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ASSESSING THE STATE OF IRAQI CORRUPTION

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

OCTOBER 4, 2007

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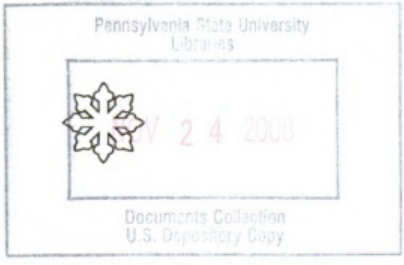
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ASSESSING THE STATE OF IRAQI CORRUPTION

THURSDAY, OCTOBER 4, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m., in room 2154, Rayburn House Office Building, Hon. Henry A. Waxman (chairman of the committee) presiding.

Present: Representatives Waxman, Davis of Virginia, Cummings, Tierney, Clay, Watson, Lynch, Higgins, Yarmuth, Braley, Cooper, Van Hollen, Hodes, Murphy, Sarbanes, Welch, Burton, Shays, Mica, Platts, Turner, Issa, and Sali.

Staff present: Phil Schiliro, chief of staff; Phil Barnett, staff director and chief counsel; Karen Lightfoot, communications director and senior policy advisor; David Rapallo, chief investigative counsel; Roger Sherman, deputy chief counsel; John Williams, deputy chief investigative counsel; David Leviss, senior investigative counsel; Suzanne Renaud and Steve Glickman, counsels; Earley Green, chief clerk; Teresa Coufal, deputy clerk; Matt Siegler, special assistant; Caren Auchman and Ella Hoffman, press assistants; Leneal Scott, information systems manager; Kerry Gutknecht and William Ragland, staff assistants; Sheila Klein, assistant to staff director and office manager; David Marin, minority staff director; Larry Halloran, minority deputy staff director; A. Brooke Bennett, minority counsel; Christopher Bright, minority professional staff member; Nick Palarino, minority senior investigator and policy advisor; Patrick Lyden, minority parliamentarian and member services coordinator; Brian McNicoll, minority communications director; Benjamin Chance, minority clerk; and Ali Ahmad, minority deputy press secretary.

Chairman WAXMAN. The committee will come to order.

Today's hearing is one of the most important that we will have this year.

President Bush has made Iraq our Nation's top foreign policy priority. We all know that has meant extraordinary sacrifices from our troops and their families. Over 3,800 of our soldiers have been required to make the ultimate sacrifice in Iraq and another 28,000 have been wounded, and we have already spent over $450 billion on the war with hundreds of billions of more still to come.

The Iraq War is the No. 1 issue in all of our congressional districts and the issue that we have spent the most time debating here in Congress.

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Most of our attention has been focused on military questions. Is the surge working? Can we reduce the number of troops? Should we set a redeployment date?

These are all important questions, but they aren't the only ones that matter. As General Petraeus has observed, "There is not a military solution to a problem like Iraq.'"

Political reconciliation is the key to achieving lasting peace in Iraq, and one of the keys to political reconciliation is combating corruption. That is why we are holding today's hearing. An honest assessment of corruption in Iraq will provide insight into whether political progress is possible.

We are very fortunate that David Walker, the Comptroller General of the Government Accountability Office, and Stuart Bowen, the Special Inspector General for Iraq Reconstruction, will share their expertise with us this morning.

I want to give special thanks to Judge Radhi Hamza al-Radhi for agreeing to testify. Judge Radhi was the commissioner of Iraq's Commission on Public Integrity. He was appointed to this post by Ambassador Bremer, and his job was to identify and prosecute corruption in Iraq.

Judge Radhi knows too well the horrors of life under Saddam Hussein. He was one of Saddam's torture victims, and he never hesitated when our government asked him to take the dangerous job leading the fight against corruption in Iraq.

Christopher Griffith, the Senior Advisor to the U.S. Office of Accountability and Transparency, told our committee that Judge Radhi is "the most honest government of Iraq official that I have met in my 21 months in this country."

Another senior Embassy official told us that Judge Radhi has a reputation as "courageous, honest and effective."

From everything I can tell, Judge Radhi did exactly what we asked the Iraqis to do. He stood up for freedom, he stood for democracy, and he stood up for honest government.

Now he finds himself without a country. Judge Radhi is under attack by the Maliki government and he and his family are the targets of serious and persistent death threats. Thirty-one of Judge Radhi's employees and 12 of their family members have been assassinated. He can't return to Iraq, and he is seeking asylum in the United States.

