects.[116]

Re-thinking the Relief and Reconstruction Program

During the summer of 2003, CPA developed a new reconstruction strategy that shifted the focus from a small-scale, discrete relief and development effort to an ambitious, large-scale reconstruction program. The shift in strategy was driven by the recognition that many initial assumptions that drove early planning proved off the mark.

> [Things] changed over the course of the summer of 2003 as the recognition set in that, in part because of the looting and in part because of the bad condition of the infrastructure...that the reconstruction issues [were] much larger than was originally believed and that the capabilities of the Iraqi ministries to do anything were very limited...[117]

In July 2003, CPA created its first strategic plan, which established five priorities: security, essential services, economy, governance, and strategic communication. The plan included broad goals and metrics but was not tied to a specific budget.[118]

Simultaneously, CPA worked with the interim Iraqi ministries to develop the 2003 Iraqi government budget, and the World Bank, United Nations, and Bechtel simultaneously conducted infrastructure assessments. Bechtel's assessment, completed in June 2003, identified approximately $16 billion of work in six infrastructure sectors.[119] The joint World Bank and United Nations report, a draft of which was completed in July 2003 (it was later published in October 2003), estimated that $56 billion was needed to meet median-term reconstruction needs.[120]

Iraq's available budget could not yet fund needed reconstruction projects, and thus CPA sought a very large U.S. appropriation. At that time, the United States was preparing for an October 2003 international donor conference. A review of previous donor conferences showed that other countries had been more inclined to support "soft" projects, including those focused on education and governance. So the CPA Administrator made a strategic decision to concentrate the supplemental request on security, justice, and infrastructure projects.[121]

Based on these assessments, and various input from Iraqi ministries, senior advisors, USAID, and USACE, CPA's budget and finance officials put together a large and ambitious supplemental request in less than two months. Participants in this process reported that there was little time or opportunity to debate.[122] In August 2003, the CPA Administrator submitted to OMB a multi-billion dollar relief and reconstruction funding request to begin the restoration of Iraq's infrastructure (original estimates ranged from $24-$27 billion[123]). In September 2003, OMB submitted a $20.3 billion request to the Congress, and in November 2003, the Congress passed legislation appropriating $18.4 billion to the Iraq Relief and Reconstruction Fund (IRRF 2).

THE LATER CPA PERIOD (AUGUST 2003 TO JUNE 2004)—RE-INITIATING THE PROGRAM

To manage its significantly expanded reconstruction program, CPA created the PMO in August 2003, giving this office the authority to oversee the execution of the thousands of projects funded by the $18.4 billion IRRF 2 program. The CPA Administrator directed PMO to develop a system to execute this program and oversee the implementation of more than 2,300 projects.

The Origin of the PMO

In the process of formulating its greatly expanded reconstruction program, CPA examined several program management options. CPA first considered having USACE, which was already overseeing projects in Iraq, manage the entire program. However, USACE officials demurred, contending that the agency did not have the capacity in Iraq to exercise oversight of this prodigious program.[124] USACE was heavily engaged in managing oil and electricity programs under Task Force RIO and Task Force Restore Iraqi Electricity. Its primary expertise rested in construction management and execution, and not the kind of planning, programming, and budgeting demands inherent in CPA's reconstruction program.[125] Moreover, USACE maintained that it could not rapidly secure sufficient staff[126] to manage the massive program in Iraq.[127]

CPA consulted with USAID about the structure and direction of the IRRF 2 program,[128] but USAID did not have the staff nor the organizational capacity[129] to manage so large an infrastructure-focused program. Additionally, CPA recognized that the Iraqi ministries were unable to manage the program, although they were included in the project selection process.[130]

When it became clear that neither USACE nor USAID nor the Iraqi ministries could manage the reconstruction program, CPA turned to a core group then serving within CPA, some of whom had significant infrastructure and engineering backgrounds. This group developed a concept paper that envisioned the formation of a new and novel program management office within CPA that would rely on contractors both for the management and the execution of the reconstruction program. That is, both oversight and execution of the program would be largely contracted out.

