

# IRAQ: IS RECONSTRUCTION FAILING?

---

---

## HEARING BEFORE THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

—————  
MAY 22, 2007  
—————

**Serial No. 110-75**  
—————

Printed for the use of the Committee on Foreign Affairs



Available via the World Wide Web: <http://www.foreignaffairs.house.gov/>

—————  
U.S. GOVERNMENT PRINTING OFFICE

35-677PDF

WASHINGTON : 2007

---

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Internet: [bookstore.gpo.gov](http://bookstore.gpo.gov) Phone: toll free (866) 512-1800; DC area (202) 512-1800  
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON FOREIGN AFFAIRS

TOM LANTOS, California, *Chairman*

HOWARD L. BERMAN, California	ILEANA ROS-LEHTINEN, Florida
GARY L. ACKERMAN, New York	CHRISTOPHER H. SMITH, New Jersey
ENI F.H. FALEOMAVAEGA, American Samoa	DAN BURTON, Indiana
DONALD M. PAYNE, New Jersey	ELTON GALLEGLY, California
BRAD SHERMAN, California	DANA ROHRBACHER, California
ROBERT WEXLER, Florida	DONALD A. MANZULLO, Illinois
ELIOT L. ENGEL, New York	EDWARD R. ROYCE, California
BILL DELAHUNT, Massachusetts	STEVE CHABOT, Ohio
GREGORY W. MEEKS, New York	THOMAS G. TANCREDO, Colorado
DIANE E. WATSON, California	RON PAUL, Texas
ADAM SMITH, Washington	JEFF FLAKE, Arizona
RUSS CARNAHAN, Missouri	JO ANN DAVIS, Virginia
JOHN S. TANNER, Tennessee	MIKE PENCE, Indiana
GENE GREEN, Texas	JOE WILSON, South Carolina
LYNN C. WOOLSEY, California	JOHN BOOZMAN, Arkansas
SHEILA JACKSON LEE, Texas	J. GRESHAM BARRETT, South Carolina
RUBEN HINOJOSA, Texas	CONNIE MACK, Florida
JOSEPH CROWLEY, New York	JEFF FORTENBERRY, Nebraska
DAVID WU, Oregon	MICHAEL T. McCAUL, Texas
BRAD MILLER, North Carolina	TED POE, Texas
LINDA T. SANCHEZ, California	BOB INGLIS, South Carolina
DAVID SCOTT, Georgia	LUIS G. FORTUÑO, Puerto Rico
JIM COSTA, California	GUS BILIRAKIS, Florida
ALBIO SIRES, New Jersey	
GABRIELLE GIFFORDS, Arizona	
RON KLEIN, Florida	

ROBERT R. KING, *Staff Director*

YLEEM POBLETE, *Republican Staff Director*

# CONTENTS

---

	Page
WITNESS	
Stuart W. Bowen, Jr., J.D., Special Inspector General for Iraq Reconstruction, Office of the Special Inspector General for Iraq Construction .....	9
LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING	
Stuart W. Bowen, Jr., J.D.: Prepared statement .....	14
APPENDIX	
Material Submitted for the Hearing Record .....	53



## IRAQ: IS RECONSTRUCTION FAILING?

---

TUESDAY, MAY 22, 2007

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, DC.*

The committee met, pursuant to notice, at 10 o'clock a.m. in room 2172, Rayburn House Office Building, Hon. Thomas Lantos (chairman of the committee) presiding.

Chairman LANTOS. The committee will come to order.

Just 1 year ago, United States contractors and army engineers put the finishing touches on a highly touted renovation to the maternity hospital in Erbil, northern Iraq. The \$6.8 million project promised to convert the dilapidated hospital into a modern state-of-the-art medical facility.

Today, the backed up drainage system spews disgusting water through many of the hospital's floor drains, water contaminated by used syringes, drug vials and bandages, an incinerator for medical waste disposal lies idle because the workers initially trained to operate it are no longer employed by the hospital. The new water purification system is broken. Hospital workers use dangerous and unstable, old oxygen tanks rather than the approved system installed by U.S. contractors simply because they do not feel adequately trained on the new high-tech system.

This is just one of scores of projects among the many so-called "completed" reconstruction projects in Iraq that are now literally crumbling. These are the projects we handed off with so much fanfare. It is simply outrageous that we are mired in the same mud of incompetence that we got stuck in last year and the year before that. But knowing the administration's abysmal track record on Iraq reconstruction planning, this is no surprise.

One of the early bumbles in planning for reconstruction involved financing. If we had started on a path that offered the Iraqis real incentives in rebuilding their country, today's pitiful state of affairs might be different.

In the fall of 2003, just as the reconstruction effort was beginning, the distinguished chairman of our Appropriations Committee, David Obey, and I co-sponsored an amendment to provide half of the reconstruction funding as loans, and the other half as grants. The loans would have ensured that the Iraqis had a real stake in the success of infrastructure projects, and would have encouraged them to fulfill their obligations quickly. Iraqis would have been motivated to take ownership over the rebuilding of their own country.

But the administration and the Republican-led Congress stonewalled the loan plan, which, incidentally, would have preserved

some of the reconstruction monies for the U.S. taxpayers who have been paying through the nose every day. There is no accountability. The Iraqis who secured these contracts can essentially take the money and run.

Many of them have done just that, as described again and again in the reports of our distinguished witness, Stuart Bowen, the Special Inspector General for Iraq Reconstruction. And some U.S. contractors who have lined their pockets with taxpayer dollars are not accountable to anyone, either. This stunning mismanagement seems to be why many of the endeavors are executed so shoddily.

The revelation in Mr. Bowen's latest quarterly report that new facilities are crumbling is equally as troubling as the data on incomplete projects. Some of the supposedly completed ventures are actually houses of cards ready to collapse. In a sampling of eight projects across different sectors, Mr. Bowen's office found that seven were no longer operating as originally designed.

The culprits on the ground apparently include plumbing and electrical failures, lack of proper maintenance, outright looting, and expensive equipment lying idle. But the real blame lies at the feet of the administration.

The President did not follow the sage rule of his former Secretary of State, "If you break it, you own it." The administration instead applied some weak glue and then hoped against hope it would not fall to pieces. This situation is beyond unacceptable. It is serious misconduct. But we must be forward-looking now. And the only way to plan adequately for the future is to ascertain the most accurate state of the present. That is why it is so crucial that the Office of the Special Inspector General for Iraq Reconstruction bring an unvarnished, independent, and enormously useful viewpoint on the rebuilding of Iraq. Let me just review a few of the startling facts Mr. Bowen has uncovered in his latest report. I do this not as an academic exercise or to erect a fruitless scoreboard, but to underscore the vast improvement we need to make in so many aspects of Iraq's reconstruction.

Iraq loses perhaps \$5 billion a year to the waste created by corruption. Only eight primary health centers have been opened, nowhere near the original goal of 150. The country has the capacity to produce just 2.5 million barrels of oil per day. Our original goal and promise 4 years ago was over 3 million. Water projects have made drinkable water available to only 5.5 million of the 8.5 million people who had been expected to receive it.

With these kinds of gaps, there are clearly massive failures throughout the construction, implementation and managements of projects in all of these sectors. It is plainly apparent that the Iraqis are not getting the basic services they need, and are not being trained to obtain them.

An axiom of development aid says that if you give a man a fish, he will eat for a day, but if you teach him how to fish, he will eat for the rest of his life. When it comes to reconstruction, we have not even stocked the pond, let alone taught the Iraqis how to fish. We must make sure that future plans include training the Iraqis to maintain their society, not just fill it with fly-by-night facilities that soon deteriorate or become obsolete.

It is now my pleasure to turn to my distinguished colleague, the committee's ranking member and my good friend, Ileana Ros-Lehtinen, to make any comments she may wish to make.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman, for calling this important and timely hearing. Serious errors have been made and continue to be made in the reconstruction process. We must learn from these, and achieve long-term reconstruction goals which are directly intertwined with long-term security and stability objectives. We must work to increase the ability of the Iraqi Government to provide adequate jobs, water, fuel, and electricity. Other issues that must be considered as part of any assessment concerning the future direction of reconstruction efforts are the root causes of the high rates of absenteeism within the security forces, poor Interior Ministry reporting, inadequate vetting mechanisms to prevent sectarian and militia influences from infiltrating Iraqi security forces, inadequate systems to account for personnel, and inexperienced staff with limited budgeting and technology skills. Both security ministries have difficulties acquiring, distributing, and maintaining weapons, vehicles, and equipment.

I have met with Mr. Bowen in the past, and I have great respect and admiration for the work that he has done. I hope that in his remarks this morning he can comment on the performance of the Iraqi security forces, including the Iraqi Army, National Police, and Iraqi Police. Based on your observation from your most recent trip to Iraq, how are the security assistance programs adapting to this new environment as a result of the Baghdad security plans?

Iraq will also continue to require United States and international support, including political and economic incentives to strengthen its government institutions, to eliminate corruption, to stimulate employment, and deliver essential services. I hope that Mr. Bowen will elaborate on the recommendations that he made in the March 2007 report regarding the development of multi-year programs and financing strategies that accommodate both short-term and long-term programs.

If we are to achieve the desired result, we must approach our reconstruction efforts in an integrated manner, and I know that you are going to be talking to us about the recommendations to better integrate these relevant U.S. agencies, and one of the items that was discussed was a Goldwater-Nichols-type approach to reform.

In assessing the lessons learned from our experience in post-conflict reconstruction in Iraq, we must improve our programs to ensure a stable, secure, free Iraq that will be a partner for the United States in fighting Islamic militants in the region and beyond.

Thank you again, Mr. Chairman, and I thank our witness for appearing before us.

Chairman LANTOS. Thank you very much.

I am pleased to recognize my friend from New York, Chairman Ackerman.

Mr. ACKERMAN. Thank you very much, Mr. Chairman.

Two months ago Mr. Bowen appeared before a joint hearing of the Middle East and South Asia and International Organizations, Human Rights, and Oversight Subcommittees, and told us that he was cautiously optimistic regarding reconstruction efforts in Iraq.

Two months later I am not sure that I share Mr. Bowen's optimism.

Two months ago the Iraqi Government was still not producing either oil or electricity at rates that matched pre-war performance, nor were they able to spend a significant amount of the money they had budgeted to improve either situation.

Two months later the same can still be said.

Last week the Government Accountability Office reported that over the last 4 years between 100,000 and 300,000 barrels of oil a day went unaccounted for. I used to have a car like that. [Laughter.]

It is just gone. GAO figures at an average price of \$50 per barrel that amounts to somewhere between \$5 million and \$15 million a day that may have been stolen, siphoned, or more likely, not even produced. What the GAO has uncovered here is that neither the Iraqis nor we know precisely how much oil is being produced.

After having spent more than \$2 billion of the American taxpayers' money on rebuilding Iraq's oil infrastructure, you would think that we would at least know how much oil was being produced.

Since oil revenue makes up 95 percent of Iraq's income and since oil production is one of the milestones we are using to measure reconstruction progress, it seems to me that precision in this regard would be something of a priority. On the up side I suppose it is possible that Iraq is actually producing much more oil than we thought, more than they reported, but somehow I doubt it. So for the past 4 years Iraq has actually been missing its oil production targets by a lot more than we had previously thought.

A similar situation exists in the electricity sector, but at least there the Iraqis seem to be able to measure how much electricity is being produced. The only problem is that it is simply nowhere near enough. Three billion dollars later and Baghdad still has less electricity than before the war. The Iraqis have had the same target for producing electricity since it was established by the CPA in 2004, and have fallen consistently short.

There are lots of reasons for both these situations as well as the other areas where reconstruction has fallen short, like the lack of enough clean drinking water or the many hospitals and clinics that have been refurbished but lack enough doctors to provide care. The total absence of anything like a passive security environment has to be at the top of anyone's list as the chief culprit for reconstruction failing, and while Mr. Bowen makes a valid point about other projects having been successfully completed until the big things get done, and done right, the little things don't count for enough.

So Mr. Bowen's cautious optimism notwithstanding 4 years into our ill-conceived effort to reconstruct Iraq, this social studies teacher would give it an F.

Chairman LANTOS. Thank you, Mr. Ackerman.

The gentleman from California, Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman, and I appreciate both your words and those of Ranking Member Ileana Ros-Lehtinen. There is much wisdom in both of them.

I think that if there is any blame that we can have about things we haven't done totally right in this committee in the past, I think

the criticism in the past that we have not had as much of an emphasis on this type of oversight, I think would be justified criticism, and so I am very pleased that the chairman now is taking steps to make sure that we are a player in making the decisions to make sure that our money is not being wasted.

Mr. Bowen, I know who you are, and we have spoken. I respect you, and I thank you for the serious job that you are doing and the responsible job that you are doing.

Dealing with corruption and incompetence is not an easy job in the middle of a conflict, and I will just say, Mr. Chairman, I have seen this firsthand in various conflicts that I have been involved with one way or the other, and people on your side who are trying to create a better world against an evil enemy, perhaps many of them sometimes turn out to be corrupt, and you don't know what to do about it, and other times they are incompetent, and you don't know what to do about it because you are fighting an evil enemy and you don't know how to make it work even though the goal is noble.

I think that may be what is going on in Iraq today, and I appreciate this hearing to make sure we can delve into that and have a deeper understanding, and perhaps some of it.

Thank you, Mr. Chairman.

Chairman LANTOS. Thank you very much.

The gentlelady from California, Ms. Watson.

Ms. WATSON. Thank you so much, Mr. Chairman, and I welcome Mr. Bowen back from Iraq. Glad to see you are back safely.

Mr. BOWEN. Thank you.

Ms. WATSON. And I want to thank you, Mr. Chairman, for holding this hearing. From the start we have sought to solve a political challenge without any thoughtful comprehensive political strategy, and the result is this situation we find ourselves in today. All of us who would like to see Iraq become a democracy unfortunately, Mr. Chairman, our own actions have hobbled this effort.

The foundations of democracy are transparency and accountability, yet in Iraq we have only shown the Iraqis how not to build these foundations. Our contracts and reconstruction plans for Iraq are opaque old egg with no bid and cost-plus contracts being the norm. The CPA under Paul Bremer managed to misplace \$9 billion—that is right, “billion” with a “b”—and the U.S. Government officials in charge of these failures have still not been held accountable by this administration.

Mr. Chairman, these are terrible examples for the fledgling Iraqi Government, and to people who are looking toward us as to how to do a democracy the right way. These are the bitter fruits of the arrogance and the willfully ignorant approach to this war from the beginning.

I applaud you, Mr. Bowen, for your efforts to root out fraud, waste, and abuse in our reconstruction efforts, but despite your talents we cannot find what is the most sorely needed thing in Iraq, and what it is is an effective political strategy for disengaging our forces and re-engaging our partners. Until we can build up their democracy so it is functional, we should not invest our own taxpayers' dollars.

So thank you, Mr. Bowen, for going there and gathering the facts, and bringing them back to us.

Thank you, Mr. Chairman.

Chairman LANTOS. Thank you very much.

The gentleman from Florida, Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman. I will waive my opening statement and look forward to the testimony.

Chairman LANTOS. The gentlelady from Texas, Ms. Jackson Lee.

Ms. JACKSON LEE. Thank you very much, Mr. Chairman, for the hearing, and the ranking member as well. I appreciate the oversight role that this committee has taken in the 110th Congress.

Mr. Bowen made mention of the fact that he spent a number of years or did times in Texas, and for that I appreciate him even more, and I know, frankly, that he understands how to make things work.

This hearing will probably exhibit a lot of peaking frustration. Having gone to Iraq for the first time under the jurisdiction or the administration of Paul Bremer and hearing a lot of glorious accolades as to what was going to happen, and now seeing that the mountain top really truly was not that. One of the big mistakes, of course, was—I call the word “hoarding,” meaning that as we had some glimmer of hope in the early stages right after the war when Paul Bremer was there, many of us argued vigorously that we embrace the help that was offered by the neighbors, our surrounding Mid East neighbors to help Arabic speakers, in fact, the help that the European Union was trying to offer, so that not only could there be an expanded spread of the amount of resources necessary, but there could be added stakeholders.

And why is that relevant to this whole issue of reconstruction? Because, frankly, as you make your presentation the world sees that the failure of Iraq in its non-reconstruction falls heavily on the shoulders of the United States, and our heavy emphasis on the Iraqi National Police and national forces, \$15.5 billion, their failure to adequately be seemingly able to rise to the occasion, all is emphasized, if you will, on us.

So my concern as you make your presentation is whether or not there is a future, whether or not there is hope in terms of what you have been able to find.

I thank the chairman for this. My frustration is peaking. I think it has been a complete failure, and I think the administration is on the wrong track. I hope, however, for the people of Iraq we will find a way to provide them with a better quality of life.

I yield back.

Chairman LANTOS. The gentleman from Colorado, Mr. Tancredo.

Mr. TANCREDO. I have no opening statement, Mr. Chairman. Thank you.

Chairman LANTOS. The gentleman from North Carolina, Mr. Miller.

Mr. MILLER. I will pass on an opening statement.

Chairman LANTOS. The gentleman from South Carolina, Mr. Barrett.

Mr. BARRETT. No opening statement.

Chairman LANTOS. The gentlelady from California, Ms. Woolsey.

Ms. WOOLSEY. Thank you, Mr. Chairman.

We shouldn't be in Iraq in the first place. We have destroyed a sovereign nation, their economy and their infrastructure. We continue to stay and embolden the insurgents who have continued the destruction. What we should be doing is bringing our troops home safely, investing only in their safe return home, and then investing in helping Iraq rebuild its nation, but not militarily; helping them through non-military means.

That, as far as I am concerned, is the only way we will get corruption out of the system. We need to give the Iraqis the pride in their own nation. We need to support them in their rebuilding, and we need, in turn, to add to their economy. We have to stop the drain of U.S. dollars going to corrupt U.S. contractors, and it is just a shame that we are there in the first place.

But we can do this, but we can't do it by—and I will say this later in my remarks—by having legislation that has benchmarks on the Iraqi Government that will then in turn punish them by taking away any of their reconstruction dollars when we are the ones that are there destroying their country along with their insurgents, but we are emboldening the whole process.

It is a closed circle. We have to stop this. I thank you.

Chairman LANTOS. The gentlelady from Arizona, Ms. Giffords.