Judge Radhi will tell us there is an epidemic of corruption in Iraq. While he served as the head of the Commission on Public Integrity, he opened 3,000 corruption cases. He found extensive corruption throughout the government, especially in the Ministries of Defense, Interior and Oil. In all, his efforts identified $18 billion, a staggering sum, lost to corruption.

Judge Radhi will tell us that corruption is undermining political reconciliation, turning ordinary Iraqis against the government and fueling the insurgency.

The Maliki government is our ally in Iraq, but we need to ask: is the Maliki government too corrupt to succeed? If the Maliki government is corrupt, we need to ask whether we could in, good conscience, continue to sacrifice our blood and tax dollars to prop his regime.

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These are important questions, but they are questions that Secretary Rice and the State Department do not want us to raise.

For the last several weeks, the committee staff has been interviewing the State Department officials in charge of anti-corruption efforts in Iraq. What we have learned is that these efforts appear to be in a complete state of disarray. The committee's investigation has revealed that anti-corruption efforts are dysfunctional, underfunded and a low priority.

The officials we interviewed told us on the record that the State Department has no coordinated strategy for fighting corruption. At key meetings of the Embassy's Anti-corruption Working Group, almost no one shows up. One official told us: "I would like to be able to say that we have done quite a bit in this area, but unfortunately we have not."

Another officials, Judge Arthur Brennan, the former Director of the Office of Accountability and Transparency at the U.S. Embassy in Baghdad, said, "I think Ambassador Crocker was serious about going forward on this, but I don't think everybody is serious about it, and if they are serious about it, then somebody else should have been doing their job."

Incredibly, Secretary Rice directed these officials not to answer any questions about the extent of corruption in Iraq and its effect on political reconciliation and the insurgency. Her position is that all information that reflects poorly on the Maliki government is classified.

At one point, my staff asked an official whether he agreed with a public statement of Secretary Rice praising the anti-corruption efforts of the Iraqi Interior Ministry. The official told us, and this is a U.S. official, "I cannot discuss this in an open forum."

The State Department even retroactively classified memos about corruption in Iraq after the committee requested them. These efforts to silence debate are an absolute embarrassment.

My staff prepared a memorandum that summarizes both what these officials told us about the state of U.S. anti-corruption efforts and what they could not tell us about the state of corruption in Iraq, and without objection, I will make this memorandum part of today's hearing record.

[The information referred to follows:]

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MEMORANDUM

October 4, 2007

To: **Members of the Committee on Oversight and Government Reform**

Fr: **Majority Staff, Committee on Oversight and Government Reform**

Re: **Additional Information on Iraqi Corruption and U.S. Efforts**

Today the Committee is holding a hearing on "Assessing the State of Iraqi Corruption." The hearing will focus on two primary issues: (1) the extent of corruption within the Iraqi government and (2) the effectiveness of U.S. efforts to assist the Iraqis in combating corruption.

In preparation for the hearing, the Committee staff conducted transcribed interviews with eight current and former U.S. Embassy officials with responsibility for anticorruption efforts in Iraq. This memorandum summarizes what these officials told the Committee.

SUMMARY

According to President Bush, combating corruption in Iraq is a cornerstone of U.S. policy. In 2005, President Bush stated: "Corruption is a problem at both the national and local levels of the Iraqi government. We will not tolerate fraud — so our embassy in Baghdad is helping to demand transparency and accountability for the money being invested in reconstruction. … [T]he Iraqi people expect money to be spent openly and honestly — and so do the American people." He reiterated this commitment in 2006, stating: "We'll help Iraqi leaders combat corruption … so Iraqis can build a transparent, accountable government."

The State Department has created two entities to lead the U.S. anti-corruption efforts in Iraq: an Office on Accountability and Transparency (OAT), which acts as the primary liaison to Iraq's Commission on Public Integrity and other anti-corruption bodies, and an Anticorruption Working Group, which is supposed to coordinate U.S. anticorruption efforts. The Embassy

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officials that the Committee interviewed worked for or supervised OAT or participated in the work of the Anticorruption Working Group.

The officials the Committee interviewed describe a multitude of problems that have impeded the anticorruption efforts of both OAT and the Anticorruption Working Group. These include the absence of a coordinated anticorruption strategy, vacancies and high turnover in key positions, poor attendance at meetings, and lack of regular work product. The internal dissention is so severe that OAT is no longer participating in the meetings of the Anticorruption Working Group, a situation that the Executive Secretary of the Working Group calls "very disturbing."