On August 15, 2003, the CPA Administrator approved the formation of the PMO and directed $10 million to fund its startup. To lead the effort, he appointed a retired U.S. Navy Rear Admiral, who was then the Deputy Senior Advisor to the Transportation and Communication Office Ministry.[131]

On September 6, 2003, OMB submitted CPA's $20.3 billion budget request to the Congress seeking supplemental funding for Iraq-related activities, a portion of which would "finance the most critical needs for security and infrastructure that cannot be met with anticipated revenues from oil sales until the entire oil infrastructure becomes more robust."[132] To support this request, CPA developed a 48-page document that discussed the current state of each of the key sectors, described illustrative projects, and provided estimated costs. However, the request included little analysis of how these costs were determined.

The following day, the President addressed the nation about funding Iraq's relief and reconstruction, stating that the United States "will provide funds to help [Iraq] improve security and…help them to restore basic services, such as electricity and water, and to build new schools, roads, and medical clinics."[133]

CPA immediately issued an information memo announcing the creation of PMO and detailing the mission of the office. The memo noted that:

> [The] implementation of such a large program, in such a short time, is an exercise unprecedented in the worlds of development and nation-building and will require an equally unprecedented effort in terms of its execution. [I have] therefore decided to establish a Program Management Office under CPA to drive this forward, with involvement from both the public and private sectors.[134]

On November 6, 2003, the Congress approved $18.4 billion for Iraq's relief and reconstruction. Compared to the IRRF 1 law, this legislation was quite specific, defining allocations among ten sectors and outlining a number of requirements and duties that CPA had to carry out as it implemented the program.

IRRF-2 KEY COMPONENTS

- **Ten sector allocations**:

IRRF 2 Original Allocations by Sector

Electricity	$5,560,000,000
Water Resources and Sanitation	$4,332,000,000
Security and Law Enforcement	$3,243,000,000
Oil	$1,890,000,000
Justice, Public Safety Infrastructure, and Civil Society	$1,318,000,000
Health Care	$793,000,000
Transportation and Telecommunications	$500,000,000
Roads, Bridges, and Construction	$370,000,000
Education, Refugees, Human Rights, and Governance	$280,000,000
Private Sector Development	$153,000,000

Table 2

- **Re-allocation across sectors**. Up to 10% could be re-allocated between sectors, but could not increase a sector's allocation by more than 20%.
- **Availability of funds**. Funds were to be available until September 30, 2006.
- **Cost to complete projects**. Before the initial obligations of funds, CPA and OMB were to submit a proposed project-by-project report, called the *Section 2207 Report*. The report would list the major projects under each of the ten sectors, the costs required to complete each project, and anticipated obligations for each three-month period. The first report was due by January 5, 2004.
- **Clarification of responsibilities**. The *2207 Report* required a list of agencies responsible for executing each project. The agencies included CPA, DoS, Treasury, DoD, USAID, and the Department of Health and Human Services.[135]
- **Capacity development**. Agencies receiving funds were encouraged to "provide significant financial resources, technical assistance, and capacity building to counterpart organizations led by Iraqis."[136]

The USG component of PMO was under-resourced from its inception, and thus PMO was dependent upon contractor support. When the Congress passed the supplemental funding legislation, the PMO director was supported by just two people from USACE and 14 contractors.[137]

PMO was **under-resourced from its inception** and was primarily dependent on contractor support. When the supplemental passed, the **PMO director was supported by only two people** from USACE and 14 contractors.

PMO Develops a Program Management Plan

PMO developed a Program Management Plan (PMP), the first draft of which was completed by October 2003; the final version was approved in March 2004. The plan detailed PMO's proposed organizational structure, financial controls, personnel needs, information management requirements, and project management tools. The PMP provided for the following:

Limited U.S. government personnel: PMO planned to hire "'just enough' United States government employees to perform inherently governmental functions, augmented by multiple program management contractors who [would] be engaged to oversee the large construction contracts, delivering this historic volume of work on an accelerated schedule."[138] PMO estimated that a staff of 100 government personnel would be needed to oversee the program.[139] The PMO director—a government employee—would be responsible for integrating and coordinating the program, allocating resources, clarifying roles and responsibilities, and establishing polices and procedures. A Director of Programming would be responsible for synchronizing efforts across all the sectors.

