

Reconstructing Iraq: The Last Year and the Last Decade

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When the United States military formally left Iraq in a secret, bunkered withdrawal ceremony in December 2011 and declared an end to Operation New Dawn, a civilian contingent of 16,000 Americans and American company contractors was to remain to complete the task of reconstructing the country after years of sanctions and war. This paper describes the levels and types of funding of the reconstruction process, reconstruction needs, and what the reconstruction efforts have accomplished. Using several government inspection reports and whistleblower accounts, it summarizes the finding of historic levels of profiteering, fraud, and incompetence in reconstruction as well as the remilitarization of Iraq in lieu of reconstructing a still fundamentally war-damaged society's basic infrastructure.

The U.S. State Department has compared the scale of the US efforts in Iraq to the Marshall Plan for reconstructing Europe after World War II. Iraq needed reconstruction of virtually everything that a modern, humane state provides: a completed infrastructural grid of electricity, water, sewage, and roads, an advanced and accessible medical system of hospitals, supplies, equipment, clinics and personnel, education at every level from primary through university, and a system for maintaining Iraq's cultural heritage. The US occupation also left Iraq without a functioning mail service or public transportation system. Each of these elements of modernity, most once found in Iraq at the most advanced level in the region, was degraded or destroyed in the last three decades. The most significant deterioration occurred in the era from 1991 forward, the era of sanctions, invasion, and occupation.

Reconstruction still operates under threat of violence. A quarter of the 16,000 Americans and other US contractors still in Iraq as of the end of September 2012 (that number had dropped to 11,000 by February 2013) are security personnel, many working for the company, Triple Canopy. Their job has been to protect contractors as well as 1,075 US State Department and other civilian US government employees from continuing threats against them by armed groups who consider them an occupying force.¹ Despite the common perception that the mission in Iraq has devolved to civilian reconstruction, the Department of Defense continues to play a significant role, with more than twice as many Defense as State personnel in Iraq as of the end of September 2012. 240 US military personnel now also work in Iraq.² By official estimate, 93 percent of the \$4 billion of FY12 money allocated for the Departments of Defense and State has gone toward security and support rather than reconstruction programming.³

¹ 14,960 were contractors, as of that same date, of whom 3,836 were security workers; Special Inspector General for Iraq Reconstruction. *Quarterly Report to the United States Congress*. October 30, 2012.

² Special Inspector General for Iraq Reconstruction [SIGIR]. *Quarterly Report to the United States Congress*. October 30, 2012, pp. 28-29.

³ Special Inspector General for Iraq Reconstruction [SIGIR]. *Quarterly Report to the United States Congress*. July 30, 2012, p. 31. This does not mean that 93% of all dollars spent this year are on security since dollars allocated in previous years continue to be spent on other reconstruction purposes.

In the 10 years the US has had to repair the damage done by sanctions and war, the results have been a far cry from those of the Marshall Plan. Instead, the outcomes have matched the remarkably stark assessment of the US bipartisan Commission on Wartime Contracting, which predicted in 2011 that "significant additional waste [to the billions it said had already been lost in both Iraq and Afghanistan], and mission degradation to the point of failure, can be expected as State continues with the daunting task of transition in Iraq."⁴ The recent final assessment of the Special Inspector General for Iraq Reconstruction (SIGIR), the main body that Congress created to oversee the use of these funds, is that, while boasting some successes in the security sector, reconstruction was plagued by fraud, abuse, waste, poor record-keeping, long delays, and major deficiencies or abandonment on innumerable projects.⁵

Where have reconstruction funds come from?

The sources of reconstruction money for Iraq have included the US government, other foreign governments, and, most significantly, the government of Iraq. A total of \$61 billion in US funds has been allocated for reconstruction since 2003. These funds have come mainly through the Department of Defense (75 percent) and partially through the Department of State (10 percent) and USAID (15 percent).⁶ The spending was organized through 90,000 contracting actions in which, at its peak, \$25 million a day flowed, usually through contractor hands, for these purposes.⁷ Iraq also received an additional \$14 billion of other international commitments for aid and loans, but the great majority of reconstruction funds, \$138 billion, have come from the Iraqi government itself. Most of those funds come from oil proceeds, which now constitute 90 percent of all government revenues. The total of reconstruction funds from all three sources comes to \$213 billion (see Table 1).