Excerpts from the interviews illustrate the dysfunction and disarray that appear to be frustrating U.S. anticorruption efforts:

- When Judge Arthur Brennan, the former Director of OAT, was asked if he was "aware of any coordinated US strategy to fight corruption in Iraq," he responded: "No."

- James Santelle, who supervises the activities of OAT as the Rule of Law Coordinator for the Embassy, told the Committee: "you have got a system where the coordination is lacking."

- Michael Richards, the Executive Secretary of the Anticorruption Working Group, described the meetings of the working group as follows: "to be completely embarrassingly honest with you, a lot of these meetings don't have a lot of people in them, so there's not a lot of conversation going on." When he was asked whether the Anticorruption Working Group prepares work products such as regular memos or reports, he stated: "I would like to be able to say that we've done quite a bit in this area, but unfortunately, we have not."

The Committee staff asked the State Department officials their views about the extent of corruption in Iraq and its impact on the U.S. mission in Iraq. The State Department instructed these officials not to answer these questions. The position of the State Department is that any discussion about corruption in Iraq — including even "[b]road statements/assessments that judge or characterize the quality of Iraqi governance" — must occur in a classified setting and be withheld from the public.

I. BACKGROUND

President Bush has stated that anticorruption efforts are a key component of U.S. policy in Iraq. In December 2005, the President said:

> Corruption is a problem at both the national and local levels of the Iraqi government. We will not tolerate fraud — so our embassy in Baghdad is helping to demand transparency and accountability for the money being invested in reconstruction. We've helped the Iraqi people establish institutions like a Commission on Public Integrity and a stronger

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Supreme Board of Audit to improve oversight of the rebuilding process. Listen, the Iraqi people expect money to be spent openly and honestly — and so do the American people.[1]

In January 2006, the President said:

> America and our coalition partners will stand with the Iraqi people during this period of transition. We will continue helping Iraqis build an impartial system of justice, so they can replace the rule of fear with the rule of law. We'll help Iraqi leaders combat corruption by strengthening Iraq's Commission on Public Integrity — so Iraqis can build a transparent, accountable government. And we will help Iraq's new leaders earn the confidence of their citizens, by helping them build effective government ministries.[2]

The critical task of promoting integrity in the Iraqi ministries has been assigned to the Department of State, which has established two primary entities to lead U.S. anticorruption efforts. One of these entities is the Office of Accountability and Transparency (OAT), which was established in December 2006 to provide full-time guidance to the three primary anticorruption institutions in Iraq: the Iraqi Commission on Public Integrity, the Iraqi Board of Supreme Audit, and Iraqi Inspectors General. OAT was created in response to a July 2006 report of the Special Inspector General for Iraq Reconstruction, which stated: "Currently, there is no single office that has the authority or responsibility for oversight and to ensure all anticorruption efforts are focused on a common goal or that efforts are being performed in the most efficient manner."[3] Organizationally, OAT is under the supervision of the Rule of Law Coordinator in the U.S. Embassy in Iraq.

The other primary anticorruption entity is the Anticorruption Working Group, an interagency task force that is supposed to coordinate U.S. efforts. Members of the Anticorruption Working Group include, or have included, all of the following State Department offices with anticorruption responsibilities: Economic Affairs, Political Affairs, Political-Military Affairs, Public Affairs, Foreign Commercial Service, Rule of Law, Iraq Transition Assistance Office, USAID, and Bureau of International Narcotics and Law Enforcement Affairs. The Anticorruption Working Group also includes members from other agencies, including the Department of Justice Attaché, Department of Treasury Attaché, Multi-National Force-Iraq Offices of Inspector General and Strategic Effects, and Multi-National Security Transition Command-Iraq. The British government and nongovernmental organizations have also participated in Anticorruption Working Group meetings.

---

[1] President George W. Bush, *President Discusses War on Terror and Rebuilding Iraq* (Dec. 7, 2005).

[2] President George W. Bush, *President Addresses Veterans of Foreign Wars on the War on Terror* (Jan. 10, 2006).

[3] Special Inspector General for Iraq Reconstruction, *Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program* (Report No. SIGIR-06-021) (July 28, 2006).