Private-sector management support: Seven program management organizations would work with a core team of government staff to perform program and project management. One contractor would "provide program management support to the CPA/PMO to facilitate overall program coordination and management"[140] and one to support the management of each of PMO's six sectors: security and justice; electricity; oil; public works and water; transportation and communication; and buildings, housing, and health. The PMO contractor and the Sector Program Management Office Contractors (SPMOC) would be "capable of providing the full range of program management services including but not limited to: integration and coordination; scheduling; resource management; estimating; acquisition and procurement support; logistics support…[and] task order development."[141]

A program management contractor described the model:

> The role of the program management office was to set policies, processes, and procedures. It was also to be the overall program manager and integrator of the sector programs. The sector program managers would write requirements and develop project packages. They would also work with the design-build contractors on the design of the projects. Once the design was established and the project determined, the Corps would step in to oversee the activities and provide construction management.[142]

Private-sector construction expertise: PMO proposed hiring twelve design-build construction companies with particular experience in each of PMO's six sectors to execute the work.[143]

Government construction management support: PMO asked USACE to provide construction management and quality control in each sector. A member of USACE was appointed Director of Construction, responsible for all "construction management, coordination, quality assurance, schedule, financial, and progress management at the PMO."[144] USACE was then establishing the Gulf Region

Division (GRD) to consolidate USACE's existing offices in Iraq under one command-and-control authority.[145] On January 25, 2004, USACE activated GRD, establishing its headquarters in Baghdad. GRD included three districts located in the northern, central, and southern regions of Iraq. Staffing for these districts and the division headquarters came primarily from four other USACE divisions. USACE members deployed to Iraq from these divisions on a rotating basis.[146]

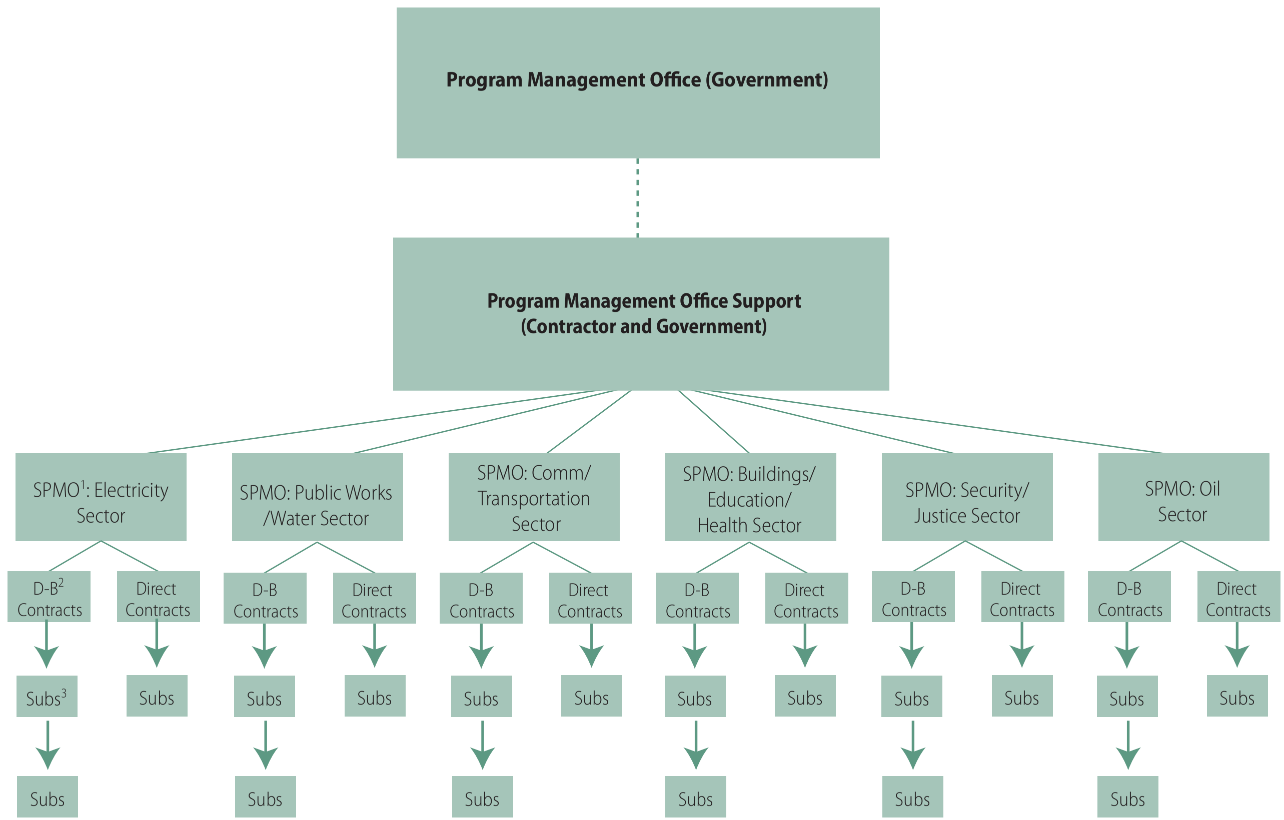
Contract administration: CPA's contracting office provided contracting officers to work with the PMO's program managers. GRD worked with the CPA's Head Contracting Authority (HCA) to divide up contract administration duties: GRD staff served as the administrative contracting officers, and HCA staff members served as the procuring contracting officers for PMO.[147] The head of the contracting office also served as the Director of Non-construction, responsible for the procurement of equipment, supplies, and services.