Ms. GIFFORDS. Thank you, Mr. Chairman. I appreciate the opportunity to hear from Mr. Bowen today, and I also appreciate the testimony that you have provided and you are going to talk about in terms of this really critical issue, which is Iraqi reconstruction.

We have spent about \$35 billion, the United States, on reconstruction efforts so far in Iraq, and of course, we have lost over 3,000 soldiers with about 25,000 other soldiers being wounded. When our forces went into Iraq, we went in swiftly and decisively, and of course, we removed Saddam Hussein, but, unfortunately, since that time we have seen the civilian leadership in Iraq has failed to win the peace and helped to really build a secure, stable environment in order to help with the reconstruction efforts.

Just consider the news stories from the last 48 hours, at least 25 people were killed and 60 wounded when a car bomb exploded near a popular market in the Amil district in southwestern Baghdad. At least four college students were killed in the last 48 hours and 25 wounded in a mortar attack at a college in northern Baghdad, and then two bodies of airport workers in the Arbil were shot and found tortured in the town of Ramadi.

When I look at the provincial reconstruction efforts that are taking place in Afghanistan compared to the efforts that are taking place in Iraq, I think we can learn some real lessons. Unfortunately, we have not been able to really engage with the Iraqi culture, the Iraqi people to the same degree that we have a cultural understanding and a better relationship with the Afghans.

In my home district in Arizona, I have Fort Huachuca, which is an army intelligence center, which precisely trains on this issue—cultural understanding, language understanding, awareness. So I am hoping to hear from Mr. Bowen what additional steps we can take to better understand the culture, to have a better sense of the dollars that we are spending, why they are not working in comparison to Afghanistan.

When I had a chance, in February, to go visit Iraq, although briefly, I heard from General Petraeus, General Phil, General Wolf, General Odierno. They said, "We will know if this surge is working in . . ." they said, "not days, not weeks, not years, but months," and of course that was 5 months ago, and with all of the violence we have seen now just in the—well, it never ends.

You know, I would really like to have a candid discussion from you in terms of where are we going here, and is there really a light at the end of the tunnel, because it seems to me that the plans that have been put in place by the President and the administration simply aren't working.

Thank you, Mr. Chairman.

Chairman LANTOS. Thank you very much.

The gentleman from Indiana, Mr. Pence.

Mr. PENCE. Thank you, Mr. Chairman. Thank you for calling this hearing so provocatively titled, with such a distinguished and well known for his candor witness for this panel.

Mr. Bowen, I appreciate your service.

Mr. BOWEN. Thank you.

Mr. PENCE. And your efforts to safeguard taxpayer dollars in particular and highlight areas where we need to improve our efforts. Reform transparency and best practices are good medicine for any government, whether it is 1 year old, in the case of Iraq, or 231 years old.

Mr. Bowen's 16 trips to Iraq have shed enormous light on the challenges there and how we can improve our delivery of aid, and I commend you for that.

I share probably everyone in this body's concern about the fact that the Government of Iraq has not expended such a large percentage of its capital budget. Your findings put it at about 18 percent of their budget expended, but, of course, 100 percent of salaries have been distributed. Clearly this must improve and Iraq's leaders must show progress in this area.

I additionally am concerned about the corruption highlighted in the oil industry. Your testimony estimates that about one-seventh of the oil expert may be lost because of smuggling and fraud. That is an astonishing figure, and one that I hope we hear more about in the context of your testimony.

But that being said, we shouldn't lose sight of the forest for the trees. I appreciate Mr. Bowen's direct answer to the question posed in our hearing today, is reconstruction failing, he says, and I quote: "The short answer is no." We are not failing and we will not fail if we, as the old book says, faint not, in my judgment.

Mr. Bowen's testimony makes clear that the sticking point for much of our efforts and the Iraq Government's efforts is the security situation. Without basic security, reconstruction efforts face long odds.

I am personally optimistic about the direction our efforts have taken under the new leadership of General Petraeus, and the surge. I believe it is critical that this Congress give him the tools he needs to succeed. Where reconstruction and security meet is in the commander's emergency response program which allows local projects at the discretion of small unit leaders. I wholeheartedly support this effort.

I had occasion to be briefed in the preliminary progress being made by our troops in Ramadi, and to create a congressional delegation there last month, see RP projects are critical tools in their efforts to stabilize the country.

Mr. Chairman, I also appreciate Mr. Bowen's efforts to give credit where credit is due. His testimony makes it clear that various entities, notably the multinational force in Iraq, improved their product in consultation with his efforts, and I appreciate that.

Despite the fact that there are setbacks, challenges, and shortfalls, I believe and trust we will hear some today, that there is good news in Iraq. I thank our witness for his efforts in improving and reforming our efforts in that country, and I thank you again, Mr. Chairman, for the vision of calling this hearing.

I yield back.

Chairman LANTOS. Thank you very much.

We are fortunate to have with us today the person with the greatest expertise on Iraq reconstruction. Mr. Stuart Bowen is the Special Inspector General for Iraq Reconstruction. In that role, since October 2004, Mr. Bowen has uncovered enormous waste, fraud, and corruption, and abuse in the Iraq reconstruction process. He serves an essential oversight function because only with full and open disclosure of what has gone wrong can we hope to improve our rebuilding efforts.

Mr. Bowen has a long and distinguished legal and republican political career, and he previously served as Inspector General for the Coalition Provisional Authority. He has just returned from another trip to Iraq and we are very interested to hear his observations.

Mr. Bowen, the floor is yours.

**STATEMENT OF STUART W. BOWEN, JR., J.D., SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION, OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ CONSTRUCTION**

Mr. BOWEN. Thank you, Chairman Lantos.

I would like to introduce the lady who just filled my glass—my mother, who is with us this morning. So thank you.

[Applause.]

Chairman LANTOS. May I interrupt you for a moment?

Mr. BOWEN. Yes.

Chairman LANTOS. Ms. Bowen, it is a pleasure meeting you, and we commend you for having done a very good job in bringing up a great public servant. Thank you for being here.

Mr. BOWEN. Thank you, Mr. Chairman, for those kind words.

Chairman Lantos, Ranking Member Ros-Lehtinen, members of the committee, thank you for this opportunity to return to you on the continuing work of the Office of Special Inspector General for Iraq Reconstruction.

The title of this hearing poses the question, as Mr. Pence just noted, "Is reconstruction failing?" The short answer is "No," but it must be put in context as every report I issue puts in context, and as our "lessons learned" put it in context. That is, that the reconstruction program in Iraq has been fraught with challenge, a mixture of success and failure, shortfalls and successful projects achieved.

Much has been accomplished with the \$21 billion that comprise the Iraq Relief and Reconstruction Fund, the very generous grant program that this Congress approved 3½ years ago. Countless facilities have been built, and the Iraqis have been receiving these facilities over the past year, but that process itself has been fraught with challenges, as our audits, and our recent inspections that you pointed out, Mr. Chairman, reveal.

Permit me also to begin by paying tribute to the many dedicated Americans, Iraqis and other coalition partners who have strived and continue to strive in incomparably dangerous conditions to advance Iraq's economic and political recovery, and the challenges are enormous, as everyone here knows.

There have been notable accomplishments with the Iraq Relief and Reconstruction Fund, but the challenges I just alluded to are numerous. Foremost among them: Trying to execute a reconstruction program in an unstable security environment. This is not the Marshall Plan. This is a reconstruction program conducted virtually under fire, and that means every project has cost more than expected, and has taken longer to complete, and a lot of projects have not been finished.

The primary reason is the security situation. There is no gain-saying that reality. But there are other problems, as we pointed out. Poor agency planning and coordination, especially in the effort's early stages, must be rectified over time. Ranking Member Ros-Lehtinen alluded to the important reforms that needed to be addressed. As we identified in our most recent lessons learned report on program and project management—"beyond Goldwater-Nichols reform" is what I have called it—what that means is promoting integration among the agencies that are tasked with protecting U.S. interest abroad: the Department of State, USAID, the Department of Defense. These are the agencies that have the lead in post-conflict contingency relief and reconstruction management, and the story of Iraq reconstruction, if it says anything, is that the integration of that process needs work.

Inconsistent and poorly managed contracting practices have also been a challenge. Our contracting lessons learned report details that.

It is also a story of gradual improvement. Again, multiple agencies operating with multiple contracting regulations and employing varying databases presented a huge challenge for me when I first arrived in Iraq 3 years ago and tried to begin to take account of what contracting was going on. Our first few audits identified that what was going on was poorly staffed and the systems were poorly put together, and it has been a gradual recovery from that difficult start. It is much better today under the Joint Contracting Command/Iraq.

Weak program and project oversight, especially with respect to quality assurance and quality control programs. Quality assurance is the government's job, to make sure that there is somebody there overseeing the contractor who is enforcing quality control at a project site. Both areas have had weaknesses. Our most recent lessons learned report details some of those, but, frankly, so do our 90 inspections and our 86 audits. That is an area of reform that is necessary.

Finally, insufficient systems for effective human capital management. That was in our first lessons learned report issued almost 2 years ago now. We simply identified the need to develop a civilian reserve corps in parallel with our military reserve corps, a team that is trained and ready to go to exercise leadership in post-conflict relief and reconstruction programs.

Our second recommendation in our latest lessons learned report echoes one that I have made to this Congress and in previous reports, and that is the funding of S/CRS, the entity created by NSPD 44, to manage this process. The entity needs authority and appropriations before it can robustly address this important matter.

I just returned from my sixteenth trip to Iraq, spent 10 days there, and it was a palpably dangerous environment. There is no doubt about that. I met with the key leadership in the Iraq reconstruction program, and addressed our latest findings in our quarterly reports, which was issued 3 weeks ago.

The United States program, as that report points out, is moving beyond the Iraq Relief and Reconstruction Fund. That is an important message to continue to articulate for this reason.

The United States no longer bears the preponderant burden for financing the recovery of Iraq. That burden rests squarely on the shoulders of the Iraq Government, and it is why the budget execution matter that Mr. Pence raised is so critical.

Last year the Iraq Government simply did not execute its capital budget program effectively, most notably, in the Ministry of Oil, arguably the most critical economic ministry. Oil generates 94 percent of Iraq's budget, 75 percent of its GDP, and it spent a tiny fraction of its capital budget last year. Nine percent of the Iraq Relief and Reconstruction Fund was invested in that oil sector because it was assumed that Iraq would be able to begin funding itself, but it hasn't 4 years on, and that gap must be closed.

The budget execution initiative is ongoing. Ambassador Carney is pushing it. There are consequences that are being put in place over there, but they must be applied. Iraq must spend its capital budget.

The United States effort now, as it moves beyond the IRRF, will increasingly focus on targeted support to specific programs aimed at furthering capacity development within the Iraq system. Most notable among these programs is the Provincial Reconstruction Team Initiative which began just over a year ago and has significantly expanded this year.

SIGIR issued an audit of that initial plan last October and found some problems in resources, staffing, and security. The security issue is still there, but resources and staffing of the original 10 PRTs have made progress. The 10 new embedded PRTs, which are just standing up and are embedded with military brigades and under direction of the brigade commander, are a novel evolution of this program. The whole program is designed to build governance out at the provincial level, and especially in Baghdad, four of these new PRTs is in Baghdad. They are a bit of a misnomer calling them Provincial Reconstruction Teams, since their focus really is on governance capacity building, which includes reconstruction as just a component.

We will provide a review of our past audit of the PRT program in the next quarterly report, and the following report will provide a detailed audit of the embedded PRTs.

SIGIR, as Chairman Lantos pointed out, issues a series of inspection reports in this latest quarterly that raise concerns, and rightfully so. The asset transfer process is something that we have audited before. There was a process put in place within Iraq, worked out between the mission and the Ministry of Finance, Ministry of Planning, but it has not been followed.

We are in the midst of doing another audit of that process, and that will be out in our next quarterly report, updating the reality on the ground in Iraq with respect to asset transfer.

But sustainability of what the United States has constructed and turned over to Iraq is really what I was trying to get at when I sent my inspectors out across Iraq to look at projects that had been done at least 6 months by the time they visited the site, and, frankly, there were some troubling things turned up. You identified the Erbil maternity hospital as one, Mr. Chairman, but at the Baghdad International Airport, the 10 generators provided to provide the 18 megawatts of power that airport needs to operate effectively weren't working and haven't worked. The two GE generators that are the top of the line simply have not worked since it has been installed. The responsible agencies are addressing that on the ground now, but that raises concerns.

The two key programs, I think, for targeted support moving forward are the PRT program, as we have talked about, and the Commanders' Emergency Response Program. That provides funding to maneuver commanders on the ground in Iraq to execute quick turnaround projects that will help resolve immediate needs for Iraqis in Baghdad and beyond.

We did our third audit of the CERP program this last quarter, and found that it continues to improve. There are still some documentation issues that need to be addressed, but for the most part this is a program that, based on our reviews, is generally working.

The issues we uncovered reflect the multinational, core concerns Iraq has agreed to address, and they are already addressing.

As you know, Mr. Chairman, my underlying philosophy is to ensure that the findings that we make are addressed before our audits reach publication.

Given the current phase of Iraq's recovery, as I said, the Iraq Government must shoulder the burden of financing its recovery, and that means that the Ministry of Electricity has to spend more than a third of its capital budget that it spent last year, and Water has to spend more than just under half of their budget they spent last year.

You also asked for recommendations from me about how funding might be targeted moving forward. This is a policy question best directed to the responsible agencies, specifically the Department of State, but continuing to support these programs, as I have identified, the PRT and the CERP, as well as ministry capacity development are essential.

SIGIR's work to date has identified many issues, make numerous recommendations. The agencies have been responsive generally, but we need to continue to follow up on our recommendations,

which we are doing, and continue to push for improved project oversight in Iraq.

We continue to monitor Iraq's anti-corruption efforts, and frankly, I was very concerned based on my visits this trip with the Commission on Public Integrity, and the reality is that he has lost much of his enforcement power through political means. He cannot prosecute, as he told me just last week, ministers or former ministers by direction of the Prime Minister's Office.

The legislation that was designed to create and empower the CPI has been pulled back from the Council of Representatives, and is being revised in the Prime Minister's Office, endangers the independence of the CPI, and finally, there is a provision in the Iraq Criminal Code, Article 134(b), that permits any minister, by fiat, to exempt any employee from prosecution.

So there is a bulwark, essentially, existing within the political system that fundamentally undermines the capacity of the Commission on Public Integrity, which is their FBI, to enforce and fight corruption. As we have reported, Mr. Chairman, I know over and over again, corruption is the second insurgency, I have called it, in Iraq. It undermines much progress that we are trying to achieve, and continues to be a frustration.

We continue to push a wide range of audits forward. We are moving into focused financial reviews. We will have an audit of Bechtel, the Bechtel contract. We are also auditing DynCorp and Blackwater and Parsons over the next quarter, and we are comparing how the Gulf Region Division of Corps of Engineers is doing versus the Air Force Center for Environmental Excellence, the two key contracting entities in Iraq. We are going to have a review in the next quarter of the support to the anti-corruption effort in Iraq.

We are looking at a comparison of design/build contracting versus direct contracting, another lessons learned from the Iraq experience, and we are doing, as I said, assessments of the PRT program and we will continue to look at the CERP program.

Our CERP review, though, will move from an audit perspective to an inspection perspective. Not this quarter but the following quarter, I have directed my inspection staff to go look at only CERP projects, so you get some input about how those projects have done.

This next quarter from inspections you will get eight more reports about sustainment, so it will flesh out a little bit more that issue. Most notably, we are visiting the Al Dura Power Plant, which has been the subject of some concern, I know, in this committee.

Our investigations team continues to make progress. I met with every member of my staff when I was over there—all of the auditors, inspectors and investigators. I have to tell you, while I can't go into detail with respect to the investigations, I am very impressed with the progress that we are making in a very coordinated interagency effort that is yielding fruit. That will become evident over time.

As I have been talking about, our lessons learned reports, I think, are perhaps the most important components of our work in the long run because they help address the challenges that have burdened the program, and explain how the Congress and the

agencies can address them and improve government systems so that we are better postured to engage in post-conflict contingency relief and reconstruction management.

Finally, Mr. Chairman, in preparation for our move into the new Embassy compound in the fall, we are reducing our personnel footprint in Baghdad from 55 to 30 staff. I remain proud of all my staff who are operating, as I said, in a palpably dangerous environment in Baghdad, carrying out the important mission that you have assigned to us with integrity, dedication, and courage.

Thank you, Mr. Chairman, and I look forward to your questions. [The prepared statement of Mr. Bowen follows:]

PREPARED STATEMENT OF STUART W. BOWEN, JR., J.D., SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION, OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ CONSTRUCTION

#### *Introduction*

Chairman Lantos, Ranking Member Ros-Lehtinen, and members of the Committee, thank you for this opportunity to report to you on the continuing work of the Office of the Special Inspector General for Iraq Reconstruction.

This hearing poses the question, "Is Reconstruction Failing?" The short answer is "no." Much has been accomplished in the reconstruction and rehabilitation of countless facilities throughout Iraq, and in assisting Iraqis at all levels to take charge, whether in neighborhood or provincial councils or in the national ministries in Baghdad. Permit me to pay tribute to the dedicated Americans, Iraqis, and other Coalition partners who have strived in incomparably dangerous conditions to advance Iraq's economic and political recovery.

Although there have been notable accomplishments achieved through the use of the Iraq Relief and Reconstruction Fund, there have also been significant shortfalls within the U.S. reconstruction effort in Iraq. Identifying those challenges is the first step toward applying the lessons learned from Iraq so that the applicable U.S. governmental systems can be effectively reformed and structurally improved.

The challenges to the relief and reconstruction program, documented in SIGIR's 86 audits, 90 inspections and 13 quarterly reports, stemmed from:

- executing a reconstruction program in an unstable security environment;
- poor interagency planning and coordination, especially in the effort's early stages;
- inconsistent and poorly managed contracting practices;
- weak program and project oversight, especially with respect to quality assurance and quality control programs; and
- insufficient systems for human capital management.

These factors have challenged all that the U.S. program has sought to accomplish on the reconstruction front in Iraq. Over the past three years, SIGIR has reported on these challenges, and, through real time auditing and consultative advice, we have sought to advance remedies on the ground in Iraq. Additionally, SIGIR's work has resulted in extensive case studies of the challenges in human capital management, contracting and procurement, and program and project management. We have documented these challenges in three lessons learned reports and provided a series of recommendations for improvement. These recommendations have generated reform measures within the Congress that have begun to remedy some of the systemic problems SIGIR has identified.