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To assess the extent of corruption in Iraq and the effectiveness of the U.S. response, the Committee staff conducted transcribed interviews with eight Embassy officials involved in OAT or the Anticorruption Working Group. These eight officials are:

- Ambassador Charles Ries, Economics Minister and Coordinator for Economic Transition in Iraq
- Michael Richards, Labor Attaché, Economics Affairs Section, and Executive Secretary of the Anticorruption Working Group
- James Santelle, Rule of Law Coordinator
- Scott Winne, former Acting Rule of Law Coordinator
- Judge Arthur Brennan, former Director, Office of Accountability and Transparency
- Vincent Foulk, Senior Consultant, Office of Accountability and Transparency
- Christopher Griffith, Senior Advisor, Office of Accountability and Transparency
- James Mattil, Chief of Staff, Office of Accountability and Transparency

This memorandum summarizes key points that emerged from the interviews with these officials.

II. LACK OF COORDINATION

Judge Arthur Brennan, who served as the director of the Office of Accountability and Transparency for part of 2007, was asked whether there was an overall U.S. strategy for combating Iraqi corruption:

> Q: During the time you were there, were you aware of any coordinated US strategy to fight corruption in Iraq?
>
> A. No.[4]

Judge Brennan also said: "I think Ambassador Crocker was serious about going forward on this, but I don't think everybody is serious about it, and if they are serious, then somebody else should have been doing their job."[5]

---

[4] House Committee on Oversight and Government Reform, Interview of Arthur Brennan, 11 (Sept. 24, 2007).

[5] *Id.* at 46.

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James Santelle, the Rule of Law Coordinator, supervises the activities of OAT. He said that a lack of coordination was caused by multiple bureaucratic "stove-pipes":

> [W]e did over time develop what are called stove-piped institutions. And many of them are on that [Embassy organization] chart, and they all were legitimately put in place to address this problem as it was perceived and to identify this need to develop some training here and develop some outreach here and do all these good, important things. And all of a sudden we wake up one morning and we realize we have got all these institutions and maybe there is some overlap and there is not coordination. And through nobody's intentional, purposeful, you know, malfeasance, misfeasance, nonfeasance, as I have said before, you have got a system where the coordination is lacking. And at some point you step up and you say we need now to coordinate that.[6]

III. TURNOVER AND STAFFING PROBLEMS

Since OAT was established last year, it has had at least three directors, and perhaps more. State Department official Boots Poliquin was acting director from January to June.[7] In June, Judge Brennan became the permanent director of OAT, but he was forced to leave for unrelated family reasons in July.[8] On September 17, 2007, the Committee staff were informed that Suneeta Sahgal took over as acting director in August. Until her appointment, she had served as a paralegal who performed primarily administrative tasks.[9]

On October 3, 2007, Committee staff were informed that funding for Ms. Sahgal's position has now been eliminated.[10]

The Anticorruption Working Group has also lacked leadership over the past year. The coordinator of the working group left in December 2006 and was not replaced until June 2007.[11] Michael Richards, the Executive Secretary of the Working Group, told Committee staff that the Anticorruption Working Group did not meet in the interim.[12]

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[6] House Committee on Oversight and Government Reform, Interview of James Santelle, 121-22 (Sept. 26, 2007).

[7] *Id.* at 18; Office of the Special Inspector General for Iraq Reconstruction, *Status of U.S. Government Anticorruption Efforts in Iraq* (Report No. SIGIR-07-007) (July 24, 2007).

[8] House Committee on Oversight and Government Reform, Interview of Arthur Brennan, 56 (Sept. 24, 2007).

[9] House Committee on Oversight and Government Reform, Interview of James Santelle, 20 (Sept. 26, 2007).

[10] House Committee on Oversight and Government Reform, Interview of Scott Winne (Oct. 3, 2007).

[11] House Committee on Oversight and Government Reform, Interview of Michael Richards, 18 (Oct. 2, 2007).

[12] *Id.*.

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Inadequate staffing has also hampered the activities of the Rule of Law Coordinator, which oversees OAT. Mr. Santelle, the Rule of Law Coordinator, told the Committee:

> I wrote a memo back in February 1 saying, in order to do this accurately and effectively, I need 14 people. I need a budget person, I need a personnel person, I need a manager, I need people in all these different units to do this well. I don't have that. Next week I lose my deputy. 2 weeks after that I lose my next attorney. And I've just got no staff. That's too far. I have very few staff to manage this overall operation.[13]

IV. LACK OF ATTENDANCE AND WORK PRODUCT

According to Mr. Richards, meetings of the Anticorruption Working Group are poorly attended. He told the Committee:

> [A] lot of what we talked about is how difficult it is to get things accomplished. … But you know, to be completely embarrassingly honest with you, a lot of these meetings don't have a lot of people in them, so there's not a lot of conversation going on.[14]

Mr. Richards also told the Committee that the Working Group produces little in the way of work product:

> Q: In terms of the work products of the Anticorruption Working Group, do you prepare regular memos, regular reports, regular documents? Do you have a regular work product that you provide to your superiors?
>
> A: I would like to be able to say that we've done quite a bit in this area, but unfortunately, we have not.[15]

Earlier this year, Mr. Santelle directed that OAT should cease participating in working group meetings:

> Q: We've heard that OAT no longer is participating in [the Anti-Corruption Working Group]. And I believe it was at your direction.
>
> A: Mm-hmm.