Integrated financial and information management: To manage costs and performance, PMO proposed the development of a new information management system that would track key performance indicators: cost, scope, and schedule. PMO expected to use part of the $50 million allocated in IRRF 2 for reporting and monitoring to fund this system.[148]

Utilization of Iraqis and capacity development: The PMP stated that the PMO would use "Iraqi capabilities—planners, administrators, contractors, subcontractors, suppliers, and other Iraqi personnel resources—to the greatest extent practicable."[149] PMO expected to coordinate with Iraqi ministries to develop project requirements and also expected the design-build contractors to transition their skills and knowledge to the Iraqi people. The transfer of knowledge, skills, and abilities was a requirement in the program management, sector program management, and design-build contracts.[150] This was expressed directly in design-build contractors' award fee: 40% of their possible fee was based on their ability to meet subcontractor goals and train, develop, and transition projects to the Iraqis.[151]

Figure 2 illustrates the various layers of PMO.

PMO's Layered Management Approach



[1] Sector Program Management Office (Contractors and Government)
[2] Design-Build
[3] Subcontractors

Figure 2

PMO Struggles To Execute Its Plan

PMO was heavily reliant on its management contractors, but there was confusion about the actual roles and responsibilities of the various actors within PMO.[152] In addition, a number of logistical issues impeded PMO's progress, including hiring staff, developing the new information management system, and creating a plausibly executable project plan. Resolving these issues consumed most of PMO's efforts from inception until March 2004, when the design-build contracts were all finally awarded.

DEFINING ROLES AND RESPONSIBILITIES

PMO's government staff and its program management contractors had different understandings of their respective roles and responsibilities. Specifically, there was confusion about the scope of the supervisory contractors' responsibilities.[153] To address this issue, PMO began to develop standard operating procedures (SOPs). A team of contractors and government employees were tasked to create the SOPs; however, they were not completed until the summer of 2004 and thus were never truly implemented during the life of PMO. One contractor observed that "you need a unified program management approach. [We] never got that, never got anybody to agree that we were on the right coordinated track."[154]

Inherently Governmental Function

The responsibilities of the program management contractors were not adequately detailed in their respective contracts. This was partly because of the "uncertainties of the reconstruction program."[155] The SPMOC contracts stated that "the duties to be performed under this contract [are] necessarily general. Attempting to develop a finite description of the tasks would serve little purpose given the irreducible uncertainties of the reconstruction effort."[156]

INHERENTLY GOVERNMENTAL FUNCTION

An inherently governmental function is one that "is so intimately related to the public interest as to mandate performance by Government employees." An inherently governmental function includes activities that require either the exercise of discretion in applying Government authority, or the making of value judgments in making decisions for the Government.

See FAR 7.5 for specific examples (online at: **http://www.acquisition.gov/far/current/html/Subpart%207_5.html#wp1078196**, accessed February 25, 2007).