#### *On-The-Ground Update*

I have just returned from my 16th trip to Iraq, where I spent ten days meeting with the current leadership of the reconstruction program. I also focused my efforts during my visit on furthering the next phase of SIGIR's oversight mission.

As we execute our oversight regime, SIGIR continues to work closely with all United States Government agencies in Iraq. While in Iraq, I met with the U.S. Chief of Mission, Ambassador Crocker, the Multi-National Forces—Iraq (MNF-I) Commanding General, General Petraeus, and other officers of the Departments of State and Defense and the United States Agency for International Development (USAID). I also met with the Commander of the U.S. Army Corps of Engineers, Gulf Region Division, and the USAID Mission Director for Iraq. I had the opportunity to see the

head of the Economic Transition Office, Ambassador Tim Carney, who outlined important developments in the budget execution initiative which is of great importance to the recovery of Iraq, and about which I testified before a subcommittee of this Committee in March.

SIGIR's latest quarterly report, issued three weeks ago and covering the first three months of 2007—the beginning of the “surge”—highlighted a number of important aspects of the reconstruction program. First, the U.S. program has moved beyond the large-scale reconstruction programs that were funded by the Iraq Relief and Reconstruction Fund (IRRF). Over 85% of the IRRF is now spent and most projects funded by it are complete.

The Corps of Engineers' Gulf Region Division continues to manage the relatively small number of remaining IRRF construction projects, valued at \$4 billion, most of which are in the electrical sector. GRD expects to complete virtually all of them over the next year. The last of the IRRF money is being deobligated and reobligated by the Joint Contracting Command—Iraq/Afghanistan to facilitate completion of selected projects.

As the U.S. program moves beyond the IRRF, the US effort will increasingly focus on targeted support to specific programs aimed at furthering capacity development within the Iraqi system. Most notable among these programs is the Provincial Reconstruction Team (PRT) initiative, which began just over a year ago. The PRTs' primary mission is to build governance capacity at the local level. In January, it was announced that the number of PRTs would be doubled in conjunction with the military “surge” in Baghdad. The PRTs are designed to assist local governments in stabilization and reconstruction efforts. SIGIR's October review of the PRT program, which found problems in the areas of resources, staffing, and security, helped engender focused attention on these important issues that has helped enhance their operating capability.

SIGIR will update its October PRT report this quarter, and next quarter, will provide a detailed review of the expanded PRT program, including an assessment of the 10 new “embedded” PRTs (EPRTs). These EPRTs are mobile units with a core civilian staff and embedded within military brigades, which gives them organic security, reduces costs, and allows them to operate in difficult environments.

The Congress approved \$1.48 billion for the Economic Support Fund as part of the FY2006 Supplemental. The appropriation was allocated along three tracks: security (\$923 million), economic (\$345 million), and political (\$208 million). The PRT and Provincial Reconstruction Development Committee programs received \$470 million from the security track—or about a third of the ESF appropriation—for program and project support. Additionally, \$277 million was allocated for infrastructure security support. One example of a project funded in this area is the strengthening of the Al Latifya Oil Storage Facility in Baghdad. USAID received \$155 million for its Local Governance Program and \$135 million for its Community Stabilization Program in Strategic Cities (Kirkuk, Mosul/Telafar, Fallujah, and Basra), both from the security track. State allocated \$105 million for further ministry capacity development. SIGIR will provide reporting on the FY2006 ESF funds in subsequent reports.

Our recent Quarterly Report underscored the current challenge in ensuring the sustainment—that is, the ongoing operation and maintenance—of IRRF projects that have already been transferred to the Iraqis. SIGIR's latest series of inspection reports points to the continuing need to improve the asset transfer process so that Iraqi officials are prepared to sustain projects funded with billions of U.S. dollars. While the original IRRF contracts included a basic sustainment requirement, usually for 90 days, reconstruction managers soon realized that the Iraqis would need more assistance in this regard and thus reprogrammed funds to help ensure successful sustainment. SIGIR has assessed the asset-transfer process before, and our next quarterly report will contain an audit updating the progress within and continuing issues confronting the asset-transfer program.

Section Two of our latest Report contains updated reviews of the Commander's Emergency Response Program (CERP) and the Economic Support Fund (ESF), both of which are important funding streams for continuing U.S. support to Iraq. Last year, the Congress expanded SIGIR's mandate to include reporting on relief and reconstruction funds appropriated for FY2006, which include CERP and ESF allocations.

The Coalition Provisional Authority (CPA) initiated CERP in the summer of 2003 primarily using seized assets; some Development Fund for Iraq money (Iraqi funds under CPA management) was also used. The Congress first appropriated funds for CERP in 2004 and, over time, has provided a total of \$2.1 billion to the program.

SIGIR's April report included an audit of FY2006 CERP activity. The Congress appropriated \$923 million for FY2006 CERP—of which \$510 million was allocated

to Iraq. Virtually all of the CERP funds appropriated to date have been obligated, mostly to Iraqi firms, and 83% of the projects have been completed. FY2006 funds have provided concrete benefits to the Iraqi people, including electrical generation equipment for a children's hospital, improvements to Baghdad's electrical grid, the construction of schools, and the construction of health care facilities.

SIGIR's audit of these CERP funds found that the Multi-National Corps-Iraq (MNC-I), which is responsible for CERP oversight, had improved controls over the CERP fund since SIGIR's FY2005 CERP review. Moreover, SIGIR confirmed that CERP funds were being used for the purposes authorized by the MNC-I Commander. But there were some concerns uncovered during the audit regarding file management and project coordination. The MNC-I concurred with SIGIR's recommendations and is implementing changes to address them.

Although substantial U.S. investment supporting Iraq's recovery continues, the phase wherein the U.S. bears the burden for financing Iraq's reconstruction has passed. The Iraqi government now must take responsibility for financing Iraq's national recovery. This means that the Government of Iraq (GOI) needs to execute more effectively its capital budget, which it failed to do in 2006, including effecting measures to ensure the proper operation and maintenance of the new infrastructure improvements provided through the U.S. reconstruction program.

Capital budget execution is a serious problem within the GOI. Of the \$34 billion 2006 budget, the U.S. Treasury Attaché reports that the GOI spent about \$22.8 billion or 67%. Moreover, only 22% of the 2006 capital budget was spent. The Ministry of Oil, a key ministry for revenue production, reportedly spent just \$90 million of its \$3.5 billion 2006 capital budget. We are told by Treasury that the best performer was the Ministry of Education, which spent its entire, though admittedly small, capital budget of \$15 million. The Ministry of Electricity spent a third of its capital budget in 2006, and the Ministry of Water spent just under half its allocation. By contrast, the GOI performed the simpler task of executing its budgets for salaries at a government-wide rate of 99%.

#### *Best Use of Future Funding*

In your letter, Mr. Chairman, you asked that I make recommendations for the best use of future funding. First, as a practical matter, this is a policy question that is better directed to the agencies managing this policy. But I believe that it is essential to provide more support for improving the operating capacity of Iraq's institutions and on improving Iraq's ability to execute its capital budget. I also believe that continuing support to the efforts to build local government capacity through the PRT program is vital.

SIGIR's work to date has identified numerous issues of concern and we have provided recommendations for improvement with which implementing agencies have generally concurred. Many of the recommendations have already been implemented resulting in improvements within the reconstruction program. As our lessons learned studies have elicited, agencies involved in future post-conflict relief and reconstruction endeavors should ensure that they have developed and coordinated sufficient execution and oversight capacity to ensure that quality projects result.

Contracting is one of those areas that must be systemically addressed. SIGIR audits criticized contract management within the reconstruction program, particularly in its early stages; but contract management improved during the course of the program through the consolidation and streamlining processes for contract monitoring implemented by the Joint Contracting Command-Iraq/Afghanistan. As noted in our lessons learned report, recruiting and retaining sufficient numbers of trained contracting officers is essential to the success of a contingency relief and reconstruction program.

SIGIR's reporting similarly has revealed that program and project oversight has been a challenge in Iraq. The Baghdad Police College, which SIGIR has visited numerous times, suffered from poor project oversight and thus shoddy construction occurred. But SIGIR's overall inspections regime reveal that egregious shortfalls such as the Baghdad Police College are the exception rather than the rule. Of the projects SIGIR has inspected, 70% have generally met contract standards. The SIGIR inspections program validates a self-evident formula: good quality assurance programs (by the government) together with good quality control programs (by the contractor) should produce good projects.

Sustainment of U.S. funded reconstruction projects and programs is a significant challenge for the Iraqis. The original design-build contracts provided only modest allocations for operations and maintenance training and for spare parts. There has been inadequate planning to ensure that the Iraqis would budget for the sustainment of these projects. The sustainment issue has garnered increasing atten-

tion and additional U.S. funding over the past two years, yielding improvements in the sustainment effort.

Awards fees are better managed today as a result of a SIGIR review in July 2005 that required managers to put in place tighter controls and properly implement a system that appropriately rewarded only good performance. SIGIR's October 2006 review of contractor overhead costs also prompted more careful scrutiny of administrative task orders. SIGIR's serial reviews of contracting in Iraq and the CERP program have produced improvements in the management practices in both of these important areas.

SIGIR continues to monitor U.S. efforts to bolster Iraq's anti-corruption institutions and will issue another audit on this issue in our next quarterly report. During my recent trip to Iraq, I received reports about the weakened capacity and alleged politicization of Iraq's three anti-corruption entities—the Board of Supreme Audit, the Commission on Public Integrity (CPI), and the Iraqi Inspectors General (IG). The independence of these three entities is threatened (most particularly, the CPI), their staffs lack sufficient training (most notably, the IGs), and they have thus far been unable sufficiently to coordinate their overlapping mandates. One encouraging note for the committee, however, is the May 16th signing of the Joint Anti-Corruption Council charter. This body will include the heads of each anti-corruption entity and the Iraqi Higher Juridical Council. It is hoped that the body will bolster coordination and advancement of anti-corruption and Rule of Law efforts which continue to be a critical precursor to success in Iraq.

*Overview of upcoming audits, inspections, investigations.*

I visited with each of SIGIR's auditors in Iraq during my recent visit and am pleased with the progress they are making on a wide variety of significant issues. I also worked with the Assistant Inspector General for Audits to update our audit plan for the remainder of SIGIR's existence. Over the next 15 months, SIGIR will execute a series of focused financial reviews aimed at achieving a reasonable financial accounting of how the IRRF was spent and what was achieved with it.

SIGIR currently has 20 auditors in Iraq who are engaged in the following audits; we expect to publish up to 12 of them over the next quarter:

- A review of LOGCAP Task Order 130 (looking at the performance of KBR's provision of life-support services (dining, fuel, housing, etc.) to the Department of State)
- The Status of Transferring IRRF Projects and Assets to the Government of Iraq
- A Review of Cost-to-Complete Reporting for Iraq Relief and Reconstruction U.S.-Funded Programs and Projects
- A Review of USG Support to Iraqi Anti-Corruption Efforts
- A Fact Sheet on the USG Reconstruction Agencies' Roles & Responsibilities
- An IRRF Financial Review of Unliquidated Obligations
- A Review of Spending of U.S. Government Funds under USAID's Bechtel Contract
- A Review of Close-Out Procedures for IRRF Contracts
- A Review Contracting in Iraq Reconstruction that Compares Design Build vs. Direct Contracting
- A Review of U.S. Sources & Uses of FY 2006 Funding for Iraq Relief and Reconstructions
- A Survey of the Department of State's IRRF Projects in Programs managed by DoS/INL
- A Review of the Effectiveness of U.S. Government Contracts to Enable Budgeting and Financial Management Capabilities within Iraqi Ministries
- A Review of Spending of U.S. Government Funds under Parsons Corporation Iraq Reconstruction Contracts
- A Survey of a DynCorp Contract for the Iraqi Police Training Program Support and Equipment
- A Review of the Use of Sector Project and Contracting Office Contractors (SPCOs) in Managing Relief and Reconstruction Projects
- A Review of Blackwater Contracts in Iraq Related to Support of Iraq Relief and Reconstruction
- An Assessment of the Status of the Provincial Reconstruction Teams in Iraq

- A Comparative Analysis of the Air Force Center for Environmental Excellence and Gulf Region Division of the U.S. Army Corps of Engineers in Contracting for and Management and Administration of Projects and Programs in Iraq

SIGIR has nine inspectors on the ground in Iraq who travel the country visiting and reporting on projects. In our April report, SIGIR produced its first series of sustainment inspections. These assessments reviewed projects that were transferred to Iraqi control at least six months before the SIGIR site visit. Although most of the sites we visited were operational, the reports raised concerns about the capacity of the Iraqis to effectively operate and maintain transferred projects.

We expect to complete up to seven more sustainment inspections this quarter. Our work plan for the following quarter anticipates a series of CERP project inspections. We are also visiting projects associated with one or more Provincial Reconstruction Teams. SIGIR expects to publish the following inspection reports this quarter:

- Project Phoenix—Restore Qudas Gas Turbine
- Iraqi Ministry of Defense Building
- Iraqi C-130 Base, BIAP Airport
- Al Rasheed Brigade Set
- Al Qana'at Water Pump Station, Sadr City
- Zegaton Pipeline/Canal Crossing mis-matched pipe connections
- Al Daura Power Plant

Some of these inspections will be co-inspections with personnel from the Office of the Inspector General in Iraq's Ministry of Defense. This will promote the capacity of this nascent IG office.

SIGIR has seven investigators on the ground in Iraq, and, during my recent trip, I received a detailed briefing from each of them on their respective cases as well as their collaborative efforts with other U.S. investigative agencies operating in Iraq. While I cannot discuss the specifics of those cases, I can assure you that we are making steady and significant progress on a variety of cases involving fraud, kickbacks, bribery, and other crimes.

#### *Lessons Learned*

In keeping with its mandate to provide recommendations to the Congress for improving the reconstruction program, SIGIR has produced three Lessons Learned reports and is working on a lessons-learned capping report, which will be issued at the end of the year. Our Lessons Learned reports have addressed Human Capital Management, Contracting and Procurement, and Program and Project Management.

Recommendations from each include:

##### *Human Capital*

- Develop a "civilian reserve corps" that would serve as reconstruction and stabilization first responders and would include a quick-reaction human resources team that pre-identifies human resources requirements for potential relief and reconstruction contingency operations.
- Charge OMB with managing the development and implementation of a uniform set of human resources rules that would apply to all federal personnel deployed for contingency operations.

##### *Contracting and Procurement*

- Explore the creation of an enhanced Contingency Federal Acquisition Regulation.
- Pre-compete and pre-qualify a diverse pool of contractors with expertise in specialized reconstruction areas

##### *Program & Project Management*

- Consider a "Goldwater-Nichols"-like reform measure to promote better coordination and integration among Defense, USAID and State, particularly with respect to contingency operations.
- Ensure that program managers integrate local populations and practices at every level of the planning and execution process.

Full copies of the lesson learned reports and their 19 cumulative recommendations are available at [www.sigir.mil](http://www.sigir.mil).

The lessons learned capping report will draw upon these and other SIGIR reports, as well as accounts by various program managers, contractors, and sector advisors

in its account of how the reconstruction funds were spent and how the evolving security and policy environment affected the outcome.

This committee has asked what SIGIR would recommend on the best use of future funding. In addition to implementation of recommendations from our various audits and inspections, implementing recommendations from our Lessons Learned reports could help promote improved economy, efficiency, and effectiveness in the continuing Iraq program.

#### *Conclusion*

In preparation for our anticipated move into the new Embassy compound this fall, SIGIR is reducing its staff footprint in Baghdad from 55 to 30. SIGIR, which is a temporary agency, will conclude its mission at the end of next year. We continue to manage our work plan—and in particular our investigative work—in anticipation of eventually transferring the remaining mission to the appropriate departmental inspectors general.

Before the expiration of our mandate, SIGIR expects to issue a number of audit and inspection reports that focus on tracking IRRF funds and review key programs under ongoing funding streams such as ESF and CERP. We expect to issue five more quarterly reports, a capping lessons learned report, and a concluding letter report. SIGIR expects that our investigative work will yield significant results over the course of this year.

In closing, permit me to say that I remain proud of the courageous SIGIR auditors, inspectors, and investigators who continue to carry out our mission in Iraq with great dedication, notwithstanding the many challenges to our important work.

Chairman LANTOS. Thank you very much, Mr. Bowen. Before I get to my questions, I was watching your lovely mother and her face reflects the same pride that my wife's face reflects when our youngest granddaughter wins another tennis match. [Laughter.]

Mr. BOWEN. Thank you.

Chairman LANTOS. Let me join you, Mr. Bowen, in paying tribute to all of our troops and to all of your people who are undertaking such an incredibly dangerous mission. In this connection, may I begin the questioning by asking you to comment on this past weekend's *New York Times* story which says that so far 917 private contractors have lost their lives, over 12,000 were wounded in battle or injured on the job? And I am wondering if you can comment on the extent to which these private contractors, 12,000 wounded, almost 1,000 killed, could be given more security as they undertake their difficult mission?

Mr. BOWEN. Well, there is no doubt that the dangerous environment that pervades Baghdad exposes everyone there to lethal attack, and that includes the contractors, and that includes journalists as well. We report on this in our quarterly right at the front because I think that is an important fact to get out. Nine journalists were killed this last quarter, and over 100 have been killed in the last 4 years.

The challenge in Iraq, as I said, is this is not the Marshall Plan. This is a reconstruction program carried out under fire, and the lesson learned from that, as I alluded to in my statement, is that stabilization is an essential prerequisite to an effective relief and reconstruction program.

To conduct a conflict and a reconstruction program simultaneously yields the tragic results that you alluded to in the contracting community and also, as I just mentioned, those who are covering and reporting on what is going on over there.

You asked how it can be improved. That is a process that is an every day occurrence in Iraq. There are systems that I can't talk about, but that coordinate data and intelligence and distribute it so that contractors understand the threat that day. Enhancing that

system or preparing it more effectively in advance might be one way to reduce that death toll.

Chairman LANTOS. Mr. Bowen, earlier this month an international compact for Iraq was endorsed by some 60 countries, the European Union, and the United Nations. What do we expect as a result of this compact?

Mr. BOWEN. The compact is especially important because its appendix carries with it a series of benchmarks. Benchmarks are a significant current topic, I suspect, to aid to Iraq, and I think it is worthwhile to review those benchmarks, and specifically some of them include requirements of improving the security environment, actually the operational capacity of the Iraqi security forces, passing the hydrocarbon law, moving forward on political reconciliation reforms, and economic initiatives.