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[13] House Committee on Oversight and Government Reform, Interview of James Santelle, 103 (Sept. 26, 2007).

[14] House Committee on Oversight and Government Reform, Interview of Michael Richards, 48 (Oct. 2, 2007).

[15] *Id.* at 14.

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Q: Can you tell us a little bit about that direction?

A: Sure. Sure. One of the things that I have been concerned about actually is the extent to which there is true coordination at the Anti-Corruption Working Group effort. I think that there is a real role to play at a working group level that truly combines the practical work of OAT with the economic work that the Econ Section and others do. … [M]y concern in recent months has been purely practical. And that is like many institutions at the Embassy and other areas, I think that the Anti-Corruption Working group — and this is my view. It may not be the view of many other people — but I think it has lost some of that direction and focus that produced this document [the strategic plan from 2006]. And so it is my assessment that in recent weeks that particular working group, which again has a role to play, does need to be redefined so that the group that produced that strategy, for example, many months ago is reinvigorated. … In the midst of a great many responsibilities that I've asked OAT to undertake and a great deal of just time pressure there, that is correct, in recent weeks we have not participated actively in the working group.[16]

Mr. Richards told the Committee staff that Mr. Santelle's decision is "very disturbing."[17]

According to Ambassador Charles Ries, the State Department's Economics Minister, the effect of Mr. Santelle's decision has been to reorganize the Anticorruption Working Group:

> As a result of those conversations [with Mr. Santelle,] the [Deputy Chief of Mission] has asked to take a look at the structure — who chairs it, how it works, how often it meets — and we're in the process of taking a look at that, and hopefully, we can improve its utility to all.[18]

V. EXTENT OF CORRUPTION IN IRAQ

The Committee's efforts to ask the officials questions about the extent of corruption in Iraq were frustrated by the State Department's insistence that all questioning about corruption in Iraq would have to occur in a classified setting and could not be discussed publicly.

The State Department sent the Committee a copy of the instructions it gave to its employees, which included broad "redlines" that they could not cross. According to these instructions, the officials could not discuss:

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[16] House Committee on Oversight and Government Reform, Interview of James Santelle, 78-79 (Sept. 26, 2007).

[17] House Committee on Oversight and Government Reform, Interview of Michael Richards, 50 (Oct. 2, 2007).

[18] House Committee on Oversight and Government Reform, Interview of Charles Ries, 19-20 (Oct. 2, 2007).

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Broad statements/assessments which judge or characterize the quality of Iraqi governance or the ability/determination of the Iraqi government to deal with corruption, including allegations that investigations were thwarted/stifled for political reasons;

Statements/allegations concerning actions by specific individuals, such as the Prime Minister or other GOI officials, or regarding investigations of such officials.[19]

The interview with Vincent Foulk, a senior consultant in OAT, illustrates the unusual breadth of these restrictions. The Committee staff asked Mr. Foulk whether "Prime Minister Maliki or his associates obstructed any anticorruption investigations in Iraq to protect his political allies." Mr. Foulk responded: "I cannot answer that over an open forum."[20]

The Committee staff asked: "do you believe that the Government of Iraq currently has the political will or the capability to root out corruption within its government?" Mr. Foulk responded: "That would require that I violate the guidelines given to me by the State Department."[21]

Mr. Foulk also would not answer: "what effect does corruption play on the ability of the Iraqi Government … to suppress the armed insurgency?"[22] "what effect does corruption have on the progress the Iraqi Government has made or is able to make toward political reconciliation?"[23] or "[d]o you agree that there is a large-scale corruption problem pervading the Government of Iraq?"[24]

At one point, the Committee staff read Mr. Foulk a public statement Secretary of State Condoleezza Rice made in October 2006 praising Iraqi Prime Minister Maliki's efforts in "rooting out potential corruption" in the Interior Ministry and asked, "Do you agree with the Secretary's broad characterizations of the Interior Ministry?" Mr. Foulk answered: "I cannot discuss this in an open forum."[25]

---

[19] E-Mail from Joel E. Starr, Deputy Assistant Secretary of State for Legislative Affairs, to Staff, House Committee on Oversight and Government Reform (Sept. 24, 2007).