Table 1. SOURCES OF RECONSTRUCTION FUNDS FOR IRAQ (IN BILLIONS APPROPRIATED), 2003-2012

United States	\$61
Other Foreign Governments	\$14
Iraq	\$138
TOTAL	\$213

To put the US spending in perspective, \$61 billion represents 28 percent of the total allocated for reconstruction and it is roughly equivalent to 7 percent of the money allocated to weapons and direct combat, and very roughly less than 2 percent of the projected total cost of the war. What is also clear from an analysis of the funds spent on reconstruction is that the majority of the US money has been (1) spent creating and training security forces and rearming the military or (2) lost to profiteering, waste, fraud or careless misappropriation of funds towards unwanted or ill-

⁴ Commission on Wartime Contracting in Iraq and Afghanistan. *Transforming Wartime Contracting: Controlling Costs, Reducing Risks*. Final Report to Congress, August 2011. www.wartimecontracting.gov.

⁵ SIGIR, *Learning from Iraq: A Final Report from the Special Inspector General for Iraq Reconstruction*. March 2013. The majority of projects in restoring water and health services were deemed to have such deficiencies.

⁶ The percentage of this \$61 billion that was actually obligated and spent is less, at \$55 billion and \$53 billion respectively, SIGIR notes, but the SIGIR total does not include a number of other sources of US funds that can be considered reconstruction funds, inclusion of which would bring the total closer to \$70 billion (Anita Dancs, International Assistance Spending Due to War on Terror. Ms. <http://costsofwar.org/sites/default/files/articles/24/attachments/Dancs%20International%20Assistance.pdf>)

⁷ SIGIR, *Learning from Iraq*, op. cit., p. 55.

advised projects. In addition, some components of the funds considered reconstruction monies were spent by military commanders with an eye primarily to their efficacy in counterinsurgency/hearts and minds campaigns rather than with a comprehensive reengineering or an overarching Iraqi perspective and needs in mind.

What specifically needs reconstruction?

While Iraq was once the most developed Arab nation in the Middle East, with modern infrastructure and social indicators, the country massively deteriorated as the result of 30 years of war. The 9 years of the US war initiated in 2003 were preceded by 12 years of sanctions which prevented medical supplies and spare parts for basic infrastructure from reaching the country, and by the US bombardment of 1991 following the Iraqi invasion of Kuwait. The Iran-Iraq War, which ran from 1980-88, also resulted in some degradation of the country's infrastructure as revenues were diverted to war.

Each period of war resulted in significant destruction of infrastructure, including roads, water and sewage treatment facilities and the electrical grid, and deterioration of quality of life indicators such as doctors per capita and infant mortality rates. Since 2003, the war's effect has been both direct and indirect. Some of the destruction occurred directly, as when the US bombed power stations during the invasion and as when the US military campaign resulted in numbers of civilian deaths and injuries and large numbers of disabled fighters and new widows and orphans in need of services. The indirect effects of the US sanctions and invasion include the death or flight of medical doctors and university professors as well as the dismantling of the national electrical grid in the context of the civil war that accompanied the loss of an effective and legitimate central government.

Most basic services remain far below pre-war/pre-sanctions levels or have failed, unlike the country's neighbors, to grow in concert with demand.⁸ The national electrical grid was severely degraded during the war as a result of bombing, the post-war looting of copper wire from the system, and communities' self-disconnections from the network to prevent having their electricity diverted elsewhere. By one current estimate, Iraqi households get between six and eight hours of electricity from the grid each day, and in some areas the provision is even less frequent.⁹ Many now resort to the use of privately purchased generators,¹⁰ or purchase electricity from neighbors who sell from their generators.¹¹ The public sector electricity capacity has grown in relatively small measure; most of the increase has instead come from private plants or from imports.¹²

Access to clean water and sewage treatment remains inadequate. To take one example, the city of Basra remains without a fully functioning sewer system, its problems initially dating from the 1991 invasion and subsequent internal repression and external sanctions. When electricity produced by the power stations in southern Iraq was sent north through the power grid to

⁸ The World Bank, World Development Indicators. Electric power consumption per capita, 1971-2010. Accessed February 12, 2013. Steep declines in per capita consumption of electricity continued through 2008, and had returned only to 1984 levels by 2010.

⁹ Those who have access to both public and private sources of electricity report 14-15 hours of power a day; SIGIR, *Learning from Iraq*, op cit., p. 77.