This issue was not properly addressed until after the management contracts were awarded in March-April 2004. Only then were contractors asked to submit a program management plan that defined their roles and responsibilities within PMO.

In August 2004, a review by DCMA and the Defense Contract Audit Agency (DCAA) concluded that the contractors' program management plans were so broad that the contractors might have been performing inherently governmental functions. DCMA and DCAA recommended that these plans be approved only if they expressly limited the contractors' scope of work to non-governmental duties.[157] Later, a responsibility matrix was created to avoid any potential issue of contractors performing governmental duties, but the matrix was not made part of the contracts until the second year.[158]

FUNDING

Pursuant to the CPA Administrator's September 9, 2003 request, the OSD Comptroller approved $10 million in U.S.-appropriated funds to support PMO's operations for the first six months.[159] In addition, USACE provided $9 million to prepare the project plan and initial scopes of work.[160] During the fall of 2003, these funds supported PMO's staff.[161] Additional money was needed to hire government personnel to manage the program, but this funding was not yet available. *See infra* p. 61.

Thus, PMO was understaffed. PMO was structured such that "there could only be a few key government people providing oversight. The projects were many, so there needed to be a lot of contractor help to manage [the program]."[162] More than $200 million was allocated from IRRF 2 to fund the program management contractors.[163]

HIRING STAFF

In November 2003, when the IRRF 2 supplemental passed, PMO was staffed with 3 people and supported by 14 USACE contractors. By January 2004, eight government personnel were working in PMO.[164] PMO found that the government was not as agile as the private sector in hiring people, and some qualified candidates dropped out of the process because of lengthy delays.[165] In August 2004, a year after PMO was created, the office had only 50 of the 100 people that the director had requested.[166]

Finding people with a comprehensive understanding of program management—including the development of an appropriate cost, scope, and schedules for each project and task order—proved to be an enormous challenge.[167] In addition, the relatively short tours of some government personnel adversely affected continuity. Contractors hired people for one-year assignments, but the staff supplied by the various military services had tours of only four or six months, frequently with gaps during turnovers.[168]

At its inception, **PMO did not have an existing information management system** to track projects.

ESTABLISHING AN INFORMATION TECHNOLOGY SYSTEM

At its inception, PMO did not have an information management system to track projects. PMO leadership decided to fund the development of a specialized system to manage the program's projects, which was expected to be eventually provided to the Iraqis.[169] This decision was driven by the conclusion that "no existing DoD management solution provides the full complement of integrated capabilities that were required."[170]

PMO sought to have an operating data management system by January 15, 2004.[171] However, developing and implementing this system proved much more difficult than expected. First, PMO did not receive the $50 million earmarked in the supplemental appropriation for project management systems until May 2004. A SIGIR report on the use of these funds found that only $26.2 million was spent on system development. IRMO used the remaining funding for salary support.[172] Second, many of the program management and design-build contractors used different information systems; their contracts did not require all contractors to conform to a common standard.[173] The PMO contracting and finance departments also used different systems. Integrating and managing these various databases was virtually impossible.

The various information systems included:

- *Standard Procurement System (SPS) and Procurement Desktop-Defense (PD2)* —DoD's automated contracting system
- *Resident Management System (RMS)*—USACE's construction management system

"We **needed a system** just to [keep] track of the program. When you **lose track of a program,** a big program like this with [2,300] projects, **you never get it back.**"

- *Corps of Engineers Financial Management System (CEFMS)*
- *Primavera P3 (Project Management)*—commercial software for planning and scheduling
- *Maximo*—commercial software for asset management, which can also integrate other program elements, such as contract management

In January 2004, GRD's Director of Resource Management arrived to set up CEFMS, which is the USACE project tracking system. By February 2004, the first funding document was loaded into the system.[174] However, it took additional time to integrate all of the systems: they were not fully integrated until the spring of 2005. *See infra* p. 107.