[20] House Committee on Oversight and Government Reform, Interview of Vincent Foulk, 27 (Sept. 25, 2007).

[21] *Id.* at 34.

[22] *Id.*

[23] *Id.* at 35.

[24] *Id.* at 54.

[25] *Id.* at 32.

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In addition to preventing officials from answering questions about corruption in Iraq, the State Department retroactively classified two reports written by OAT about corruption in Iraq. These reports were initially marked "sensitive but unclassified,"[26] and they were widely distributed within the government.[27] But after the Committee requested these reports, the State Department asked Scott Winne, the Acting Rule of Law Coordinator, to do a classification review. Mr. Winne classified the documents as "confidential."[28] Mr. Winne later told the Committee staff that he had never done a classification review before.[29]

[26] House Committee on Oversight and Government Reform, Interview of Christopher Griffith, 16 (Sept. 25, 2007).

[27] House Committee on Oversight and Government Reform, Interview of Vincent Foulk, 14 (Sept. 25, 2007). ("The reports — the December report was given to — first to Ambassador Saloom and his chief of staff. Then 5 days later they were given to the Anticorruption Working Group. The July report was given only to — at least from my office, only to the Rule of Law Coordinator.").

[28] House Committee on Oversight and Government Reform, Interview of Scott Winne (Oct. 3, 2007).

[29] *Id.*

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Chairman WAXMAN. Sometimes this committee breaks down along party lines during hearings, and I hope that won't be the case today. Whether one supports or opposes the President's policy, we can't ignore the reality of corruption in Iraq, and we can't ignore the reality that corruption is undermining the political progress our troops are fighting and dying for.

If we are going to invest more lives and billions more dollars in Iraq, we need to know whether there is a political will in Iraq to succeed. That is why today's hearing is so essential.

I want to recognize the ranking member, Tom Davis, for his opening statement.

[The prepared statement of Chairman Henry A. Waxman follows:]

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Opening Statement of Rep. Henry A. Waxman
Chairman, Committee on Oversight and Government Reform
Hearing on Assessing the State of Iraqi Corruption
October 4, 2007

Today's hearing is one of the most important that we will have this year.

President Bush has made Iraq our nation's top foreign policy priority. We all know that has meant extraordinary sacrifices for our troops and their families. Over 3,800 of our soldiers have made the ultimate sacrifice in Iraq and another 28,000 have been wounded. And we have already spent over $450 billion on the war, with hundreds of billions more still to come.

The Iraq war is the number one issue in all our congressional districts and the issue we have spent the most time debating here in Congress.

Most of our attention has been focused on military questions. Is the surge working? Can we reduce the number of troops? Should we set a redeployment date?

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Those are all important questions … but they aren't the only ones that matter. As General Petraeus has observed: "there is no military solution to a problem like that in Iraq."

Political reconciliation is the key to achieving lasting peace in Iraq. And one of the keys to political reconciliation is combating corruption.

That's why we are holding today's hearing. An honest assessment of corruption in Iraq will provide insight into whether political progress is possible.

We are very fortunate that David Walker, the Comptroller General of the General Accountability Office, and Stuart Bowen, the Special Inspector General for Iraq Reconstruction, will share their expertise with us this morning.

And I want to give special thanks to Judge Radhi Hamza al-Radhi for agreeing to testify.

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Judge Radhi was the Commissioner of Iraq's Commission on Public Integrity. He was appointed to this post by Ambassador Paul Bremer and his job was to identify and prosecute corruption in Iraq.

Judge Radhi knows too well the horrors of life under Saddam Hussein. He was one of Saddam's torture victims. And he never hesitated when our government asked him to take the dangerous job of leading the fight against corruption in Iraq.

Christopher Griffith, the Senior Advisor to the U.S. Office of Accountability and Transparency, told our Committee that Judge Radhi is "the most honest Government of Iraq official that I have met in my 21 months in the country."

Another senior Embassy official told us that Judge Radhi has a reputation as "courageous, honest, and effective."

From everything I can tell, Judge Radhi did exactly what we asked the Iraqis to do. He stood up for freedom, he stood up for democracy, and he stood up for honest government.

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And now he finds himself without a country. Judge Radhi is under attack by the Maliki government and he and his family are the targets of serious and persistent death threats. Thirty-one of Judge Radhi's employees and 12 of their family members have been assassinated. He can't return to Iraq and is seeking asylum in the United States.