So I think that first and foremost the compact is useful as a further guide to providing funding to Iraq. I think it is also critical because it brings the Gulf States into the mix. That is, that they now through the compact will have a more focused and well-defined role to play in trying to achieve economic progress in Iraq.

Chairman LANTOS. Mr. Bowen, in October 2004, there was a donor's conference in Madrid. At that conference, apart from United States contributions, \$13.5 billion was pledged by various countries to participate in the reconstruction of Iraq. How much of that money has been delivered, put to good use, and I very much hope you are able publicly to identify the countries which have not kept their pledges?

Mr. BOWEN. Well, we have a detailed report on that in your quarterly, and so I would refer you to that because it is a long list, but the \$14 billion, roughly, that was pledged at Madrid about \$3.5 billion has been forthcoming.

But also I have to point out that the data on that is difficult to acquire at this point because it is within the sovereignty of Government of Iraq now to manage those bilateral and multilateral loan relationships.

Chairman LANTOS. But the Government of Iraq makes the figures available to you?

Mr. BOWEN. In a very limited way. We get them through the mission, and it is difficult. This is the challenge of obtaining data on any front in Iraq, and it afflicts this particular issue as well.

Chairman LANTOS. Well, which of the major donors has failed to fulfill their obligations?

Mr. BOWEN. Well, Mr. Chairman, I would rather—

Chairman LANTOS. No, I want you to name them publicly now.

Mr. BOWEN. Well, let me name the ones who have come forward: Japan and the United Kingdom are the two that have most effectively supported. They comprise virtually all of the \$3.5 billion that I just alluded to. Other than those two, based on the data we have, there has been limited forthcoming. There have been contributions to the World Bank, IRRF fund, which is being managed by a number of nations, but again I would be happy to give you a follow up for the record as well.

Chairman LANTOS. No. I want you to talk about it now. Which country has made major commitments at the October 2004 meeting and has not fulfilled them?

Mr. BOWEN. Well, again, the only ones that really have fulfilled them are——

Chairman LANTOS. I understand the ones who have fulfilled them. Which ones? Take a look; I will give you all the time you need. We are not afraid to embarrass countries which made commitments at a public donor's conference and failed to fulfill them.

Just go down the list, Mr. Bowen.

[Pause.]

Mr. BOWEN. Well, the European Commission made substantial promise.

Chairman LANTOS. What was the commitment of the European Union?

Mr. BOWEN. It has committed approximately \$779 million.

Chairman LANTOS. And how much of that, to the best of your knowledge, has been delivered?

Mr. BOWEN. Well, we don't have a percentage but they have fallen short.

Mr. Chairman, I am happy to give you a detailed response.

Chairman LANTOS. No. I will not take your answer later. I will take it now.

Mr. BOWEN. Okay.

[Pause.]

Mr. BOWEN. Okay, the European Commission comprised 33 percent of the amount pledged.

Chairman LANTOS. How much is that?

Mr. BOWEN. 33 percent that the European Commission pledged.

Chairman LANTOS. What is that in dollar figures, approximately?

Mr. BOWEN. That would amount to approximately—of the total European Commission amount, approximately \$4 billion.

Chairman LANTOS. \$4 billion.

Mr. BOWEN. That is right.

Chairman LANTOS. And how much of that was delivered?

Mr. BOWEN. A small percentage of it was delivered.

Chairman LANTOS. Less than 10 percent?

Mr. BOWEN. Actually delivered on the ground in Iraq, yes, I would say in that region.

Chairman LANTOS. So 90 percent of what the European Commission has pledged in October 2004 has not been delivered?

Mr. BOWEN. That is my estimate.

Chairman LANTOS. That is your estimate. I will accept it as an estimate.

How about Saudi Arabia? How much did the Saudis pledge?

Mr. BOWEN. Saudi Arabia, I know, has not come forward.

Chairman LANTOS. How much did they pledge?

Mr. BOWEN. Let me see if we have that in here. Saudi Arabia, yes.

Chairman LANTOS. Yes.

Mr. BOWEN. \$500 million.

Ms. ROS-LEHTINEN. Mr. Chairman, I know that Ambassador Robin Raphel is behind the Inspector General. I am wondering if——

Chairman LANTOS. I am delighted to have her assist.

Mr. BOWEN. \$500 million was pledged by Saudi Arabia.

Chairman LANTOS. Saudi Arabia pledged \$500 million.

Mr. BOWEN. That is right.

Chairman LANTOS. How much of that was delivered?

Mr. BOWEN. We do not have a figure reported on delivery, but very little I know from other reporting.

Chairman LANTOS. Would you say probably also less than 10 percent, if any?

Mr. BOWEN. That would be my rough estimate.

Chairman LANTOS. How about Kuwait?

Mr. BOWEN. Kuwait did not have a pledge—no, excuse me, \$500 million.

Chairman LANTOS. How much of that was delivered?

Mr. BOWEN. Again, we don't have the final figures on that but a relatively small portion of it.

Chairman LANTOS. Would you say probably less than 10 percent?

Mr. BOWEN. That is my rough estimate, yes.

Chairman LANTOS. How about the United Arab Emirates?

Mr. BOWEN. \$215 million.

Chairman LANTOS. And how much of that was delivered?

Mr. BOWEN. The same answer.

Chairman LANTOS. Less than 10 percent?

Mr. BOWEN. That is my rough estimate, but I will have to research it. Again, the access to the data since last fall has been very limited because that is now within the Iraq Government's sovereignty.

Chairman LANTOS. Well, let me just say this is a disgraceful performance and I am appalled by it.

I also would like to ask you, Mr. Bowen, to comment, and I realize this is speculative in nature, on Chairman Obey and my proposal 4 years ago that half of our aid should be given in the form of a loan which would make the Iraqis feel more invested in the reconstruction projects because it would be half their money, which eventually they would have to repay.

Do you agree in retrospect that it would have been wiser to have half of our reconstruction money take the form of a loan rather than have all of it be given as a grant?

Mr. BOWEN. I agree that conditionality should be a part of foreign aid packages, and the one thing that has really worked in Iraq over the last 2 years is the IMF standby agreement wherein a certain amount of money was offered in loans and grants to Iraq if they met certain benchmarks like fuel subsidy reform.

Before this standby agreement was initiated, gasoline was 6 cents a gallon in Iraq. That is now up to over 30 cents. Progress has been made and as a result debt relief occurred. So conditionality can work in Iraq. The IMF standby agreement is the example of that.

So in practice and in theory, conditionality of the kind you are describing, I think, is an essential element to this kind of foreign aid package.

Chairman LANTOS. The final question I want to raise, Mr. Bowen, you are free not to answer, but I hope you will. As you know, I have been highly laudatory of your performance—

Mr. BOWEN. Yes.

Chairman LANTOS [continuing]. During your entire tenure, publicly and privately, and I feel very strongly that you are among the

most effective public servants appointed by this administration. Lately you have come under some attack by some members of your staff. I have no knowledge positively or negatively of the accuracy of those attacks, but I would not be surprised to find that you have come under attack because you are performing your job without political favor and without partisanship as a public servant. Would you care to comment on the attacks on you personally in recent weeks?

Mr. BOWEN. Mr. Chairman, I will only say that this is an administrative investigation that arose as a result of a complaint filed 17 months ago by disgruntled former employees. It is virtually over, and I don't have any concerns about it.

Chairman LANTOS. Well, let me say to you without knowing any of the facts but speaking for myself you have the full confidence of the chairman of this committee.

Mr. BOWEN. Thank you, Mr. Chairman.

Chairman LANTOS. Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you very much, Mr. Chairman. Thank you for your excellent questions.

I think that Americans at my district for sure, and I am not going to speak for other districts, are hungry for success. We want to be successful, be victorious in our fight against Islamic extremists that want to destroy our way of life. When we read about the waste, the fraud, the abuse that is going on in the Iraqi reconstruction efforts their hopes are dimmed because they don't want their tax dollars to be going to lining the pockets of greedy contractors who are not doing their job in helping the Iraqi people secure basic services like water and electricity. They want us to be successful.

So I congratulate you for the work that you are doing because someone like you whose job it is to look for problems, your job is to say how can we improve this, how can we make this work, how can we help the Iraqis—

Mr. BOWEN. That is right.

Ms. ROS-LEHTINEN [continuing]. Build a better society. And it is good for our constituents to know that we are not out there saying that everything is great. We are looking for problems and we are looking for solutions to those problems. So your role is an important one because we want to win, and we want to have faith that our tax dollars are being wisely used. So the more that you do, the more reports that you issue, I think the more comforted we are that those lessons are learned and that those mistakes are not going to be repeated, and I think some of the statements that you made are so true.

When you say this is not a Marshall Plan, this is a reconstruction effort under fire.

Mr. BOWEN. That is right.

Ms. ROS-LEHTINEN. As the IEDs are going off, we are trying to get electrical plants going, and water generators going, and electricity flowing, and we are doing adequate, sub-adequate, or pretty bad, but I don't think people would say that we are doing a very good job yet of reconstruction. It is very difficult, as you say, to do this under fire every day.

Another statement that you made that I think is very interesting and very telling about the nature of the problem is that you say that corruption is the second insurgency.

Mr. BOWEN. Yes.

Ms. ROS-LEHTINEN. And I wanted to ask you about the issue of corruption. You talked about in your testimony weakened capacity, and the politicizing the anti-corruption entities in Iraq.

Are we moving in a more positive direction or are we going backward?

You had mentioned that in the structure there is the equivalent of our FBI over there.

Mr. BOWEN. Right.

Ms. ROS-LEHTINEN. And it has a clause saying that they can exempt anyone from these anti-corruption programs. Do you feel that we are moving in a positive way to root out this systemic corruption that has been ingrained in this despotic regime for so long?

Secondly, in your lessons learned reports, we have had three reports, have any of the recommendations from the first report still appear on the second and third so that we haven't rooted out the problem? We have identified the problem, but we haven't been successful in eliminating that problem.

Is the third report substantially different in terms of the problems you have identified, meaning they have become more of a problem of governance or is it still the problems of the programs that we have got going over there, making sure that our tax dollars are being spent in the best way possible? I will leave you to answer.

Thank you, Mr. Chairman.

Mr. BOWEN. Thank you, Ms. Ros-Lehtinen.

As to your second question, there is a recommendation from our earlier lessons learned report that again appears in our most recent one, and that is the need to authorize and fund S/CRS, the entity within the State Department created by NSPD 44, whose job it is to plan and coordinate among departments for post-conflict contingency relief and reconstruction operations. I know there is legislation pending to do that, and so our latest recommendation simply affirms the importance of that legislation.

But our lessons learned reports obviously address three different areas—human capital management, contracting, and programming project management. So the recommendations other than that particular one diverge among those reports.

As to corruption, there is some good news to report on how, I think, the Iraqi Government is beginning to address it, and that is the Joint Anti-Corruption Council was officially formed this week. The order was signed. And it brings together the anti-corruption entities within the Prime Minister's office, so there is some question about how it is going to operate, but the Inspectors General—there is 29 of them, created by the CPA—are a mixed bag. I mean, there is mixed success within those offices. The Commission on Public Integrity, I have already talked about, and the Board of Supreme Audit, which is the analogue in Iraq to the Government Accountability Office, and has been around for many decades. So it has a more robust infrastructure, and Dr. Abdul Basit, who I meet with regularly, and he is one of the people I have found I can trust

over there, and he is sincerely trying to push forward an audit program. He wants investigative powers as well. So there is overlap among those three entities.

And I think the Joint Anti-Corruption Council is trying to resolve some of that overlap, but there is no doubt that the legal bulwark that prevents prosecution of corruption that I described earlier is simply an incentive to commit corruption.

Ms. ROS-LEHTINEN. Absolutely.

Mr. BOWEN. And I don't think that you can really advance in that area without prosecution, successful prosecutions because that is what serves as the deterrent.

Ms. ROS-LEHTINEN. And Mr. Chairman, if I may, I realize that the three reports deal with different aspects of it. I was just wondering if there is a common theme—

Mr. BOWEN. Yes.

Ms. ROS-LEHTINEN [continuing]. That you see that is in all three reports. But I wanted to ask you about the Goldwater-Nichols reform that you have put forth in this report to integrate the agencies like USAID, Department of Defense, et cetera. If you could just briefly elaborate on that.

Mr. BOWEN. Well, I think there are a number of things that can be achieved through that kind of reform. One, and there is another thread that goes through each report, and that is staffing, human capital management. There was a problem, for instance, in the contracting area of not having overlap among contracting officers.

One contracting officer would leave, a contract would go unattended for, and then the next one would arrive later, and it is simply a lack of coordination of staffing, and that led to neglect of oversight on some contracts.

Beyond the Goldwater-Nichols idea is simply to begin a process based on what we have learned in Iraq to promote better integration among those departments whose mission is to protect United States interests overseas, DoD, State, and USAID, and as our lessons learned reports spell out, the planning phase, pre-war and subsequent thereto, was somewhat Balkanized. There was a lack of effective coordination. There was a difficulty getting agencies to get people over to Iraq to participate.

All of those problems—that kind of problem can be remedied through better cross-pollination, if you will, through better integration, through training, and in my underlying proposals to form a commission that would make recommendations to the Congress about how that could be done and that commission should be comprised of persons with expertise in the area.

Ms. ROS-LEHTINEN. Thank you so much. Thank you for your service, Mr. Bowen.

Mr. BOWEN. Thank you very much.

Ms. ROS-LEHTINEN. Thank you.

Chairman LANTOS. The gentlelady from California, Ms. Watson.

Ms. WATSON. Mr. Bowen, is it Ninevah Plain.

Mr. BOWEN. I am sorry?

Ms. WATSON. Ninevah Plain, the plains in Iraq.

Mr. BOWEN. No.

Ms. WATSON. Anyway.

Mr. BOWEN. No, Ninevah. Ninevah?

Ms. WATSON. Ninevah. Thank you for the pronunciation. And the surrounding areas are the historic homelands of the Christian Syrians.

Mr. BOWEN. That is right.

Ms. WATSON. Yes. And as such, this area is the largest attraction point for Christians, and this is where people would come to see this attraction, to be in that area, and expend monies and so on. It is my understanding that since the late 2005, no notable reconstruction or redevelopment project has been undertaken in these plains, and it has been ignored probably developmentally in a manner that can only be compared to apartheid like de-development of an ethnic community.

As a result, no aid reaching this area and relative to other areas, and these IDPs are choosing to flee the country entirely. So the Christians, they are de-Christianizing this area in Iraq. I think it is a concern that we ought to look at not only because of the injustices being done to the minority groups in Iraq, but because if there is any hope that Iraq is going to function as a multi-ethnic democracy, the government must protect all Iraqis, not just the Sunnis the Shi'as, the Kurds, et cetera.

So my questions is, have you had, or your department had a mandate to ensure that United States' funds in Iraq are being used strategically but also in an equitable way? Is there not an understanding on the part of our leaders in Iraq that when clear-cut discrimination by the United States takes place, it undermines our efforts to create a multi-ethnic Iraq that includes all Iraqis, the Arabs, the Kurds, the Syrians, the Turks, and others as well?

And is there any thought about our policies that are pushing Christians and other minorities out of Iraq where they have lived for centuries?

So my concern is what are we doing for these small ethnic units that are not really—I know you spend a lot of time in Baghdad and their surroundings, but what are we doing to be sure that we use our funds as we go through reconstruction to ensure that all various ethnic groups can enjoy the benefits of this new democracy?

Mr. BOWEN. Well, it is funny you should ask. Yesterday I had a phone call from a representative of the Syrian Christians, Ken Joseph, here, and he actually was optimistic about progress he was making in talks with Prime Minister Malaki about creating an Assyrian entity in Ninevah Province.

As to the other issues you raise with respect to how they are treated, that is a policy question about the Department of State. But with respect to the reconstruction component, I need to get back to you. I don't think it is correct that no projects have been performed in Ninevah.

Ms. WATSON. Well, if you could—

Mr. BOWEN. So I will give you a breakdown of how many projects have been done up there because I did review that with the commander of the Corps of Engineers.

Ms. WATSON. Yes. We are aware the people are moving over the border lines of Iraq into other areas.

Mr. BOWEN. That is right.

Ms. WATSON. And we are losing a lot of our Christians, the Syrians.

Mr. BOWEN. That is right.

Ms. WATSON. So if you could report back to us as you—I see your think binder there, and I know you can't cover everything, but this is an area that I would be particularly interested in.

Mr. BOWEN. Correct.

Ms. WATSON. And if you could provide us information because I want to be sure that we don't reinforce discrimination and only focus on those three major tribes.

Mr. BOWEN. Right.

Ms. WATSON. If we want to build a true democracy, we have to be sure.

Mr. BOWEN. I will get you a list of projects that have been conducted in Ninevah.

Ms. WATSON. In that area. Thank you very much.

Mr. BOWEN. You are welcome.

Ms. WATSON. Appreciate it.

Chairman LANTOS. The gentleman from California, Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman, and let me again express my appreciation to you for your leadership during this entire session, and this, again, exemplifies the type of responsible leadership you are providing this committee. We need to learn the lessons of Iraq just like we needed to learn the lessons of Vietnam and the lessons of every conflict that we have been in.

Let me just note that we have had such problems in every conflict that I have studied. George Washington's army was—it was impossible for them to get their supplies at Valley Forge due to incompetence and corruption, and inability of our Government—fledglingly government of our founding fathers to do their job. It doesn't mean it was justified or excused, but that is what the reality was, but it didn't take away the nobility of the American Revolution.

Tainted meat was sold to the military during the Spanish American War, killed more of our troops than did the Spanish. Didn't mean that the liberation of Cuba was not something that was a—we should have done and should have been involved in. Ileana can certainly testify to that. Ileana says let us do it again.

The fact is during World War II our Sherman tanks when they came ashore at Normandy were facing German tanks that were superior technologically, and many Americans lost their lives due to that incompetence on the part of long-range planners. It did not take away from the nobility of American's effort to liberate the mainland of Europe from the Nazis, and Mr. Lantos can stand his testimony to that.

The fact is that we must do these things and try to meet the challenges of corruption in every conflict. I appreciate that you are in the front lines, you, yourself, are in the front lines of that effort, and again, Mr. Lantos' accolades toward you speak for the whole committee here, and our trust for you, and your mother has every reason to be proud of the great job you are doing for America. We are proud of you, too.