Networking and storage space also posed significant challenges. Data storage capacity was limited, which constricted the ability of managers to maintain electronic files.[175] Interoperability was also a serious obstacle. One official noted, "there was no connectivity or linking to any other office, except for email."[176]

The delay in creating integrated information systems greatly hindered the capacity of program managers to oversee and control the program. PMO "needed a system just to [keep] track of the program. When you lose track of a program, a big program like this with [2,300] projects, you never get it back."[177]

NEGATIVE EFFECTS OF AN ACCELERATED TIMEFRAME: DEVELOPING THE PROJECT PLAN, ESTABLISHING METRICS, AND MANAGING EXPECTATIONS

After the supplemental funding request was submitted to OMB, a team of consultants worked from October until December 2003 to help PMO develop the specific projects that would make up the PMO's reconstruction program. They worked with the senior advisors and ministries to determine the project list. The CPA Administrator directed that the CPA's senior advisors and the Iraqi ministries—not the PMO—should determine which projects would be funded under the IRRF 2 plan.[178] But the involvement of the ministries varied. Some ministries had "designs sitting on their shelf," while others were not prepared to participate.[179]

USACE contractors identified about 5,000 projects, developed rough cost estimates (including security and program management costs) for each, and then prioritized the projects based on need and available funding. Lower priority projects fell below the funding cut line, and these proposals were given to Iraq's Ministry of Development, Planning, and Cooperation, which was expected to work with other donors to fund them.

On December 1, 2003, the prospective project list was passed to the CPA Administrator. Over the next nine days, CPA regional advisors and military commanders in the field reviewed and further prioritized the projects.[180] A final list of approximately 2,300 projects was completed on December 10, 2003, and sent to Washington, D.C., for final approval. This list was approved and incorporated into the first *Section 2207 Report* to the Congress, submitted on January 5, 2004.[181]

However, PMO was severely limited by time and resources during the formulation of its program:

> Forty-five days is not enough time. I don't care how hard you work, or how good you are, or how smart you are, or what your agency is, that's not enough time to put [an $18.4 billion] program together.[182]

At this time, CPA had also not tied this spend plan to its July 2003 strategic plan. In September 2003, the Deputy Secretary of Defense tasked a team within the OSD to assist with the development of CPA's metrics.[183] One of the team's first tasks was to link CPA's strategic plan to the supplemental request. Based on the supplemental allocation, CPA's five goals were funded as follows:[184]

- security: $4.315 billion
- essential services: $13.246 billion
- economy: $563 million
- governance: $563 million
- strategic communication: no funding

The CPA supported the development of metrics and continually monitored outputs in the oil, electricity, and water sectors. However, the CPA's capacity to consistently collect and analyze information on the entire reconstruction program decreased in November 2003 when the USG decided to transition responsibility to the IIG by June 30, 2004. This decision forced the CPA to focus more of its attention on the immediate steps required for a successful political transition rather than on longer term reconstruction goals.[185] Program managers did not develop a consensus on the benchmarks for more specific outputs across all sectors until after June 2004. *See infra* p. 102.

Managing expectations became a growing challenge for the PMO during this period. The understanding was that the work would be done quickly:

> We were going to build the whole thing the first year. That was the message to the outside. No matter how hard we tried, that was the measuring stick that came over every video teleconference, not spending enough, not doing enough projects...Somehow we did not get the expectation right on what it would take to do $18 billion worth of work.[186]

After the supplemental request passed in November 2003, the Deputies Committee continued to debate the purpose of the money and how it would be managed. There was disagreement about the PMO, who should be responsible for the money, and what types of projects should be funded. This delayed the procurement of the design-build and program management contracts—and consequently, the execution of projects—by 30 to 45 days.[187]

The delay in the arrival of IRRF 2 funds had a severely constricting effect upon the reconstruction program.[188] In addition, once money did arrive, the emphasis focused on project starts and amounts obligated and expended. Some failed to consider the inevitable time constraints associated with preparing designs, hiring subcontractors, and initiating work.[189]

Project Execution Delays: Before the Design-build Contractors Arrived

Between September 2003 and March 2004, before the arrival of the design-build contractors, several factors combined to slow the reconstruction effort. Existing government organizations lacked the capacity to manage "the scale and complexity of the reconstruction effort funded by IRRF 2,"[190] but the decision to create PMO—and the significant amount of time and resources it took to develop the new office and hire its supporting contractors[191]—directly affected the execution of projects. With respect to existing projects, managers continued to face shifting priorities and changes in funding, which affected their capacity to execute according to project schedules. For new activities, including the procurement of non-construction goods and services, the lack of operational systems and effective procedures limited progress.