Judge Radhi will tell us there is an epidemic of corruption in Iraq. While he served as the head of the Commission on Public Integrity, he opened 3,000 corruption cases. He found extensive corruption throughout the government, especially in the Ministries of Defense, Interior, and Oil.

In all, his efforts identified $18 billion dollars — a staggering sum — lost to corruption.

Judge Radhi will tell us that corruption is undermining political reconciliation, turning ordinary Iraqis against the government, and fueling the insurgency.

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The Maliki government is our ally in Iraq. But we need to ask: Is the Maliki government too corrupt to succeed?

And if the Maliki government is corrupt, we need to ask whether we can in good conscience continue to sacrifice our blood and tax dollars to prop up his regime.

These are important questions, but they are questions that Secretary Rice and the State Department do not want us to raise.

For last several weeks, the Committee staff have been interviewing the State Department officials in charge of anticorruption efforts in Iraq. What we have learned is that these efforts appear to be in a state of complete disarray. The Committee's investigation has revealed that the anticorruption efforts are dysfunctional, underfunded, and a low priority.

The officials we interviewed told us — on the record — that the State Department has no coordinated strategy for fighting corruption. At key meetings of the Embassy's Anticorruption Working Group, almost no one shows up. One

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official told us: "I would like to be able to say that we've done quite a bit in this area, but unfortunately, we have not."

Another official, Judge Arthur Brennan, the former Director of the Office of Accountability and Transparency at the U.S. Embassy in Baghdad, said: "I think Ambassador Crocker was serious about going forward on this, but I don't think everybody is serious about it, and if they are serious about it, then somebody else should have been doing their job."

Incredibly, Secretary Rice directed these officials not to answer any questions about the extent of corruption in Iraq and its effect on political reconciliation and the insurgency. Her position is that all information that reflects poorly on the Maliki government is classified.

At one point, my staff asked an official whether he agreed with a public statement of Secretary Rice praising the anticorruption efforts of the Iraqi Interior Ministry. The official told us: "I cannot discuss this in an open forum."

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The State Department even retroactively classified memos about corruption in Iraq after the Committee requested them.

These efforts to silence debate are an absolute embarrassment.

My staff prepared a memorandum that summarizes both what these officials told us about the state of the U.S. anticorruption efforts and what they could not tell us about the state of corruption in Iraq. Without objection, I will make this memorandum part of today's hearing record.

Sometimes this Committee breaks down along party lines during hearings. I hope that won't be the case today.

Whether one supports or opposes the President's policy, we can't ignore the reality of corruption in Iraq. And we can't ignore the reality that corruption is undermining the political progress our troops are fighting and dying for.

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If we are going to invest more lives and billions more dollars in Iraq, we need to know whether there is the political will in Iraq to succeed. That's why today's hearing is so essential.

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Mr. DAVIS OF VIRGINIA. Thank you, Mr. Chairman.

It is a sovereign responsibility of every democratic government to root out and prosecute official corruption. Sustaining the trust and confidence of the governed requires proactive visible programs to deter and punish those who would plunder the public resources for private gain.

We need to be vigilant about fighting corruption here at home as the chairman often reminds us, and we should help emerging democracies build their capacity to combat for pervasive deep-rooted malfeasance.

This hearing an important and timely opportunity to assess U.S. Government efforts to nurture anti-corruption capabilities in the fledgling government of Iraq, but I have some concerns about the majority's stated intention to investigate the status of Iraqi corruption and the functioning of Iraqi government ministries.

Good government and, small d, democrats in Iraq don't need to be lectured by this committee on the extent of corruption in their country. They need our help in building the structures, policies and processes to fight it, and we can't afford to be naive or wear cultural blinders when looking at ways to address a longstanding, deeply ingrained problem.

We didn't bring corruption to Iraq, and it won't stop when we leave. Saddam Hussein's looting of the United Nations Oil for Food Program was emblematic of the leaky economic systems and corrupt habits the current government inherited.

Coalition Provision Authority Order 55, establishing the Iraqi Commission on Public Integrity, acknowledged the battle against corruption is a long term struggle that requires lasting commitment to change behavior at all levels of government. Today, despite creation of national enforcement systems in Iraq and U.S. Embassy programs to mentor inspectors and judges, it seems that commitment has yet to materialize either in their government or ours.

According to the same CPA order, anti-corruption programs in Iraq have long been viewed as arbitrary and intermittent. Apparently, they still are. The former head of Iraq's main anti-corruption investigatory body, Judge Radhi, joins us this morning to describe the many challenges he faced trying to investigate corruption claims in a society splintered by sectarian violence and political score-settling.