¹⁰ Iraq cabinet approves \$115-billion budget for 2013. *Middle East Online*, October 23, 2012. <http://www.middle-east-online.com/english/?id=55075>

¹¹ Dahr Jamail. Iraq: A Country in Shambles. Al-Jazeera English, January 9, 2012. Jamail gives the example of Nabil Toufiq, whose generator provides electricity to 220 homes in a Baghdad neighborhood for approximately 12 hours a day. He buys the diesel fuel for it on the black market.

¹² SIGIR, *Learning from Iraq*, op cit. p. 77.

Baghdad, mainly bypassing Basra, the city had one to three hours of electricity daily which aggravated existing war damage to the water treatment system. As the pumping stations and their electrical systems were flooded and ruined, raw sewage flowed through the streets and filled the first and usually only floors of homes to a depth of a foot and a half.¹³ One scholar describes the squalor that resulted and remained the lot of the city, in some aspects through the decade: "It is quite impossible to describe my initial feelings at seeing the...centre of Basra, al-Ashaar, for the first time with its canals flooded with piss and shit; or...to see toddlers playing in dank and putrid pools of sewage water. In leaving Kuwait and entering Basra it was shocking to see the actual effects of decades of war, deprivation, violence and sanctions. I was quite used to the statistics and numbers which are associated with the excesses of Iraq's turbulent history, recent and otherwise, but had not quite expected to see one of the Middle-East's most educated, and not so long ago, prosperous populations living amidst such filth."¹⁴ Some repairs have been done but sewage still runs in the canals of the city. Seven years after the invasion, in 2010, US Provincial Reconstruction Teams began to work on a new sewage network, and in 2012, an Indian firm received a \$230 million contract to work on it as well.¹⁵

Where has reconstruction money gone?

An examination of official and unofficial sources indicates that it is inaccurate to call all of the billions of dollars reconstruction funds. There are three main ways in which the term "reconstruction" is misleading. In the first instance, corruption, waste, fraud, and poor oversight have plagued US reconstruction activities, leading to failure to accomplish reconstruction goals. Further, there is a lack of accounting for how reconstruction funds have been spent.

In his testimony before Congress in June 2012, Special Inspector General Stuart Bowen noted that "the Iraqi government has woefully insufficient information on what the U.S. government actually constructed and provided" in the way of reconstruction projects. "The record of what the U.S. built in Iraq and what we transferred to Iraqi control," he went on, "is full of holes."

In its third quarterly report for 2012, SIGIR found that the US Army Corps of Engineers did not have receiving reports for 95 percent of the materials it paid for while engaged in reconstruction activities. It could not account, for example, for the receipt of \$1.3 billion of fuel for which it had paid.¹⁶ SIGIR investigations of individual malfeasance have resulted in 75 convictions for fraud, theft, money laundering, and the taking of bribes and kickbacks. The perpetrators include uniformed officers, government employees, and civilian contractors and companies. Examples of successful convictions include those of a US Army Master Sergeant for taking bribes from Iraqi construction companies, a US Army captain for overcharging on government contracts and pocketing the \$100K difference, and false invoicing by a civilian contracting company owner which allowed her to wire transfer the \$1.2 million overcharge to herself.

Table 2. US IRAQ RECONSTRUCTION FUNDS - Appropriated through 9/30/12

<i>Major Funds</i>	<i>billions of \$</i>
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¹³ Hayder Al-Mohammad. Basra -- The Struggle of Dwelling: An Ethics of Everyday Life. Doctoral dissertation, University of Kent, 2011.

¹⁴ Ibid, p. 50.

¹⁵ Colin Freeman, "As Basra's economy promises to boom, Britain's consulate prepares to pull out," *The Telegraph*, December 29, 2012.

¹⁶ SIGIR, op cit., p. 13.

Iraq Relief and Reconstruction Fund (IRRF)	20.864
Iraq Security Forces Fund (ISSF)	20.194
Economic Support Fund (ESF)	5.134
Commander's Emergency Response Program (CERP)	3.958
International Narcotics Control and Law Enforcement (INCLE)	1.313
<i>Minor Funds</i>	5.64
SUBTOTAL	57.10
<i>Operating Expenses</i>	2.94
<i>Oversight (SIGIR)</i>	.44
TOTAL	60.48

