

Testimony of Ambassador Lawrence E. Butler
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Chairman Waxman, Ranking Member Davis, members of the Committee, thank you for providing me the opportunity to testify today.

During the course of my career with the Department of State, I have served in countries like Finland and Denmark where corruption is virtually unheard of. This year they rank first and second in Transparency International's list of least corrupt societies. I have also served in countries that emerged from the break up of the former Yugoslavia where corruption had long been a way of life, and thanks to sanctions, conflict and transition from totalitarian communist regimes, corruption and law breaking was essential for survival at every level of society. Politicians sought elected and appointed office precisely to access public resources for personal and partisan benefit. The shift from socialist to private ownership was frequently characterized as brazen daylight robbery by insiders, organized crime and regime cronies. I may have contributed to coining the term, "crony capitalism" to describe Milosevic's kleptocracy during my service in Belgrade.

We can therefore, by extension and without knowing any facts, presume that corruption should also be a serious problem in Iraq, as it is in practically every other country in the throes of emerging from dictatorship and conflict situations. None of us should underestimate the challenges of establishing strong and transparent government institutions in the wake of a dictatorship where corruption was woven into the fabric of government. And none of us should underestimate the challenge of rooting out

corruption in a combat zone, even one where violence is diminishing as we have seen over the past six months.

The Department of State has devoted considerable effort and resources to helping courageous Iraqis establish mechanisms and procedures to investigate and prosecute corruption. This is paralleled by efforts to build the technical capacity of public institutions to execute their budgets in transparent and accountable ways. It is fair to say that we probably do not have a program in the ministerial capacity development area that doesn't seek to build an environment in which corruption is less prevalent. There have been, as we say, negative impacts due to the immutable law of unintended consequences; mid and senior level bureaucrats have become gun-shy about signing off on tenders and contracts for fear that they may later be prosecuted. A well-intentioned but clumsily administered anti-corruption system can punish the wrong people.

Our assistance ranges across a comprehensive spectrum -- inter alia, providing training to Iraqi anti-corruption teams, securing armored vehicles and body armor for them, and recommending changes in specific laws that we believe would help to stem corruption. We are encouraged by what has been achieved to date, while fully recognizing that much more needs to be done before Iraq's own anti-corruption effort is sustainable.

This year, the Embassy established an Office of Accountability and Transparency with responsibility for overseeing our anti-corruption programs. We continue to add staff, including specialists in anti-corruption. We urged the Government of Iraq to establish its own interagency body to coordinate anti-corruption efforts and to share best practices and they have done so by creating the Joint Anti-Corruption Council (JACC).

We have welcomed the recommendations of Mr. Bowen and the Office of the Special Inspector General for Iraq Reconstruction and are taking steps to implement them.

Although I represent the Department of State at this hearing, it is important to note that many other U.S. government agencies – including the Department of Justice and the

Agency for International Development – have also made combating corruption an important part of their missions, and programs, in Iraq. We pursue these efforts across the country, and not just in Baghdad. At the grass-roots level, for example, the Department of State funds a number of non-governmental organizations that target corruption and are seeking to create a civil society where government transactions are transparent and subject to the rule of law.

I would be happy to answer your questions. I know you appreciate that some details, if discussed outside of a classified setting, can endanger the lives of those involved as well as our ability to work with the Government of Iraq.