Now, with that said, the lessons that we have, you know, that we need to do, not just military lessons, not just political lessons,

but the economic lessons that you are talking about right now need to be put to good use. You mentioned a civilian reserve corps—

Mr. BOWEN. Yes.

Mr. ROHRABACHER [continuing]. As a possible idea that in the future we might be able to put together that would help us move forward with rebuilding projects under fire—

Mr. BOWEN. That is right.

Mr. ROHRABACHER [continuing]. When we meet these challenges. You might go into that idea a little bit, and that might be something under Mr. Lantos' leadership we could work together on. What was that? What did you have in mind?

Mr. BOWEN. It was initially envisioned in NSPD, National Security Presidential Directive 44 that created S/CRS, and one of the missions of S/CRS is to develop that. It has been burdened by not having authorization or appropriation to carry this forward. I think their funding last year was \$2 million, and they operate almost exclusively with detailees. So progress on this front has been limited to date.

I think the concept of having a cadre, a trained shell organization, if you will, ready to manage post-conflict contingency operations, and then a network of individuals who have a different day job, but who are ready to step forward when the country calls makes sense.

Mr. ROHRABACHER. As our reserves are in the military.

Mr. BOWEN. Exactly right.

Mr. ROHRABACHER. It sounds like a good idea to me, and I would be happy to work with you on that project, and maybe we can make that real so that when we get ourselves in a situation in the future we will have something else to draw upon to meet the challenge.

Let me just note that Mr. Lantos talked about the decision early on to base our rebuilding efforts on grants rather than loans. I remember I was one of the few Republicans, I am sorry to say, that voted for that particular position, realizing that the wisdom of making sure that the Iraqi people through their future oil revenues would actually have to pay for some of the efforts made to rebuild their country under the President's guidance and leadership. Unfortunately, the Republicans made the wrong decision, and I believe that decision was made, the White House made that decision in order to protect German and French banks that are afraid that their loans to Saddam Hussein's Iraq would not be honored.

I think that is a disgrace and this administration needs to be held accountable for that decision at that time.

Again, Mr. Lantos has indicated that our allies have not stepped forward, and although he put you on the spot, I think we needed to do that. The American people need to pay attention to those mistakes and make sure we don't make them again, and I appreciate you enlightening us today.

Thank you very much, Mr. Chairman.

Mr. BOWEN. Thank you.

Mr. ACKERMAN [presiding]. Thank you very much.

So you found our weak spot and found your mother. [Laughter.]

You have completely de-fanged the attack dogs on our side. [Laughter.]

And I know that the only reason that you were reluctant to out those people who didn't meet their commitment is because you mother once told you if you have nothing nice to say about somebody, don't say anything. [Laughter.]

So I brought this car into the shop today, see, and I says to the guy, I says, "I just need five things done. I need the air in the tires, I need you to fill the tank, I need you to wash the windshield, and I need a new engine."

He says, "It will be \$5,000. It will take 2 weeks."

I give him \$5,000. I come back in 2 weeks later. I say, "How are we doing?"

He says, "Seventy percent through." [Laughter.]

I think that is what the man seems to be indicating that you are saying. Your summary answer at the beginning was, "yes, we are successful." When you take a look at it, you know, we did the windshield and we filled the tank, we checked the tires and all that stuff, but the big projects we haven't done; that we have met our targets, our goals or have been successful in 70 percent of the projects. Those are the real small things. But if 95 percent of the economy of the entire country is based on petroleum and we have failed there, I think the target was something like 3 million barrels a day and we are doing 1.6, 1.6. I would give it a 52 percent, which is not—you know, it is half but it is not a passing grade.

So if in the big ticket item of the engine, we are making no progress or negative progress, I don't think the overall score can be that we are being successful. Maybe you could respond to that.

Mr. BOWEN. Well, clearly, as I said in my answer, the story of Iraq reconstruction is a mixed one. A lot has been achieved with the \$21 billion the Iraq Relief and Reconstruction Fund, but we have spent the better part of this hearing talking about the challenges that have confronted the overall program, beginning with security, which meant that virtually every project ended up costing more and taking longer than it did, and that meant, as we have pointed out in our previous reports, a reconstruction gap evolved which means that we achieved less than we intended because of the higher costs.

The challenges of weak planning, particularly for sustainment, which we have talked about in our quarterly reports—

Mr. ACKERMAN. I think the point is if we are not successful in the petroleum sector, we are not successful. Is that fair?

Mr. BOWEN. Well, you make an excellent point, and that is the economic engine that drives Iraq is the petroleum sector. There were assumptions early on, and the IRRF allocations reflect that assumption, that the petroleum sector would begin to provide a lot of funding for the recovery of Iraq rapidly. That did not happen as planned.

Nine percent of the Iraq Relief and Reconstruction Fund was invested in the petroleum sector as opposed to 34 percent in security, 23 percent in electricity, 12 percent in water, 12 percent in transportation, 9 percent in oil and gas, and so that raises the question why not a greater emphasis on the engine. That is why the Ministry of Oil must execute its capital budget, because that engine is still not working. For Iraq to move forward economically, that sector must improve.

Mr. ACKERMAN. Let me say, and I think this should have been said at the outset, that any failure in Iraq is not your failure or the failure of your people and your staff. It is the failure of the policy. You are there for us to grade it. You are there to tell us it is working, it is not working, and you know, it is like you ask the guy, "Is my signal light working?" He goes back there and says, "It is working, it is not working, it is working, it is not working, it is working." It depends on when you are looking at it and what you are looking at to see if it is working or it is not.

And if we are looking at the 70 percent that makes up 5 percent, and that is working, it really is not working. So I guess it depends on what we are looking at, and what we are grading. But I think it is important not to look at this like the teachers who philosophically believe in social promotion, which is a big issue in the field of education, you know. The kid is 23 years old and he is in the fourth grade. Do you promote him or do you leave him back again? And the answer, you know, a lot of teachers say it doesn't pay to leave him back, let us just give him a passing grade and move him on.

To say that the system is working when it really isn't by any real measurement standard as to what is important to move it forward, I think is not helpful. If nothing is working, maybe the people who say we should be getting out of there and seeing if they can fend for themselves and take their own responsibility, you know, have an argument there. That is not the purpose of today's hearing, but today's, as I understand it, is to figure out whether it is working or not.

You can respond if you would like. Otherwise, we will move on.

Mr. BOWEN. Well, I think you are alluding to our inspections regime which we visited 94 sites all over Iraq. About 70 percent of those are operational, and it fits within the larger point I made, which is \$21 billion accomplished a lot.

Now, admittedly some of the projects, as our first look this last quarter reveals, are not working as well as they should be, and second, because of the increased cost, 34 percent of the IRRF was spent on security, much higher. There were four reprogrammings that moved lots of money out of bricks and mortar into security, which meant that the infrastructure didn't get the level of attention that was expected. I mean, that is a shortfall, that is a failure of sorts. The start that the United States intended to provide Iraq on its recovery was not as robust as initially planned because of the security situation primarily.

Mr. ACKERMAN. Last question for me. I used to be a teacher. Under the No Child Left Behind Act, if schools are non-performing and the kids aren't learning any better based on testing measurements, then administration's point of view is you take the money away. We reduce the funding for those school districts that aren't meeting the standards.

Why do we not apply that here, or should we?

Mr. BOWEN. Well, as I said, the Iraq Relief and Reconstruction Fund is largely spent, and the posture of the United States in supporting Iraq economically has changed to targeted aid rather than a large-scale reconstruction program. That targeted aid in the ESF is substantially going to the PRT programs and to USAID's local

governance programs across the country. On the DoD side, it is going to CERP, and I think those are two places where that money is going because they have worked reasonably well and fit the current climate, frankly, which is no longer Reconstruction, capital "R." It is a relief and development program.

Mr. ACKERMAN. Maybe if we have time, we will come back to that.

Mr. Bilirakis.

Ms. ROS-LEHTINEN. Mr. Chairman, if I could just—

Mr. ACKERMAN. Absolutely.

Ms. ROS-LEHTINEN [continuing]. Put in my 2 cents worth.

Also as a former educator, No Child Left Behind in no way takes away funds from low performing districts. In fact, the impetus, the rationale behind No Child Left Behind is to further provide incentives for those schools that aren't performing well, and make sure that we do away with what the President calls the soft bigotry of low expectations.

Mr. ACKERMAN. Well, that was a different President that used all those fancy words actually, but nonetheless, we could argue that, but I think if you spoke to somebody in your school districts they would tell you what the problems are there, but that is for the committee down the hall.

Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman.

Thank you for testifying before us, Mr. Bowen, today, and I would also like to express my dismay for our allies not fulfilling their commitment. I am very disappointed in that.

My first question is—it is disturbing that the Iraq construction projects resulted in the misuse of billions of dollars that should have been used to restore Iraq's economy and civil society. The key to making government effective, of course, is holding it accountable. You told the Senate Judiciary Committee in March that it is difficult to find evidence, such as documents or eye witnesses that are needed to prosecute cases of waste or mismanagement.

The Iraq Commission on Public Integrity has estimated that there are \$5 billion that were lost annually due to corruption. It particularly notes that Iraqi Government officials are hampering efforts to curb corruption under a 1971 law that was reinstated by the Prime Minister Malaki. He also ordered the commission not to refer cases to an investigative court involving ministers or former ministers without his consent. It has been reported that more than 48 investigations have been stalled under this law.

The Iraqi Government is clearly misguided in some of its priorities. The bottom line, however, is that these are our taxpayer dollars, and they are not always used effectively. What can be done by Congress, in your view, to increase the prosecution of those who wasted or mismanaged these funds?

Mr. BOWEN. Well, as I said in my opening statement, we are making a lot of progress on a number of significant cases. The investigative process takes time, as I have learned, but we have 28 of our 78 cases right now at the Department of Justice under prosecution, and my discussions with my investigators make me optimistic that over the course of this year we will see real results from those prosecutions.

I do think that strengthening the fraud-fighting effort in Iraq would be helpful, and a lot of that work can be done now here in the United States as well in trying to track the corruption trail. But finally let me say that I think partly because of the forward-leaning, deterrent presence that SIGIR has exerted over the last 3 years—and has eventually teamed and partnered with Army Criminal Investigative Division and the FBI over the last 2 years—that deterrence has been effective.

We have not found that fraud within the U.S. program has been a significant component. By distinction, as you alluded to, corruption, fraud within the Iraqi system is rampant, and the power of the fraud-fighting entities to push it back is weak.

Mr. BILIRAKIS. Thank you.

What do you see happening in the next quarter for Iraqi construction, particularly with the implementation of the Baghdad security plan? I know you touched on it. Maybe you can elaborate a little bit.

Mr. BOWEN. We are going to look at projects that are being constructed as part of the Baghdad security plan. My inspectors have my charge over the next quarter to begin visiting those. There is no preliminary information I have to report though on progress of reconstruction within that plan yet, but in our next report we should have some information for you.

Mr. BILIRAKIS. Last question. When should we expect the 327,000 Iraqi troops to be fully functioning and officially protecting and securing major infrastructure such as roads, electrical grids, and oil production, in your opinion?

Mr. BOWEN. Right.

Mr. BILIRAKIS. In your estimation.

Mr. BOWEN. As a policy matter, that is a question for the Pentagon, of course, but we have looked at the use of Iraq security forces in several instances, specifically the weapons review that we conducted pursuant to Senator Warner's directive, and also our audit of logistic support, and found weaknesses in both areas.

The weapons tracking system was not working properly, but that has been remedied. The logistical capacity of the Iraqi Ministry of Defense to support its forces in the field remains a challenge. I met with General Dempsey, who is the commander, the Multinational Security Transition Command-Iraq again this last trip, and he says there has been some progress, and they are able to manage their own food and starting to manage their own fuel, which was a big obstacle when we did our review last October, but medical care, and simply movement, continue to be a challenge.

The other issue to address, of course, is staffing levels within those units, and I know the Government Accountability Office is in the midst of a review on that front and is having some challenges in getting information on it.

Mr. BILIRAKIS. Thank you, Mr. Bowen. Thank you, Mr. Chairman. Appreciate it.

Mr. ACKERMAN. Thank you.

Ms. Woolsey.

Ms. WOOLSEY. Thank you, Mr. Chairman. Thank you for being funny. You add something to our morning.

Mr. ACKERMAN. Can you thank me for being smart?

Ms. WOOLSEY. Well, you are funny and smart.

Mr. ACKERMAN. Thanks.

Ms. WOOLSEY. We are all smart, but not very many of us are funny.

You know, we do so much in Iraq from the United States that we are forcing upon the Iraqis, and thank you, Mr. Bowen. You have been great. You have stayed calm under pressure. This is not an easy thing for you to be doing. It just seems that I have to ask you, are there enough Iraqi people capable of doing these reconstruction jobs themselves?

I mean, why aren't we letting them be the contractors for their own country?

Mr. BOWEN. You have raised several issues there.

Ms. WOOLSEY. I know. I have a hundred issues.

Mr. BOWEN. Well, no, they are good issues.

Ms. WOOLSEY. Yes.

Mr. BOWEN. The first one is the capacity of Iraqi subcontractors, which the United States is using more often than not. The reality is the design/build contracts or cost-plus contracts that result in subcontracting in-country and most of the subcontractors are Iraqis, and that has proven, as our inspections and our audits show, to be a mixed bag. Plumbing is an issue. The Baghdad Police College is the most notable example of a lack of capacity to carry out basic construction.

The other issue you raise is why aren't the Iraqis executing their own capital budgets, hiring their own contractors, engaging in their own recovery, and the answer to that is they must moving forward because the Iraq Relief and Reconstruction Fund is spent, and the United States is no longer doing Reconstruction, capital "R." It is doing targeted aid, and that is why for Iraq to make progress, it must address the oil sector issue we talked about, and it must develop a plan that it implements effectively nationwide to continue to restore its infrastructure.

Ms. WOOLSEY. Do we have any data that tells us if it is less safe for American contractors that the Iraq contractors? Is there some sense of pride when it is built at home by locals versus the U.S. stamp on it or an international stamp on it?

Mr. BOWEN. Well, that is what I am told. For example, an Iraqi subcontractor gets the award from an American contractor; they will ask that Americans not visit the site because by visiting the site it raises the danger at the site.

Ms. WOOLSEY. That should be a lesson to us, shouldn't it? That is political. You don't have to answer that one.

Do we have a separate process for monitoring and auditing what the Iraqis are doing with international funding, mostly United States funding, but international funding versus what our own contractors? I mean, do we separate that? Do we know what Haliburton is doing versus what an Iraqi contractor is doing, or through their local governments?

Mr. BOWEN. Well, our oversight is—my oversight is of taxpayer dollars, the Iraq Relief and Reconstruction Fund in fiscal year 2006 money appropriated for relief and reconstruction. So that is all that I have information about.

You know, whether there is similar oversight of how the Iraqis themselves are spending their money and managing it, I don't have any information on that.

Ms. WOOLSEY. So I am going to ask a question that is kind of a political answer, so you might not want to answer it, but in asking it everybody will know what I think. Well, no, I am not going to ask it yet.

So by the way, would you be able to tell us what you think we should be doing in the short term in Iraq or what we should be doing in the long term on reconstruction, reconstruction?

Mr. BOWEN. As I said, "Reconstruction," capital "R," is concluded. There are still some large projects, especially in the electricity sector, that the Gulf Region Division of the Corps of Engineers is managing, about \$2 billion left to spend but relative to the overall investment what remains is relatively small.

The targets for the next phase of support to protect our interests in Iraq are appropriate. One, the Provincial Reconstruction Team effort, it is the most important national capacity to building program in Iraq, and it is about trying to get the provincial councils to manage their provinces.

There are 18 provinces, 18 provincial councils. You know, politics is local, democracy is a local event, and those councils are largely new. And the other thing that needs to happen, of course, is there need to be new provincial elections because the elections of 2005 were boycotted by the Sunnis. This created an imbalance in representation in a number of provinces, and new elections will fix that imbalance.

Ms. WOOLSEY. Okay. I am going to ask my question. Like the Iraqis saying, United States stay away from our projects because it is safer if you are not there, would the international community weigh in if they didn't think it was all controlled by the United States? Would they weigh in to a greater degree if the Iraqis were controlling their budgets?

Mr. BOWEN. You know, that is not an area I can really comment on.

Ms. WOOLSEY. Okay. I appreciate that.

Mr. BOWEN. Thank you.

Ms. WOOLSEY. And I think they would.

Mr. BOWEN. Thank you.

Mr. ACKERMAN. Mr. Poe.

Mr. POE. I have a few questions. I am way over here on the end.

Mr. BOWEN. Good to see you, Judge.

Mr. POE. Every war has its war profiteers. I think it has always been that way. When the smoke clears, there are always suddenly new millionaires. And when the smoke clears on this war, who do you think the new millionaires are going to be?

Mr. BOWEN. Well, it is a good question. I will just give you a little anecdotal insight from my travels through Amman. The Jordanians are not happy because of the number of Iraqis who have immigrated into Jordan with large sums of money which has caused the real estate prices in Amman to triple in the last year, according to my Jordanian friend.

Mr. POE. A couple other questions on the corruption and fraud. Where is the money going? I mean, I know it is lining the pockets

of some people who are just corrupt, but is any of the money being traced to our enemies, like al-Qaeda?

Mr. BOWEN. The belief of the Commission on Public Integrity is that, yes, some of that money is going there but that is just the belief. There is no mechanism that I am aware of for tracking that, and if there is a mechanism out there, I am sure it is highly classified.

Mr. POE. So if there is a belief, what would the percentage of that belief be?

Mr. BOWEN. He didn't offer up a guesstimate, but it is not implausible.

Mr. POE. One more question. If you could compare the American companies that are doing business in Iraq on reconstruction versus the Iraqi home grown corruption, could you put a percentage on that for me?

Mr. BOWEN. Well, as I said, within the U.S. program, based on our work over the last 3 years that we have reported publicly, there has not been a significant fraud problem within the U.S. reconstruction program. As I said, we have 28 cases pending at the Department of Justice, and over time that story will be told more fully.

Mr. POE. All right. Well, thank you very much.

Mr. BOWEN. Thank you.

Mr. POE. Thank you, Mr. Chairman.

Mr. ACKERMAN. Would the gentleman yield?

Mr. SIRES. Yes.