SHIFTING PRIORITIES

CPA's decision to focus on large infrastructure projects created a deep division[192] among those involved in the reconstruction effort about the appropriate priorities for reconstruction.[193] Several USAID officials operating in Baghdad during this time did not agree with CPA's direction,[194] and argued that more funds were needed for agriculture, democracy, and economic reform (including private-sector business development).[195]

> If I go to an elected official and say what do you need, they're going to say build me something. They're never going to say…please put me through the tortured process of [for instance] reforming our oil pricing system…. What needs to be done is never what the politicians ask for….
>
> So, the reason the substantive issue was so difficult is that those of us who…were arguing, you know, do this stuff first, don't build stuff, but on the other hand, I read the same…public opinion surveys that [others] read…and there was a huge imperative to build things.[196]

USAID developed a budget, which would have allocated $5 billion of IRRF 2 to the agency as follows:

- Infrastructure: $3.25 billion
- Health, Education, and Humanitarian Assistance: $250 million
- Economic Governance, Agriculture, and Marshlands: $550 million

- Local Governance, Elections, and Community Programs: $800 million
- Monitoring and Evaluation: $150 million

This proposed budget was not included in the final supplemental request. However, by March 2007, USAID received approximately $3.9 billion of IRRF 2 funds.[197] *See infra* p. 86.

Agreeing on who ultimately held decision-making power for the reconstruction programs and project selection was a problem. PMO executed the program, but was not the decision-maker. The senior advisors were the authorities on what projects should be funded and the direction of the overall program. "Ultimately, [the CPA Administrator] was the decision-maker."[198] Others involved with PMO, however, reported that conflicting agency interests hampered good decision-making.

> We thought we knew, we were told who the decision-makers were, but the truth is on the ground…you had all of these advisors out in the various areas, you had all the [military] commanders [and] sometimes those priorities did not match and then you talked to the ministers or you talked to the leaders in the local Iraqi areas, and you were trying to overlay all those desires and hit a high pay-off target where they all say it was a priority.[199]

This tension created management challenges, but differences in priorities and opinions also presented significant challenges at the contractor level. In its audit of a USAID economic reform project, the USAID Office of Inspector General (USAID OIG) found that of 38 planned activities, 10 had been completed, 6 were cancelled, and 22 were ongoing, as of May 31, 2004.[200] The audit found that some of the delays were the result of CPA's changing strategies:

> One of the challenges was the limited control that USAID/Iraq had in managing this program. As a development agency, USAID often adopts a long-term perspective that focuses on building the host country's capacity and self sufficiency in order to promote self government. On the other hand, the CPA was more focused on addressing near-term priorities that would affect an orderly transition of power to a sovereign Iraqi government. Consequently, there were different priorities based upon these discrete institutional approaches and roles. As a result of the different priorities, the Mission could not exercise its normal latitude and control in addressing problems in the design and implementation of its activities.[201]

USAID OPERATIONS DURING CPA/PMO

In September 2003, USAID's reconstruction portfolio included projects in health, economic governance, local governance, infrastructure, and education. Contractors had spent the previous spring and summer mobilizing, developing work plans, and commencing initial activities. USAID's September 23, 2003 report highlighted some of its ongoing projects: infrastructure work and equipment repair at Baghdad's International Airport; assessments and repairs of key bridges; identification of more than 500 community activities through the community action program; an accelerated program to rehabilitate 1,000 schools by October 2003; teacher training initiatives; the emergency repair and rehabilitation of power generation facilities and electrical grids; the distribution of health kits; the award of more than 800 rapid-response grants; opening the Port of Umm Qasr; the establishment of local councils; and renovations of major sewage treatment plants.[202]

After PMO was created, the scope of USAID's operations significantly changed. Under IRRF 1, OMB apportioned reconstruction money directly to USAID, which gave the agency both fiduciary and executive responsibility for projects approved by ORHA or the CPA.[203] Under IRRF 2, however, PMO "kept track of the funds and managed the overall program."[204] PMO managed the scope of USAID's project activity under IRRF 2, which created friction between USAID and CPA/PMO: "[USAID] did not like the control that [PMO] exercised."[205]