In addition, as noted, large scale fraud and theft by the US corporations who had contracts to work in reconstruction has been documented by the Commission on Wartime Contracting in Iraq and Afghanistan and SIGIR, as well as others. The Commission estimated \$31 to \$60 billion were lost in “massive waste, fraud, and abuse” among companies doing work in Iraq and Afghanistan, including Halliburton, Bechtel, DynCorp, and others. In Iraq, some of the most significant levels of fraud in reconstruction spending has occurred with DynCorp, which was found to have engaged in human trafficking (bringing in vulnerable workers from Bangladesh or the Philippines, for example, and holding their passports or paychecks hostage, all while underpaying them). Another egregious example is Parsons Corporation, whose inferior work included a police academy that was so poorly built that raw human sewage leaked through the roof from second floor bathroom facilities. The company went on, however, to get \$540 million for similarly ill-constructed healthcare centers and fire stations. It was awarded a \$243 million contract to construct 150 health care centers in the country in 2004. Two years later, \$186 million of that amount had been spent with only six centers determined to be complete.¹⁷ The Special Inspector General for Iraq also questioned fully 39 percent of the charges of Anham LLC for work on a contract worth \$11.4 million.¹⁸ It, too, went on to get lucrative future contracts including one recent \$8 billion contract for food services in Afghanistan.¹⁹

Most of the worst offending corporations who garnered reconstruction work had important connections to US government officials and received non-competitive, continually renewed annual contracts worth billions. Those corporations includes Halliburton, famously connected to Dick Cheney, Perini connected to Dianne Feinstein of the Military Construction Appropriations subcommittee of the Senate, and Bechtel, connected to the Bush family, which received \$2.4 billion to reconstruct Iraqi infrastructure. Bechtel eventually lost its contract for Basra Children’s Hospital after it went 18 months behind schedule and \$70-90 million over budget.

Secondly, corruption and cronyism have also siphoned off Iraq government revenues from reconstruction purposes into private ends. Transparency International’s Corruption Perceptions Index for 2012 ranks Iraq near the bottom at 169 of 176 countries. The pervasive corruption that garners Iraq this ranking is an index of the fragmented nature of the Iraqi state which, very visible

¹⁷ SIGIR, *Management of the Primary Health Care Centers Construction Projects*, SIGI- 06-011, April 29, 2006.

¹⁸ SIGIR, *Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs to Go Undetected*. SIGIR 11-022, July 30, 2011.

¹⁹ Dubai-based firm wins \$8 billion contract to supply U.S. forces. *Al Arabiya*, 26 June 2012.

elections notwithstanding, has never truly been reconstituted since the fall of the Baathist government. This has meant that, for example, roads often have been reconstructed with such inferior materials and capacity that they are degraded again within the year. A sense of the scale of the problem is given by The Central Bank of Iraq's estimate that \$800 million of laundered money is being transferred out of Iraq each week.²⁰

Third, in addition to this profiteering and corruption is the fact that some large proportion of what have been termed reconstruction monies have been used for other purposes, for instance to buy arms and otherwise refurbish and expand the police and military. Of the major funds allocated over the last 10 years in Iraq under the name of reconstruction (excluding operating and oversight costs), at least 55 percent have been for military and police and security purposes.²¹ \$19 billion worth of Iraqi and US funds are pegged for current and proposed arms sales under the Foreign Military Sales program.²² The US Congress requires notification of any arms sales negotiations that the US enters into. Since the first such notification in 2005, the State Department website lists \$35.6 billion in proposed arms sales through the end of 2012. While not all of these transfers have yet come to pass, this represents a significant component of US aid and/or transfers to Iraq.

While Iraq has security needs in the wake of the US war and occupation – including the need to deal with the continuing presence of Al-Qaeda in Mesopotamia and other groups that specifically came to fight the American occupation – the arms the Iraqi government is buying crowd out more pressing needs for human security and have the result of militarizing the country more than reconstructing a basic and democratic defense. Nearly one million Iraqi men are currently in uniform with the army and police,²³ this out of a population of fewer than 9 million men between the ages of 18 and 64. Moreover, as is widely the case, those arms are as likely to be used against the Iraqi people or in potential future offensive operations against neighboring states as in national defense. Compared to this spending, smaller sums of Iraqi, US or other foreign funds have actually been allocated to rebuild the basic infrastructure of transportation, health, and education.

Some significant proportion of the reconstruction projects that have been pursued in Iraq represent programs that Iraqis themselves did not or do not want or did not want in the form they were given, as reported by a wide variety of Iraqi leaders interviewed in the final SIGIR report. State Department whistleblower, Peter Van Buren, who spent a year in Iraq in 2009-2010 on several Provincial Reconstruction Teams, gives innumerable examples.²⁴ One is of the building of a highly automated chicken processing plant, at a cost of \$2.6 million, which could not compete on price with imported frozen chicken and immediately lay unused.