Mr. ACKERMAN. I would just like to ask Mr. Bowen just to further one of his answers that was anecdotal about the Jordanian saying the price of real estate in Amman has tripled.

The question I believe Mr. Poe asked about—who would the new millionaires be?—I think was trying to elicit who is making money off of the deal, and the answer, I am not sure how to interpret it. The real estate values in Amman are presumably going triple or much higher not because of wealthy refugees coming in and buying it up, but because all of these poor refugees are making huge demands on the housing market. Is that—

Mr. BOWEN. He didn't spell out his complaint any further than what I have just recited, so I don't know the actual underlying economics there.

Mr. ACKERMAN. See if you can get back to him.

Mr. BOWEN. Okay. I will be going back in August so I will see him again.

Mr. ACKERMAN. Mr. Sires.

Mr. SIRES. Thank you, Mr. Chairman.

Mr. Bowen, when you meet the wrong person in the wrong place with all the cost of all the corruption that is going on in Iraq, but you had said before that as much as 34 percent is security cost overruns on some of these projects?

Mr. BOWEN. No. What I said was the 34 percent of the Iraq Relief and Reconstruction Fund was spent on the security sector.

Mr. SIRES. And how much do think is as percent of corruption?

Mr. BOWEN. Well, as I said, within the U.S. program corruption has been a very small component. On the Iraqi side—

Mr. SIRES. 20 percent?

Mr. BOWEN [continuing]. Has been a significant problem.

Mr. SIRES. Would you say it is 20 percent?

Mr. BOWEN. No, I wouldn't.

Mr. SIRES. What I am trying to get at is for every American dollar we invest in this reconstruction of Iraq, how much of it goes to corruption, how much of it goes to security? I mean, what do we get for our dollar?

Mr. BOWEN. Well, that is a fair question, and it is one that—

Mr. SIRES. What do I get for my dollar? Let me put it that way.

Mr. BOWEN. It is one that my office is endeavoring to answer over the next year and a half, and we are doing it through focused financial audits of contractors and sectors. The Iraq Reconstruction Accountability Act of 2006, which extended my office's jurisdiction to cover fiscal 2006 money, also asked that we conduct a forensic audit.

A forensic audit, as I have learned, means lots of different things, but what it essentially asks is get down to the details of what happened to the taxpayer dollars invested in Iraq, and that is what you are asking, and that is why we are issuing our first focused financial audit of Bechtel in the next quarter. We have Parsons, Blackwater, DynCorp, and other contractors and sectors on our program of audits, and at the end of this regime I expect to be able to give you a detailed answer.

Mr. SIRES. How much money is Iraq putting into all this reconstruction, the country of Iraq?

Mr. BOWEN. Yes, that is the capital budget execution problem that we have been talking about, and the answer is not enough. About a quarter of their capital budget was executed last year. The Ministry of Oil was the most egregious failure; \$3.5 billion is the capital budget and \$90 million spent, and that simply is unacceptable.

Mr. SIRES. How much of that went to corruption?

Mr. BOWEN. Well, as I said—

Mr. SIRES. Somebody has got to feed the families.

Mr. BOWEN. Judge, the Commission on Public Integrity reports that he estimates \$5 billion lost annually to corruption in Iraq.

Mr. SIRES. You know, I listen to these things and I am like dumfounded. I just can't fathom that so much money gets lost and we don't get any bang for our money. I mean, I read an article the other day where we put up a street light, and then the next day it is gone. Does that happen?

Mr. BOWEN. Well, I don't know about that, but that alludes to the security problem. Security impedes progress on every front, has made every project cost more, and delayed every project.

Mr. SIRES. So why are we spending all this money in Iraq? I mean, what progress are we making when the President says we are making progress, Condoleezza Rice says we are making progress? Look, I know you are in the hot seat. When history gets done with this program, it is going to be the most wasteful program this country has ever gotten itself involved in. So what progress are we making if all this is happening?

Mr. BOWEN. Well, as I said in my opening statement, and as our reports indicate, a lot has been built with the Iraq Relief and Reconstruction Fund, but the phase wherein the United States bears

the burden of the reconstruction of Iraq is past. Reconstruction, capital "R," is over. Targeted support is what characterizes the continuing foreign aid to Iraq.

Mr. SIRES. What can we do to make Iraq participate in this program?

Mr. BOWEN. There is a budget execution initiative that is ongoing in Iraq that has benchmarks, if you will, that is going to compel, we hope, the Iraqi ministries to execute their budgets. Indeed, there is a rule that has been implemented by the Minister of Finance and the Minister of Planning that requires every ministry to execute at least half its annual budget by mid-year or to forfeit the balance.

Mr. SIRES. Can I ask a personal question?

Mr. BOWEN. Yes.

Mr. SIRES. How can you stay so calm when these people are ripping us off like they are? This is the American dollar. I mean, I compliment you on your steady, your calm. I am angry just thinking about this, that the American dollar is being wasted so much. How can you stay so calm?

Mr. BOWEN. Well—

Mr. SIRES. You don't have to answer. Hope you take your mother out to lunch, too.

Mr. BOWEN. Thank you.

Mr. ACKERMAN. Mr. Delahunt.

Mr. DELAHUNT. Are you going to the other side? I see my colleague from Indiana, Mr. Burton.

Mr. ACKERMAN. Mr. Burton.

Mr. BURTON. Oh, thank you very much.

Mr. DELAHUNT. I always want to defer to Mr. Burton if I have that opportunity.

Mr. ACKERMAN. I have noticed this thing going on. [Laughter.]

Mr. BURTON. I love you man.

Mr. DELAHUNT. I love you too. [Laughter.]

Mr. BURTON. One of the things that troubles me, and I am not sure you can answer this question, but the UAE, Kuwait, Saudi Arabia, they haven't done much of anything.

Mr. BOWEN. You are right.

Mr. BURTON. And as I heard you answering questions awhile ago, the Saudis have pledged \$500 million?

Mr. BOWEN. That is right.

Mr. BURTON. UAE pledged \$500 million?

Mr. BOWEN. That is right.

Mr. BURTON. Kuwait, I don't think it pledged any of it.

Mr. BOWEN. 250.

Mr. BURTON. 250. And you said that they are all below 10 percent of their commitment?

Mr. BOWEN. That was my estimate. Chairman Lantos was pushing me on it, and I will get back to you with details on that.

Mr. BURTON. Well, even if it is 20 percent, but here is my question. Who is putting pressure on those countries that made a commitment and aren't living up to it?

I mean, we are pouring our money into there, and our life blood into there, and we are protecting their fannies over there, and they

are not living up to their commitment. I would just like to know who is policing that.

Mr. BOWEN. Mr. Burton, you are exactly right because our commitment was the IRRF, and we have provided 100 percent of it, \$21 billion as opposed to \$500 million or \$250 million, and our Madrid commitment was the Iraq Relief and Reconstruction Fund, unconditional grant program. That does not characterize these other pledges from the Gulf States.

The answer to your question is no one has been pushing to hold them accountable, but there is a new process called the Compact for Iraq. I know you are aware of it. It just got approved finally after much delay at Sharmel Sheik 2 months ago, and in that those countries have transferred forward their Madrid pledges to the compact process.

But again, as I mentioned earlier also, there is an appendix with benchmarks. So whether that money is coming forward from them will be dependent upon certain events happening in Iraq.

Mr. BURTON. Well, I think Chairman Lantos and Ms. Ros-Lehtinen ought to ask somebody from the State Department to come up here and find out why they are making this kind of a commitment and they are not living up to.

I mean, Saudi Arabia gets billions and billions of dollars from the United States in oil revenues. We have, as I said before, protected them in the past. Kuwait, we saved their bacon in the first Iraq War, and the United Arab Emirates, I just can't understand why we are putting all that money in there, and they made a commitment, and they are not living up to it.

The State Department, if you say nobody is policing that, then that is the responsibility of our State Department, and Mr. Ackerman, I hope that you will contact Mr. Lantos and Ms. Ros-Lehtinen and let us get somebody from the State Department up here and say why in the dickens—I would like to use stronger language—but why in the heck aren't you policing that and holding their feet to the fire and making sure that they are making good on their commitments.

Mr. BOWEN. Right. And actually, that probably should have been my answer. Ask the question to the State Department because that is their mission. I understand that they do push them, but obviously there hasn't been any progress on those pushes.

Mr. BURTON. Well, I can't understand why if we are pushing them, we are not succeeding. I mean, every one of those countries are at risk if we aren't successful, every one of them.

Mr. BOWEN. That is right.

Mr. BURTON. And they have got a bigger stake in that than we do in all probability in the Middle East, and I just cannot fathom why we are not beating the heck out of them, saying you cough up your money or else you are going to reap the whirlwind. So I would just like to suggest that.

I don't have any other questions, Mr. Chairman, and Ms. Ros-Lehtinen, ranking member, but I wish we would call the State Department, get them up here and say what is going on. With that, I want to thank you very much for your service.

Mr. BOWEN. Thank you, Mr. Burton.

Mr. BURTON. Mr. Delahunt.

Mr. DELAHUNT [presiding]. I would just note for the record, directing this to my friend from Indiana, that Chairman Ackerman and myself had a hearing that addressed these very concerns that you have articulated. It was entitled "The Coalition of the Willing." The point being that we are here alone when it comes to providing funding, and I think Mr. Bowen just observed that the \$21 billion was a grant. It wasn't a loan. And I think with the exception of Japan, and possibly Korea, all of the other pledges that have been made but still have not been fully delivered upon are in the form of loans.

I yield to the gentleman.

Mr. BURTON. Yes. If you had a hearing on this, can you tell me who testified? Was it the State Department and others? I would like to know what their answer was.

Mr. DELAHUNT. My memory was it was Mr. Bowen.

Mr. BURTON. So we haven't had anybody from the State Department, to your knowledge then?

Mr. DELAHUNT. Yes, that is right. David Satterfield appeared. We will be happy to provide the transcript to you.

Mr. BURTON. I would like to hear it directly from somebody at State that is responsible for this to find out what is going on.

Thank you very much for yielding.

Mr. DELAHUNT. Mr. Bowen, I again welcome you, and would note for the record that you are one of the few bright lights in the saga of Iraq. Thank you for the fine work that you have done.

Recently I noted that the administration has nominated or appointed a war czar. I think if you had been there at the beginning and had accepted the title "reconstruction czar," that maybe we wouldn't be having this hearing today. It would have proceeded with a different result.

Mr. BOWEN. Thank you.

Mr. DELAHUNT. But in any event, my memory is that you have testified elsewhere and have talked about the need to generate revenue, obviously, with an almost exclusive reliance on the oil sector. I think it is about 90 percent?

Mr. BOWEN. 94 percent.

Mr. DELAHUNT. 94 percent. What is the status of the hydrocarbon law? And members have expressed concerns to me not just simply about its passage, but its support within Iraq because there are issues there, at least in the opinion of some Iraqis, that it would provide opportunities to foreign investors, and foreign private oil companies that would divert resources. Now, maybe that is incorrect. I don't know.

Mr. BOWEN. I don't know either. I don't know those particular details, but first of all, in our latest quarterly report we identified passage of the hydrocarbon law as an essential transition benchmark along with the International Compact, which was approved 2 weeks ago at Shar mel-Sheik, and also the re-energizing of a workable asset transfer system, which is broken right now.

But to put the hydrocarbon law question in context, remember that last September its passage was deemed imminent, and then in November, and then it appeared to be certain to be passed in December, and then it passed out of the Council of Ministers in February. There is four pieces to it as I understand.

Mr. DELAHUNT. Right.

Mr. BOWEN. And on its way to the Council of Representatives with the four pieces anticipated to be passed, at least I was told during my February visit, by May, and we are——

Mr. DELAHUNT. We are in May.

Mr. BOWEN. We are in May, and so I guess predicting anything about the hydrocarbon law, I think, is probably unwise given that particular track record. It doesn't change the fact that it is an important transition benchmark because the rules for investment have to be written and the rules for distribution have to be written for economic progress to occur.

Mr. DELAHUNT. You know, this is a quote, and again I can't vouch for its accuracy, but let me read it: "Iraq will have this very complicated institution called The Federal Oil and Gas Council."

Is that a creation of the draft hydrocarbon law?

Mr. BOWEN. That is what I understand. It is a large-scale reform of management of oil and gas production and export in Iraq, and there are 15 independent operating entities right now that comprise the oil sector, the public oil sector in Iraq, Northern Oil Company, Southern Oil Company, or SOMO, the export entity, are the most notable ones. That is going to all change with the creation of this centralized sort of contract approval council.

Mr. DELAHUNT. Well, what I find interesting, and again let me just proceed to the end of the quote, and it says, "We will have representatives from the foreign oil companies on its board."

Is that accurate?

Mr. BOWEN. I don't know anything about that.

Mr. DELAHUNT. Because if that is true, one can envision, you know, representatives of Exxon, Mobile, Shell, all of the major oil companies serving on this council, this Federal Oil and Gas Council.

Now, if that is the case, what I am concerned about, given the attitudes that we see from the polling data about the United States, one that was particularly disturbing was that 62 percent of the Iraqi people indicating their—well, at least not their disapproval, but that it was okay to assault and kill American military personnel.

If the Iraqi people I dare say start to become aware, if in fact this is accurate, I really want to underscore that, I don't know this, but that we have representatives of major oil companies serving on a national oil and gas council that is executing contracts, we open ourselves, or we will be open to—not that we are doing this—but we will be open to "they came in because of the oil" kind of accusations.

But again, you don't know anything about this?

Mr. BOWEN. No, sir. I don't know anything about it.

Mr. DELAHUNT. I don't know anything about it, but it is something that at least should be questioned by ourselves here in this Congress, and if anyone sitting in the back there has any information on it, I know that I would appreciate it.

The gentleman from South Carolina, Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman, and it even works better without the clip on the top.

Mr. Bowen, thank you for your service——

Mr. BOWEN. Thank you.

Mr. WILSON [continuing]. In the position of Inspector General. In our agencies, it is just crucial for accountability, for integrity, and I appreciate your service.

Mr. BOWEN. Thank you.

Mr. WILSON. Additionally, this morning was so sorry to learn, and I share the chagrin of Chairman Lantos, of Congressman Burton from Indiana, our allies, particularly our allies in the region, need to be participating because the negative consequences of failure in Iraq will most affect them, and I am just really disappointed.

You had indicated, I was going to ask, but you had indicted that you will be providing—

Mr. BOWEN. Yes.

Mr. WILSON [continuing]. Us a list of the different contributions, the pledges and contributions, and indeed we want to thank the people of Japan, Korea, the United Kingdom, and I never cease to be disappointed in the European Union, because they will be catastrophically affected if we are not successful.

I also have the perspective, I visited Iraq six times. I will be going back in the next month. I was so startled on my visits to see the infrastructure, the lack of infrastructure, the electrical grids that were antiquated, the lack of health care, the lack of school. Now are schools for 6 million children.

My oldest son served for a year in Iraq, so I know from the ground the efforts of our forces, and I have never been prouder of the American military. They have worked really hard on infrastructure, working to help build schools, to deliver over 1 million book bags to the children of Iraq, the efforts to renovate health clinics and open health clinics. My son told me one of the greatest experiences he had was to provide water tanks for villages which had never had water tanks before, with a contract by Iraqi contractors to maintain the water for the people in the villages that they were serving.

So there are so many positive stories out there, but I know that your role is to bring up both.

Mr. BOWEN. Yes.

Mr. WILSON. And so another side is to see the progress on Provincial Reconstruction Teams that you have referenced, and I have seen it personally in Afghanistan, United States/Korean troops working together with local government officials.

Can you tell us again what the circumstances in Iraq with the PRTs?

Mr. BOWEN. Yes. There are 10—I call them standard PRTs—part of the program that began over a year ago. We did an audit of them in October, and there were challenges with respect to resourcing them, staffing, and security. Security is simply a problem that will show up in the analysis of any issue in Iraq.

Some of the PRTs are doing well. The one up in Mosul is doing well. There are several that have a hard time getting out and are concentrated down at Hila. The one in al Anbar is now operating, and it was seriously compromised because of security back during my last visit. The Baghdad PRT is making a lot of progress.

So the first tranche of PRTs are a mixed story, as with everything in Iraq, but they are generally accomplishing the mission and carrying out the important task of building capacity in the provincial councils. That is their job.

The second tranche, the EPRTs, the “E” stands for “embedded,” there are 10 of those, and they are going to be part of brigades, under brigade commanders’ guidance, and have a more mobile capacity, but also similar purpose. There are four of them, or I think five of them in Baghdad, so there is going to be a more focused outreach to support the Baghdad security plan, the build portion of it. Those EPRTs will carry out that mission. But they are also in a start-up phase. They have their core capacity at four individuals, I think, on average, but eventually will be up to 20 by the summer. That is the plan.

Mr. WILSON. And as I conclude, again I am so proud of what our troops are doing, the representatives from civilian agencies of the United States. In my visits there, I have seen the development of the satellite dishes that were illegal under Saddam Hussein. Now every house has one, sometimes it appears two, from zero of cell phones, now there are 6 million, which is—

Mr. BOWEN. 8 million, actually.

Mr. WILSON. See, I am understating. Thank you for your numbers.

Mr. BOWEN. Yes.

Mr. WILSON. But there is hope. It is not perfect, but I want to thank you for your service. I want to thank our troops. I want to thank the American civilian agencies. I want to thank the contractors for making a difference for the people of Iraq.

I yield the balance of my time.

Mr. BOWEN. Thank you.

Mr. DELAHUNT. Congressman Inglis.

Mr. INGLIS. Thank you, Mr. Chairman.

Mr. Bowen, just as a recap here because I think I am the last one. I wonder what the—well, we have got more. I wonder if you could just summarize for me the total that we are spending in Iraq or we expect to spend in Iraq on reconstruction again is how much?

Mr. BOWEN. I don’t know how much eventually we will, but the amount that we have under oversight, and I include in relief and reconstruction security support, so that includes the Iraq Security Forces Fund, about \$38 billion. Iraq Security Forces Fund total—well, security spending, counting the Iraq Relief and Reconstruction Fund and the Security Forces Fund is about \$16 billion, so that gives you some sense. Almost, well 40 percent or higher is security, and then there is \$2.1 billion in the Commanders’ Emergency Response in appropriated funds and another billion, \$21 billion in the IRRF, and several billion in the Economic Support Fund that comprises that \$38 billion.

Mr. INGLIS. So it totals up to \$38 billion. And of that, how much have we spent?