However, this coordination was required as PMO was in charge of all reconstruction activities funded by IRRF 2, and the Army was fiscally responsible for the execution of IRRF 2 funds.[206]

FAILING TO USE EXISTING CAPACITY

From September 2003 to March 2004, only a limited number of organizations focused on infrastructure construction efforts because the design-build contracts were not issued until March 2004.[207]

Some of the military units with the capacity to execute reconstruction projects failed to receive resources needed because of the centralized structure of the program:

> We have the [PMO] working in August, September, October, November [2003] with almost no people to determine what the requirements are, even as military units across Iraq had had to submit any project that was valued at over $10,000 to Baghdad to be prioritized. We had hoped [these projects would] one day be funded and executed by someone since we weren't authorized to execute it, even though we had designers, construction managers, quality assurance inspectors, contracting officers, finance officers. We had people, communications, transportation, security, and we had identified these requirements....When [the CPA Administrator] visited in mid-May to Mosul as an example, we gave him $20 million of scope of estimated work that needed to be done; we got $200,000. We left that capacity on the table for a year...that was a huge loss, and it was a loss because of this compartmentalization and this over-centralization.[208]

Bechtel's second infrastructure contract, awarded in January 2004, was intended to bridge Bechtel's first contract and the design-build contracts that PMO would manage. When the contract was awarded, Bechtel set up its organization and mobilized staff to manage a $1.8 billion program. Bechtel's task orders were not issued as quickly as originally anticipated: between January and April 2004, Bechtel received only six job orders, totaling approximately $213 million.[209]

Bechtel was fully mobilized and could have moved forward to increase services throughout Iraq, as PMO awarded the other design-build contracts.[210] In addition, the delay increased Bechtel's overhead costs, thus reducing the amount available for actual construction.

CPA INITIATIVES TO MEET IMMEDIATE NEEDS

During early 2004, CPA expanded the use of DFI funds for the reconstruction program, pending the award of the design-build contracts. CPA thereupon created a new program, the Accelerated Iraq Reconstruction Program (AIRP) and provided more funding to CERP and the Rapid Regional Response Program (R3P).

CPA had created R3P in September 2003 as a civilian equivalent to CERP. The program was "designed to provide maximum flexibility to regional and governorate coordinators in implementing projects responsive to the needs in their areas of responsibility."[211] The R3P was funded by approximately $250 million in DFI funds[212] and focused on job creation and small, high-impact projects.[213]

By January 2004, regions could execute programs up to $500,000 (up from $200,000) without prior Regional Program Coordinator approval.[214] However, in at least one region, "personnel did not use effective procedures to monitor performance of contracts; and, in some cases, projects were not monitored at all."[215] SIGIR investigations uncovered a criminal scheme involving R3P funds in Hilla, Iraq, resulting in the prosecution and imprisonment of several individuals.

In April 2004, the CPA Administrator initiated the AIRP in ten strategic cities: Baghdad, Ba'quba, Falluja, Mosul, Ramadi, Samarra, Tikrit, Najaf, Diwaniya, and Kerbala. Teams deployed to these cities to help local officials prioritize projects. Technical experts assisted with the development of scopes of work, and provided contracting support.[216] Many of the AIRP projects focused on water and sanitation.

According to a June 22, 2004 DoD status report, the AIRP had employed 5,400 Iraqis on projects.[217] Some of those employed completed site preparation work in anticipation of the design-build contracts.[218] At the time of transition, 33 contracts valued at about $130 million had been awarded,[219] and approximately 150 projects, totaling $277 million, had been approved. *See infra* p. 101.

INITIAL LOGISTICS CHALLENGES AND DELAYS

The IRRF 2 supplemental request originally focused on infrastructure projects, not equipment. However, during the development of the first project spend plan, it became clear that senior advisors and the Iraqi ministries wanted funds for non-construction equipment and materials. The spend plan included approximately $4 billion for non-construction and $1.8 billion for capacity building.[220]

In December 2003, the head of PMO asked a Marine Corps Colonel to be PMO's Director of Reconstruction Logistics, responsible for the acceptance, storage, and wholesale distribution of non-construction equipment and materials. Non-construction items included fire trucks, spare parts, hospital furniture, pumps, generators, and many