Another, more modest but poignant example, was a State Department program to buy 225 bicycles for children in Sadr City, the large and infamously poor neighborhood of Baghdad. The bikes were purchased from a Jordanian businessman for \$24,750. As Van Buren describes the purpose, “the idea was to replace streets filled with trash, pockmarked with shell craters, and ruled by wild dog packs with kids biking to each other's houses, a sort of Mayberry on the Tigris.” But these conditions made biking through the streets less sensible than the functions to which Van

²⁰ SIGIR, *Quarterly Report to the United States Congress*. October 30, 2012, p. 3.

²¹ SIGIR *Learning from Iraq*, *op cit.*, p.,70. Many additional dollars of security costs may be included in the other funds for reconstruction.,

²² SIGIR. *Quarterly Report to the United States Congress*. October 30, 2012, p. 6.

²³ Jamail, *op cit.* SIGIR reports 933,000 in uniform as of 12/31/11, *Learning from Iraq*, *op cit.*, p.95.

²⁴ Peter Van Buren. *We Meant Well: How I Helped Lose the Battle for the Hearts and Minds of the Iraqi People*. New York: Metropolitan Books, 2011.

Buren later saw at least a few of them put: the bikes' wheels had been removed to be repurposed on wheelchairs for disabled locals.

As Van Buren assessed the irrationality of so many of the projects he observed: "We measured the impact of our projects by their effect on us, not by their effect on the Iraqis. *Output* was the word missing from the vocabulary of developing Iraq. Everything was measured only by what we put in -- dollars spent, hours committed, people engaged, press releases written."²⁵

Most recently, this phenomenon has occurred with a police training program (the Police Development Program) which was to be a significant component of the aid the US was offering Iraq through 2012. It emerged that the Iraqi government did not need or sign off on the program. After \$8 billion in spending on police training over the course of the US presence in Iraq, this program, Special Inspector General Stuart Bowen reported to Congress, "suffered from weak planning and execution; it has been curtailed." What can be identified as a "carry-on imperative" – driven by contractor profits and bureaucratic momentum -- allowed the US to ignore multiple messages over several years from the Iraqis about their disinterest in this program.

The costs of militarized and inappropriate reconstruction aid are tangible. They include ongoing loss of access to schooling, poor health care, and inadequate mobility systems. The costs of living in a unreconstructed post-war society include public health damage such as water and sewage borne diseases in locations that continue to lack adequate services. They also include higher injury rates. A recent epidemiological study showed injury rates in Iraq two times higher among refugees than among the general population.²⁶ It also showed elevated rates of electrocution, falls, and poisoning as a likely result of the degraded electrical system: it puts untrained individuals to work with live wires, sometimes atop poles and roofs, and entails the constant ferrying of gasoline to run generators that then puts that toxin in household containers where it is sometimes accidentally ingested.

Conclusion

The official SIGIR reports on reconstruction in Iraq have identified criminal malfeasance in the reconstruction process. Nonetheless, the report and the sparse US media coverage of the last year in Iraq tend to ignore or gloss over the reason such reconstruction aid is needed in the first place. Instead, the SIGIR report reads much like an evaluation of an aid program to any underdeveloped country, albeit one with continuing problems of violence. There is little reference to the fact that the US wars and sanctions, and the resulting sectarian conflict, were at the root of the need for these programs. The United States government remains wedded to the narrative that the Iraq war was a success (even if by some accounts a "discretionary" or unnecessary war). By those lights, reconstruction is not compensation for damages done, but a further gift to the people of Iraq. That some substantial portion of that gift is of military equipment and training has escaped the notice it should have given the assumption that reconstruction means roads, schools, and medical training. Moreover, as Peter Van Buren put it, the consistency with which the documented problems occurred over the course of 10 years suggests that "failure in the strict sense of the word

²⁵ Van Buren, *ibid.* p. 144.

²⁶ Ross Donaldson, Yuen Wai Hung, Patrick Shanovich, Tariq Hasoon, and Gerald Evans. Injury Burden During an Insurgency: The Untold Trauma of Infrastructure Breakdown in Baghdad, Iraq. *Journal of Trauma* 2010, 69 (6):1379-85.

is not necessarily a problem for Washington. [Its] purpose is served by the appearance of reconstructing."²⁷

²⁷ Peter Van Buren, How Not to Reconstruct Iraq, Afghanistan – or America. *TomDispatch*, August 16, 2012.