Mr. BOWEN. Well, of the Iraq Relief and Reconstruction Fund, almost 90 percent is spent. It varies among the other tranches because they have come in in various supplementals and also in fiscal year budgets. But of the Iraq Security Forces Fund, I believe that about 80 percent of that is spent.

Mr. INGLIS. Okay. Do you have any sense about if our goal was to accomplish certain objectives, we have spent 90 percent of the money maybe, but I wonder if we have any sense of the objectives as opposed to the amount of monies spent. I mean, are we 90 percent complete on the objectives or are we short of that because of the security issues involved?

Mr. BOWEN. The latter. We are short of that. As we pointed out in a number of quarterly reports, something that we named 2 years ago the Reconstruction Gap, that simply is an outflow of four reprogrammings that moved, almost \$6 billion of the IRRF among sectors, primarily into the security sector, almost \$4 billion into the security sector, and that money had to come out of other sectors, namely, the water sector was cut by half. The electricity sector was cut. Oil and gas a little bit. Economic development was cut, and all of it went into training Iraqi forces.

Mr. INGLIS. Yes. The \$38 billion is the American effort. Order of magnitude of other partners' efforts in terms of pledges, what would that be?

Mr. BOWEN. Well, that is what we have been talking about here this morning, the Madrid pledges, and the failure of a lot of that to come forward.

I am told the EU has put in about \$700 million in grants, but we are going to have to give you the details on pledges and actual money coming forward, but the Japanese have put in \$1.5 billion in grants, and \$3.5 billion loans. The United Kingdom has put in about \$1 billion in a mix of loan and grant, and Korea and Australia have also stepped up with money, and also actually the Koreans are operating one of the PRTs.

Mr. INGLIS. So the order of magnitude is maybe \$5 billion, that is what it sounds like.

Mr. BOWEN. Yes.

Mr. INGLIS. Somewhere in that area.

Mr. BOWEN. Yes.

Mr. INGLIS. So compared to the American effort, \$38 billion, our partners might be at \$5 billion in terms of expenditures.

Mr. BOWEN. That is right.

Mr. INGLIS. And the reason I say \$38 billion because 90 percent of it is spent, so therefore we are getting close to the \$38 billion, right?

Mr. BOWEN. Well, 90 percent of the Iraq Relief and Reconstruction Fund, which is \$20 billion, and about 80 percent of the Iraq Security Forces Fund, which is \$10.8 billion.

Mr. INGLIS. Right. When you say that the estimate of \$5 billion being lost annually to corruption in Iraq, that is not our 38 plus the five.

Mr. BOWEN. No, it is not.

Mr. INGLIS. It is all of Iraqi—

Mr. BOWEN. It is all Iraq money.

Mr. INGLIS. So some of that would be ours, some of it would be Iraq money?

Mr. BOWEN. No, it is all Iraqi money.

Mr. INGLIS. All Iraqi money—

Mr. BOWEN. Yes, sir.

Mr. INGLIS [continuing]. Is the \$5 billion estimate.

Mr. BOWEN. That is right.

Mr. INGLIS. Okay. And that is an order of magnitude of their expenditures? I mean, of expenditures, I mean of—

Mr. BOWEN. Their total budget is \$41 billion this year.

Mr. INGLIS. So the thought is out of the \$41 billion perhaps \$5 billion goes off to corruption?

Mr. BOWEN. That is right. That is the estimate from the Commission on Public Integrity.

Mr. INGLIS. And of course it is important for us to keep in mind that is not our money, that is their money.

Mr. BOWEN. That is right.

Mr. INGLIS. And of course I guess some part of the \$38 billion has not been spent as well as we might have hoped.

Mr. BOWEN. That is right.

Mr. INGLIS. But the order of magnitude of that waste is far lower than say the percentage of \$5 billion over \$41 billion.

Mr. BOWEN. Right. That is correct.

Mr. INGLIS. Well, helpful. Thank you.

Mr. BOWEN. Yes. You are welcome.

Mr. DELAHUNT. The gentlelady from Texas, Ms. Sheila Jackson Lee is recognized for 5 minutes.

Ms. JACKSON LEE. Again, Mr. Bowen, thank you so very much for your presence here and your service.

Mr. BOWEN. You are welcome.

Ms. JACKSON LEE. And if my questions are rapid, I want your mother to know that I still appreciate very much the leadership that you have given to this cause. I was detained in another hearing on the Gulf Coast recovery, so you can imagine the focus we have had today.

I am just going to start. I noticed there are some questions that will tie into the one that I will make. For example, it looks as if in the Donas Conference, I think you just answered that question, of the \$13.5 billion, there may be only about a quarter, or \$3.5 billion has been received, and certainly that concerns me, and the corruption concerns me as well because that seems to be an ongoing story.

I indicate to you that I was there and have been there since, but I was there with Ambassador Berman, and really thank him for the good intentions, but I think there were a lot of misdirections. One, of course, with the Ba'athists who, as I understand it, were just shear civil servants, and we lost them.

Can you just—first question—say that some of the failure that we have now is because of the shear lack of leadership in the Malaki government with respect to being able to run, retain good civil servants, the disagreement, if you will, of bringing back the Ba'athists, and just simply not taking the leadership or statesmanship position to make hard decisions?

Mr. BOWEN. Well, I think the issue that we have focused on within the Government of Iraq that is a significant problem, if not the most significant problem, is the budget execution issue. As I have said, the United States is no longer funding the recovery of Iraq, the reconstruction of Iraq. The \$21 billion is largely spent. The burden of funding, a continuing recovery of that country rests squarely on the shoulders of the Government of Iraq.

Last year they spent about 22 percent of their capital budget. That is not going to remedy the very real problems within their infrastructure that currently exists, and cause low output of oil, that cause low limited generation of power on the grid, and also—

Ms. JACKSON LEE. But if I may, does that tie back to then a failed government system and with the leader who has been told, as I understand it, made aware of these fractures in his government? Is it not a question of leadership that we have now in Iraq?

Mr. BOWEN. I think that moves into political and policy questions that are better directed at the State Department. My focus is on the economics, and the economic reality in Iraq is that funding is compellingly needed, urgently needed across the board to bolster a very weak infrastructure—that is continually attacked, by the way, by insurgents.

I mean, you may have seen today in the paper the Baghdad grid was hit again. It is something we reported on repeatedly.

Ms. JACKSON LEE. And I have been there, and forgive me, I am going to go on to my next question.

Mr. BOWEN. Okay.

Ms. JACKSON LEE. I will take that as a qualified yes, and I do respect the fact that you deal with the logistics. Let me just ask these series of questions, and then I will yield back to you for the answers.

How much involved are the majors of our country in this whole question of the oil production and nonproduction? Frankly, that has given the Iraq War a bad name, that this was done only because of the majors, many of them that I represent, and I know the needs, that they were casting the die on this. Are they involved? Have they been training people, and what would be the reason for the resources not being moved as quickly as they should be? That is the oil resources.

I wonder whether small and medium-sized businesses of the United States, have you seen any opportunities through the logistical process for them to really get their foothold? Would they be helpful? Would they be helpful for joint ventures? Have you seen any work along those lines?

My next question is dealing with the utilities, electricity. That is one of the places—you just spoke about the grid. But again, would any help from our neighbors, Jordan and otherwise since they are close by, be effective in sort of getting electricity on more than 2 hours a day beyond the violence? And you might speak to what we can do policy-wise to encourage the Ba'athists to be able to come back safely as civil servants maybe to help the logistical problems that you have just edified.

Mr. BOWEN. Okay. With respect to the Ba'athists issue, again that is a question of policy for the State Department. I focus on economics.

The electricity issue, 23 percent of the Iraq Relief and Reconstruction Fund was spent on electricity, and it is an area of continued emphasis, continued new work. It is the area of the largest amount of work that is left to be done in Iraq by the Iraq Relief and Reconstruction Fund.

The issue that SIGIR has focused on for a year is infrastructure insecurity, and that is the very grim reality that the 400 kv line,

for example, from Beji to Baghdad is down more than it is up, that the Baghdad grid gets hit continuously, and as a result of that concerted effort the hours of power to Baghdad for the last 9 months have stayed between 4 and 6 hours. While it has been higher in other parts of the country, Baghdad, city of 7 million, survives largely on generators. There is a market that has grown across the city in the sale of generators.

When I fly out of Baghdad at night in a Blackhawk, it looks like there is plenty of electricity, but it is not as much driven by the grid as by these generators.

As to small and medium-sized businesses, I will need to get back to you with details, but I know that there was an effort within CPA contracting, and subsequently within Joint Contracting Command/Iraq to address set asides and small business interests. The success of that, I will have to query the Joint Contracting Command/Iraq to get that, and I don't have any information about major oil and gas company involvement in the oil sector.

Ms. JACKSON LEE. I thank the chairman. I yield back.

Mr. DELAHUNT. If by unanimous consent agreement if my good friend from Illinois would allow the gentleman from New Jersey to proceed for several minutes, it would be greatly appreciated.

Mr. MANZULLO. Is that more than 5 minutes?

Mr. SMITH. Thank you.

Mr. MANZULLO. Go ahead.

Mr. SMITH. I thank my friend for yielding. Thank you, Mr. Chairman. I do have a meeting with a Muslim leader at 12:30, so I have just a few minutes.

Let me just ask a couple of questions if I could. Thank you for your testimony. I am sorry to have missed some of it, like many members were out doing other things. I held a hearing last year on General George Casey's statement or his rule dealing with the issue of foreign workers and trafficking, and as you recall, as a matter of fact one of the people we had testify was Colonel Robert Boyles from the Air Force who I think elaborated very well on what they planned to do to try to mitigate abuses of foreign workers.

His order, frankly, called to ensure that all contracts include a termination without penalty, the return of passports issue was important because very often, as you know, they would take the passport.

Mr. BOWEN. Right.

Mr. SMITH. And that made that person pretty much stateless in terms of his or her ability to move around. It required prime and subcontracts to provide employees with a signed copy of their employment contract that defines the terms of their employment. It would also provide for sufficient and adequate living space as you recall. I am wondering how well or poorly that order is being carried out.

And let me just say, parenthetically, that it is really a pleasure and an honor to see Hillel Weinberg who served with great distinction on this committee for decades, and all of us who knew him greatly respected him, so it is good to see you back, Hillel.

Mr. BOWEN. I am fortunate to have him on my staff.

Mr. SMITH. I know. I know.

Mr. BOWEN. Thank you.

Mr. SMITH. That is our loss, your gain.

Mr. BOWEN. Yes.

Mr. SMITH. But please, if you could.

Mr. BOWEN. It is a good question. It is one I ran into right away in 2004, when I got on the ground and really addressed it in the summer of 2004 with the Defense Contract Management Agency about the practices of a company called Tamani. I don't know if you have run into that company. But it is a Kuwaiti company that was subcontracting with Kellogg Brown Root, and was doing exactly what you just described, and it was a challenging issue. There were some contentious matters, but I think we made progress then. Obviously we didn't solve it because, as you have heard and just recited, that practice continues elsewhere.

I don't know about this particular order. I will need to follow up and do some research.

Mr. SMITH. If you could because it is all about implementation.

Mr. BOWEN. It is.

Mr. SMITH. And it seems to me that from a force protection point of view, from the exploitation of the labor force point of view.

Mr. BOWEN. Right.

Mr. SMITH. I mean, it is a lose/lose everywhere if we don't pay careful attention to this. The order was a fine order. It covered all the bases. It is just a matter of whether or not it is implemented.

Mr. BOWEN. What was the date of that order?

Mr. SMITH. April 2006; we also had a hearing on it, and frankly, the answers that were given, while they were well meaning, were not availing in terms of how this was going to be rolled out. The 35,000 foreign workers is no small number of people, and the recruiters, the brokers in Jordan and elsewhere were doing a job of tricking, deceiving, lying, and sometimes coercing, but especially defrauding individuals into thinking that this is what it would be like once they got to Baghdad or some other point in Iraq. Only to find that the pay was nowhere near what they were promised, and they were working pretty much in involuntary servitude and slave-like conditions in some cases.

So the order is right. Whether or not it is being implemented remains the issue.

Mr. BOWEN. And who signed that order?

Mr. SMITH. Casey.

Mr. BOWEN. Casey.

Mr. SMITH. And Colonel Boyles was one of those who implemented it or began implementing it.

And I have asked some questions before. Still haven't gotten the answers, and it seems to me the money should—

Mr. BOWEN. We will follow up.

Mr. SMITH. I appreciate that. Thank you.

And if we could make that part of the record, Mr. Chairman.

Mr. DELAHUNT. The gentleman from Illinois, Mr. Manzullo.

Mr. MANZULLO. Thank you. I appreciate your perseverance. I don't know why you do it except you love America with a deep and intense passion to help people.

Mr. BOWEN. Yes, sir. That is why.

Mr. MANZULLO. I read through your testimony. I am sorry that I wasn't here. The Congressional Research Service did a memo-

randum on the money, and there are so many programs going on you wonder, are the bureaucrats sucking up all the money? Then they have to file reports as to where the money is going, and you wonder how much gets down to the individuals.

But let me recall, I was at a recent meeting, and an administration official whose name escapes me was very excited. He said Americans can look forward to buying Iraqi-made manufacturing items, and he said that—I mean, he was really excited. He doesn't represent Winnebago County, Illinois, which has lost 14,000 manufacturing jobs, and has the highest percentage of manufacturing jobs per capita for any county in excess of 250,000, with the exception of Wayne County, which is Detroit.

I spend most of my time on manufacturing issues. I had heard from General Petraeus some time before the surge began that the United States was going to spend resources trying to restart Iraq's manufacturing sector. I noticed nothing mentioned manufacturing in the CRS report, nothing in particular in your testimony. What can you tell me about that?

Mr. BOWEN. Well, it is a multi-front effort to try and get the private sector manufacturing—and state-owned enterprises, frankly—restarted, and it has been a 4-year challenge. There is a new initiative, relatively new, that has been ongoing out of the Pentagon under Deputy Under Secretary of Defense Paul Brinkley's leadership to try and engage the start up of Iraqi factories wherein the Department of Defense purchase some of the output of it, and also trying to connect up United States businesses to be partnerships.

Mr. MANZULLO. To import?

Mr. BOWEN. He told me in his last trip, I saw him last week, that there are four factories that he has gotten going and he has planned to bring 20 more on line.

Mr. MANZULLO. Who is it that you are talking about?

Mr. BOWEN. This is the Deputy Under Secretary of Defense.

Mr. MANZULLO. And who is that?

Mr. BOWEN. Paul Brinkley, for business transformation.

Mr. MANZULLO. I would very much like to know, and the American people would like to know and my manufacturers and factory workers would like to know—

Mr. BOWEN. Yes.

Mr. MANZULLO [continuing]. If the United States is rebuilding factories in Iraq, training people to work in those factories to manufacture items in order to sell them back to the people of the United States. I think that is outrageous. If that is the goal, this is an outrage because there are enough people in Iraq to buy their own products, and enough countries out there that should be helping us out to buy those products.

Mr. BOWEN. Right now he is facilitating the process, not, I am told, spending U.S. dollars to do it.

Mr. MANZULLO. Well, he is spending his time on it.

Mr. BOWEN. No, I think—

Mr. MANZULLO. And he has a staff—

Mr. BOWEN. Yes.

Mr. MANZULLO [continuing]. And his energy. I would like to meet with him. Do you work with him as part of your job?

Mr. BOWEN. I meet with him. I don't work directly with him.

Mr. MANZULLO. Is there anybody here from the State Department that works with Mr. Brinkley?

Mr. BOWEN. He is from the Department of Defense.

Mr. MANZULLO. Department of Defense.

Mr. BOWEN. But I can provide you his contact information.

Mr. MANZULLO. I would very much like to talk to him.

Mr. BOWEN. Okay.

Mr. MANZULLO. I would like you to furnish me, if possible, any documentation involving the restart of manufacturing in Iraq. I don't recall that before the war we imported that much from Iraq, but I think it is absolutely stupid to think that the way to reconstruct manufacturing in Iraq is to provide markets for Iraqi-made goods here. Doesn't that sound strange when there are enough countries in the world that are next door, that you don't have to worry about transportation, and enough people in Iraq to buy the products themselves?

I want to know what these products are. I want to know the competition with stuff made in America. Those are valid questions, don't you think?

Mr. BOWEN. Yes, sir.

Mr. MANZULLO. Don't you think it would be outrageous for American to build Iraqi factories that we perhaps bombed, and then to turn around and create more competition, and then to have the prices somehow finessed so that Americans could be buying cheaper stuff in order to rebuild capacity in Iraq, and for how long would that go on?

How could a manufacturing sector be reconstituted if it depends upon exports?

Mr. BOWEN. I will provide you his contact information. I am sure he will be glad to come give you a briefing on what he is doing.

Mr. MANZULLO. Could you do that? And who is from DoD here? Anybody here from DoD?

Okay. Well, I asked some good questions, didn't I, Mr. Chairman? Thank you.

Mr. DELAHUNT. Do you have anymore questions, Mr. Manzullo?

Mr. MANZULLO. No.

Mr. DELAHUNT. We will give you all the time you want.

Mr. MANZULLO. You know, I live all my life in factories and trying to keep manufacturing here. Thank you.

Mr. DELAHUNT. No, but I would just note that I think we did rebuild some factories in Europe after the war. I understand your point, and I think you know that I am an advocate for—

Mr. MANZULLO. Right. Little bit different situation. Why would administrative officials say Americans will look forward to buying goods made in Iraq? Why didn't he talk about the other countries of the world buying Iraqi products? Just a thought.

Mr. DELAHUNT. Well, we will take your thought and reflect on it.

The gentleman from California, Mr. Jim Costa.

Mr. COSTA. Thank you very much, Mr. Chairman.

It is indeed timely that we have this briefing this morning, or now into the afternoon with regards to how taxpayers' dollars in our country have been spent on Iraq, and obviously there is a lot of concern.

By your own report that I have here, as you noted Congress appropriated \$21 billion in the Relief and Reconstruction Fund, and as you state today, more than 98 percent of those taxpayers' dollars have been obligated, more than 84 percent have been expended.

Much has been discussed this morning about corruption and the challenges with corruption and these dollars, these hard-earned American taxpayer dollars that have been allocated for the reconstruction purpose.

Last night I was in an interesting meeting with the Iraqi Ambassador to the United States, and we had a wide-ranging discussion, but one of the questions I put to him was how much progress we could expect in the next 6 months, in the next 12 months in terms of this Iraqi Government gaining not only further stability but making good on its promises to not to spend on the militias, but to get reconstruction going, getting the economy going when, in my opinion based upon my visits and everything that I have read, corruption continues to be, if not endemic, a way of life.

And he responded and got animated, and I don't want to put words in his mouth, but that corruption was perhaps, in his opinion, the greatest, if not the, one of the greatest problems that they were dealing with, and he went on to further explain that it wasn't just corruption within their own segments of the economy and within the government, but corruption within American contractors as well, and how contracts were issued.

I would like to ask, as the Inspector General, whether you have been able to place any handle. I mean, we are now being asked to put another \$3.5 billion with this supplemental if we get it approved, and I hope we do even though I have certain issues, but I still think we have to fund our troops, nonetheless what percentage of corruption have you been able to discern out of the \$21 billion of taxpayers' dollars that we have appropriated, and any other monies that have been expended either by our allies or by the Iraqi Government revenues itself? Do you have any handle on this?

Mr. BOWEN. Yes. We are focused on that issue, and we have 78 ongoing cases and 28 of them are at the Department of Justice under prosecution now.

The fact is there is a distinction between levels of corruption that is very substantial.

Mr. COSTA. Of course.

Mr. BOWEN. On the Iraqi side—

Mr. COSTA. There is little corruption, mid-sized corruption, big corruption.

Mr. BOWEN. I am talking about the difference between corruption on the Iraqi side and the United States side.

Mr. COSTA. And corruption on our side. Okay.

Mr. BOWEN. Yes. On the Iraqi side, it is endemic, as you said, and it is upwards of \$5 billion annually, and something that the anti-corruption entities in Iraq are having a very difficult time making any progress on.

On the U.S. side, based on our work to date corruption has not been a significant component—fraud I am talking about—of the United States/Iraq reconstruction experience. As I said earlier, over the course of this year we expect to see more cases coming forward so that picture will become—

Mr. COSTA. But these 27 cases you made reference to, they are looking at corruption?

Mr. BOWEN. That is right.

Mr. COSTA. And these are American contracts?

Mr. BOWEN. That is correct.

Mr. COSTA. And so we don't as of this point then yet clearly know—I mean, we know what those companies did, how much their contract was allocate for, I suspect, in dollars.

Mr. BOWEN. Right. We have a whole variety of allegations, some large, some small. But as I said, to date based on what we have accomplished, what has been done, the U.S. component of corruption, the component within the U.S. program is relatively small.

Mr. COSTA. Do you include—I don't want to say cost overruns, but their way of padding, padding costs.

Mr. BOWEN. That falls under waste, I think, but we do have cases that verge from waste into fraud, and we are looking at those, but at the same time our audits and our inspections more demonstrably note that waste has been a problem.

Mr. COSTA. And when can you delineate for the committee a better handle in terms of the actual numbers, both as it relates to fraud and waste both Iraqi and United States?

Mr. BOWEN. Our investigations are ripening, and I think through the course of this year we will have information we can provide publicly to you about progress on those.

On the waste front, we are engaging, pursuant to our extended mandate in the 2006 Iraq Reconstruction Accountability Act, to pursue a forensic audit-like review of the Iraq Relief and Reconstruction Fund, and we are doing that by doing audits of major contractors and sectors. Our first report will be out in the next quarter on Bechtel. We have ongoing reviews of Blackwater, Parsons, DynCorp, and we have others in the queue.

Mr. COSTA. Thank you.

Mr. Chairman, my time has expired but this is something that I believe that the committee needs to continue to follow on and to get a timely report so that we can get a better handle on the level of corruption and waste that is taking place both on the Iraqi side and within United States companies as well. Clearly, we have enough challenges in Iraq as it is today without adding to the problems that waste and fraud create as we are trying to make things right there.

Mr. DELAHUNT. I thank the gentleman, and I would defer to the ranking member if she has any additional questions or comments.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Delahunt. As you pointed out, you have already delved on this issue in your subcommittee and done a good job of that, and we commend again a wonderful Inspector General for the great work that he has done. Thank you, Mr. Bowen.

Mr. BOWEN. Thank you.

Mr. DELAHUNT. And just let me echo those sentiments. As I have stated on multiple occasions, Mr. Bowen, you have been terrific. You have done terrific service for your country. With the addition of Mr. Weinberg, you enhance the professionalism of your staff, and let me make a final request.

I intend to ask Mr. Ackerman, who chairs the Middle East Subcommittee, to examine, to conduct a hearing in conjunction with my subcommittee into the hydrocarbon act as it is currently constituted, and since oil revenue, as you indicate, amounts to 94 percent of the revenue source for the Iraqi Government to operate and reconstruct, we would like to know as much about the hydrocarbon act as we can so that at some point in time in the future we can speak about it, and discuss it among ourselves or obviously in a public forum as well so that we are not blind-sided by possible suggestions or accusations that this is all about oil, big oil, and that was the motivation to go into Iraq.

I don't know if that is within your purview, but if you could provide the committee with appropriate names and contact information that representatives of the administrative who might have those answers could give us, I think we would welcome that.

Mr. BOWEN. Yes, sir, I will do that.

Mr. DELAHUNT. Thank you. And with that we are adjourned.  
[Whereupon, at 12:45 p.m., the committee was adjourned.]

# A P P E N D I X



MATERIAL SUBMITTED FOR THE HEARING RECORD



EUROPEAN UNION  
DELEGATION OF THE EUROPEAN COMMISSION

Head of Delegation

May 25, 2007  
D/786

The Honorable  
Tom Lantos  
Chairman  
Committee on Foreign Affairs  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Lantos,

It has come to my attention that during the testimony of Stuart Bowen, Special Inspector General for Iraq Reconstruction, to the House Foreign Affairs Committee on May 22, 2007, you were given misinformation regarding the European Commission's contributions to Iraq's reconstruction efforts. I want to assure you of the European Union and the European Commission's commitment to helping the reconstruction of Iraq and to securing a stable democracy and a functioning economy. Success in doing both is the only option the EU sees as acceptable and the European Commission is committed to doing our fair share in providing the assistance necessary to help Iraq's recovery. We are well aware that anything less threatens the security and stability, not only of Iraq's immediate neighbors, but could also have negative consequences for the European Union itself.

Exception is taken to the remarks of Mr. Bowen because they seemed to downplay both the role and contribution of the European Commission in the multilateral effort to restore Iraq. During the hearing, Mr. Bowen confirmed your statement that: "90 percent of what the European Commission has pledged in October 2004 [referring to the Madrid Donors Conference] has not been delivered." In fact, at the Madrid Conference, which took place in October 2003, the European Commission pledged to deliver €200 million for 2003 and 2004. In 2003, the EC provided €142 million and in 2004 a further €176.5 million, therefore exceeding our Madrid pledge.

Indeed, over the period 2003 to 2006, the European Commission's overall assistance has amounted to €718.5 million in grants mainly distributed through the two branches of the International Reconstruction Fund Facility for Iraq (IRFFI), where the European Commission is the largest donor, contributing 39% of the total funding. These funds have already been committed to addressing Iraq's humanitarian and reconstruction needs, as well as supporting the political process (notably the European Commission was the UN's main sponsor in supporting the 2005 elections and Constitutional referendum).

You may also wish to note that the sum of European Union assistance to Iraq since 2003 amounts to €14.2 billion. That is composed of the European Commission's assistance plus the bilateral grants, loans, and debt relief of the EU's 27 Member States.

For your information, the European Commission provides regular reporting of its activities and disbursements for Iraq to the U.S. Department of State for the specific purpose of informing Congress. Given our efforts, to keep U.S. stakeholders informed, it makes the misinformation you received all the more disappointing.

I am sending you this information in the hope that the record of the hearing could be corrected or that this information be included in the record of the Committee proceedings on the hearing. I would also request that my letter be circulated to your Committee colleagues for clarification. As always, I am at your disposal to answer any questions you might have regarding the specifics of the European Commission's contributions to Iraq's reconstruction or any other policy about which you might have questions.

Sincerely,



John Bruton  
Ambassador

**SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION**

July 18, 2007

The Honorable Tom Lantos  
Chairman  
Committee on Foreign Affairs  
United States House of Representatives  
2170 Rayburn House Office Building  
Washington, DC 20515

Dear Mr. Chairman:

At the Committee's hearing on May 22, 2007, entitled, "Iraq: Is Reconstruction Failing?," you asked me for the amounts pledged at the October 2004 Iraq donors' conference in Madrid, separate and apart from United States contributions. You also asked how much of that money had actually been delivered for reconstruction efforts in Iraq.

I write to follow up on your question and to provide supplemental data for the hearing record. We have tapped every available resource to secure information on donor status. But the limitations on the scope of this data, as explained in the supplemental information, are still problematic. These limitations stem from the fact that donor nations have no obligation to provide follow-up data to the United States, and many have not done so. As a consequence, we have been able to obtain limited information on the status of some of the largest donors.

SIGIR gets information on donor pledges for Iraq from the Department of State, the Treasury Department, and the Government of Iraq. The most current information they provide is reflected in our Quarterly Reports.

Thank you for your continued support of the important oversight work that SIGIR is carrying out. I assure you that we will continue to pursue the most accurate and complete donor data possible.

Sincerely,

A handwritten signature in black ink that reads "Stuart W. Bowen, Jr." with a stylized flourish at the end.

Stuart W. Bowen, Jr.  
Inspector General

Enclosure:  
As Stated

cc: The Honorable Ileana Ros-Lehtinen

*Supplemental Response by Stuart W. Bowen  
Special Inspector General for Iraq Reconstruction*

*Question:*

What amounts were pledged at the October 2004 donors' conference in Madrid by various countries, apart from U.S. contributions, for the reconstruction of Iraq and how much of that money had been delivered?

*Answer:*

In its quarterly reports, SIGIR reports on the amounts of pledges from foreign nations and international organizations.

SIGIR gets donor data from the Departments of State and Treasury, the Government of Iraq, and from reports published by the World Bank, IMF and United Nations, the European Commission and other international donors. Additionally, SIGIR obtains information from reports by the GAO and the Congressional Research Service. Once compiled, SIGIR reports are vetted for accuracy with the Departments of State and Treasury and the World Bank.

The Development Assistance Database (DAD) is a depository of investment data for projects financed by the international community, and it is maintained primarily by the Iraq Ministry of Planning. The DAD's accuracy is limited.

SIGIR works to update our data and expand our sources to ascertain the most accurate donor figures available. This is a tough challenge because of the unavailability of data, limitations to our jurisdiction, and conflicts in data provided -- compounded by challenges in verifying information provided. SIGIR has analyzed the information currently available and provides the following observations:

**Summary of Known Data**

- The Madrid Donors' Conference in 2004 resulted in \$13.5 billion in donations for Iraq, \$8 billion of which came from individual countries (the remainder came from the World Bank and the UN).
- Of the Madrid donations, about \$9 billion was provided in loans and \$4 billion in grants.
- Since Madrid, there has been an estimated \$5 billion in new pledges, bringing total pledges in 2007 to \$18.2 billion. Since Madrid, 13 new countries have pledged, among which are Switzerland, Portugal, Lithuania, Germany, France and Austria, Taiwan, Singapore, Jordan and Vietnam.
- \$1.6 billion in pledges were earmarked for the IRRFI (International Reconstruction Fund Facility for Iraq), which has two sub-accounts run by the WB and UNDP. 98% of the IRRFI pledges have been fulfilled (an exception is Qatar which has fulfilled 75% of its \$10m pledge). Of the total IRRFI, over \$1 billion has been contracted and \$712 million disbursed).

- The State Department reports that since the ratification of the International Compact with Iraq in May of 2007, nearly \$700 million in additional donor pledges (loans and grants) have been identified from seven countries:
  - Australia - \$23 million
  - China - \$6.5 million
  - Denmark - \$35 million
  - Iran - \$10 million
  - Korea - \$200 million
  - Spain - \$22 million
  - UK - \$400 million
- There is a great degree of opacity surrounding some of the larger donors - especially donors from the Gulf region. It is difficult to tell what they have committed or deposited, and their donations are generally not tracked in DAD.
- The best examples of unknown progress include Saudi Arabia which has pledged \$1 billion (including 500m in credits and 500m in loans) and Kuwait which by some accounts has pledged \$1.5 billion. More broadly, bi-lateral loan, grant, and debt relief agreements are often subject to confidentiality agreements, making it difficult to track details of such amounts, even within the traditional foreign debt reporting requirements of the World Bank and IMF.
- The 10 largest donors outside of the US are:
  - Japan - \$5 billion (\$1.5 in grants and \$3.5 in loans - virtually all grant money is spent, loans which it appears have \$700 million committed toward projects)
  - UK - \$ 1.5 billion - most of which has been committed, deposited or contracted
  - European Commission - \$968 million - most of which has been committed, deposited or contracted
  - Iran - \$1.002 billion - status unknown although the \$10 million for IRRFI appears committed, and the \$1 billion was a line of credit
  - Saudi Arabia - \$1 billion - 18% committed although status largely unknown
  - Kuwait - \$516 million - status unknown
  - S. Korea - \$460 million - between 37\* - 100% committed (depending on data source)
  - Canada - \$286 million - about 37\* - 60% disbursed
  - Italy - \$273 million - about 12 - 13% committed
  - Spain - \$270 million - between 70\* - 75% committed
- Other donors of note:
  - UAE - \$215 million - status unknown
  - Australia - \$104 million - 39\* - 88% committed
  - Denmark - \$103 million - 18\* - 45% committed
  - Qatar - \$100 million - only 5% is listed as committed so far
  - Sweden - \$58 million - 18\* - 100% committed

---

\* The lower figure, in each case, is from the DAD database.

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF TEXAS

Thank you, Mr. Chairman, for convening this important hearing. May I also thank the Ranking Member, Ms. Ros-Lehtinen, and welcome our distinguished witness, Stuart Bowen, Special Inspector General for Iraq Reconstruction. I look forward to your testimony, which I hope will provide us with important insights into the status of reconstruction efforts in Iraq.

Mr. Chairman, in 2003 the Bush administration chose to invade Iraq without laying out a clear and realistic plan for reconstructing the nation after the conflict. This administration incorrectly predicted that the reconstruction of post-Saddam Hussein Iraq would be quick, easy, and financed by Iraq's own resources. Instead, the rebuilding of Iraq's infrastructure, devastated by years of war, sanctions, Saddam's depredations, and the looting and chaos that followed his overthrow has proven difficult and costly.

Even before the invasion, many Democratic members of the Republican-controlled Congress warned of the likelihood of a bleak post-war landscape in Iraq. We stood on the floor of the House and warned of the enormous destruction and the potential astronomical costs to reconstruction, and advocated a clear rebuilding plan be outlined if armed conflict was deemed necessary.

Now that ill-conceived invasion has occurred, and Iraq's political and economic infrastructure is mortally wounded, we have a responsibility to not leave Iraq in ruins. To date, we have appropriated over \$35 billion for the reconstruction of Iraq as part of a large-scale assistance program. Initial estimates of the total cost of reconstruction, placed at \$55 billion, failed to take into account the significant costs of instability and security needs that have arisen in the years following 2003; these estimates are likely to fall well short of the eventual total.

Actual assistance has been focused primarily on three sectors. Approximately 44% of reconstruction funds have gone to security assistance, largely used to train and equip Iraqi security forces. About 33% has been used to build infrastructure, for projects including roads, sanitation, electric power, and oil production. The remaining 23% has been used to fund a range of programs to offer expert advice to the Iraqi government, establish business centers, and to provide school books and vaccinations.

Since FY2003, U.S. foreign aid appropriations for Iraq have mostly come through annual emergency supplemental bills. Iraq has not yet proven itself capable of paying for its own reconstruction, though Iraqi funds, largely derived from oil export profits, have been employed to cover the "normal" operating costs of the Iraqi government, and, when sufficient amounts are available, have been used to address reconstruction needs. Other nations have also contributed to the stabilization effort, with pledges from foreign donors amounting to around \$15.2 billion in grants and loans, of which about \$3.8 billion had been disbursed as of August 2006.

There have been a number of problems with the distribution of this aid. Because of the involvement of multiple authorities and agencies, the assistance program has been plagued with problems of coordination. This Congress has attempted to address these concerns, and both versions of the FY2007 Emergency Supplemental Appropriations have called for appointment of a Coordinator for Iraq Assistance. I firmly believe we must continue to work to rectify this serious concern.

Perhaps the biggest ongoing challenge to reconstruction efforts is the dismal security situation in Iraq. Instability and violence severely slow the pace of construction, and are responsible for the destruction of already completed projects such as pipelines and power lines. Major project costs have been increased by 8% to 17% to cover security needs, causing a significantly higher burden to American taxpayers. The former chairman of the International Reconstruction Fund recently lamented the current state of violence, stating "I have no real expectation that Iraq can be reconstituted as a viable entity. . . . How could reconstruction efforts succeed embedded in chaos?"

Unfortunately, security concerns are not the only thing hampering reconstruction efforts. Another key issue is that of corruption, which is pervasive in the Iraqi government and continues to hinder Iraq's ability to pay for its own future reconstruction. According to a draft study from the Government Accountability Office (GAO), between 100,000 and 300,000 barrels of oil per day over the past four years are unaccounted for and are likely being diverted by corrupt officials or insurgents. In an effort to combat this serious problem, the U.S. Embassy recently established an Office of Accountability and Transparency to coordinate multiple anticorruption efforts.

The Special Inspector General for Iraq Reconstruction (SIGIR) is an important component to the reconstruction of Iraq. The SIGIR has been instrumental in pro-

viding information on the successes and failures of our rebuilding projects, and has revealed unsatisfactory performance by various contractors employed in the reconstruction effort. I urge my colleagues in this Congress to work to clarify the status of the SIGIR over FY2007 appropriations.

Mr. Chairman, over four years have past since the invasion of Iraq. We owe it to our troops, who continue to fight tirelessly on behalf of the American people, to offer a workable solution to this question of reconstruction. They won the war that they were sent to fight. Now it is time for us to decide how the reconstruction efforts will be administered as well as how we are going to pay for them. Our troops have earned the right to return home and be reunited with their families and loved ones. I urge my colleagues to join me in doing everything we can to ensure that the Iraq we leave is secure and stable.

Thank you, Mr. Chairman, and I yield back the balance of my time.