Our efforts so far don't appear to have helped much. A very cogent Embassy-consolidated anti-corruption strategy was put together but just a year ago. It looks good on paper, but like other capacity-building programs in Iraq our anti-corruption assistance has suffered from missed deadlines, shifting priorities, structural instability and lack of strong leadership.

In fact, evidence of that organization disarray triggered this hearing. A draft statistical report commissioned by the U.S. Embassy Office of Accountability and Transparency on corruption investigations by Iraqi agencies was embellished with hearsay and anecdotes about blocked cases and official favoritism.

Before being vetted or finalized, it was leaked to the media. The State Department then turned light comedy into high farce by classifying the report which was already on the internet because it

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said things everyone had already heard about lax anti-corruption enforcement in Iraq.

But there are serious questions we need to address today. What should we do to help the Iraqis fight corruption, mindful that they are a sovereign nation? What can we do, given the current security environment, and what will we do to implement an effective strategy to help the Iraqis help themselves?

The answers matter, not just to accountants and lawyers, but to all Iraqis and every American there. Funds stolen from the people of Iraq sap the growth of civil society and fuel lawlessness and violence.

Finally, there is no avoiding the unmistakable subtext of this hearing, the premise that a corrupt Iraqi government doesn't merit further American sacrifice or life or treasure.

By that measure, some would have the United States cede our sovereignty to groups like Transparency International and disavow anyone too far down their annual list of corrupt states, but that is far too narrow a view of how the most powerful Nation on Earth determines who to befriend and where to pursue our interests.

As one political veteran observed, having discovered an illness, it is not terribly useful to prescribe death as a cure. We can help the Iraqis treat the disease of official corruption without killing their chance to stand as an independent sovereign nation.

Let me thank you, Mr. Chairman, for agreeing to our request to invite Ms. Claudia Rosett to testify. We are disappointed that she is not in the first panel, and we have to go to a third panel to hear her.

All our witnesses today bring important information to this discussion, and their unique perspectives will add depth and context to our oversight.

Thank you.

[The prepared statement of Hon. Tom Davis follows:]

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HENRY A. WAXMAN, CALIFORNIA
CHAIRMAN

TOM DAVIS, VIRGINIA
RANKING MINORITY MEMBER

ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

Majority (202) 225–5051
Minority (202) 225–5074

Statement of Rep. Tom Davis
Ranking Republican Member
Committee on Oversight and Government Reform
October 4, 2007

It is the sovereign responsibility of every democratic government to root out and prosecute official corruption. Sustaining the trust and confidence of the governed requires proactive, visible programs to deter and punish those who would plunder public resources for private gain. We need to be vigilant about fighting corruption here at home, as the Chairman often reminds us. And we should help emerging democracies build their capacity to combat pervasive, deeply-rooted malfeasance. So this hearing offers an important and timely opportunity to assess U.S. government efforts to nurture anti-corruption capabilities in the fledgling government of Iraq.

But I have some concerns about the Majority's stated intention to investigate "the status of Iraqi corruption" and the functioning of Iraqi government ministries. We're not the Committee on Oversight and *Iraqi* Government Reform. We have more than enough to do keeping tabs on our own agencies and programs. The sovereign government of Iraq decides how to spend its own money and how to fight corruption. Good government (small "d") democrats in Iraq don't need to be lectured by this committee on the extent of corruption in their country. They need our help building the structures, policies and processes to fight it.

Nor can we afford to be naïve or wear cultural blinders when looking at ways to address a longstanding, deeply-ingrained problem. We didn't bring corruption to Iraq, and it won't stop when we leave. Saddam Hussein's looting of the United National Oil for Food Program was emblematic of the leaky economic systems and corrupt habits the current government inherited. Coalition Provision Authority Order 55, establishing the Iraq Commission on Public Integrity (CPI), acknowledged "the battle against corruption is a long-term struggle that requires lasting commitment to change behavior at all levels of government."

Today, despite creation of national enforcement systems in Iraq and U.S. embassy programs to mentor inspectors and judges, it seems that commitment has yet to materialize, either in their government or ours. According to the same CPA Order, anti-corruption programs in Iraq had long been viewed as "arbitrary and intermittent." Apparently, they still are. The former head of Iraq's main anti-corruption investigatory body, Judge Rahdi, joins us this morning to describe the many challenges he faced trying to investigate corruption claims in a society splintered by sectarian violence and political score-settling.

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Our efforts so far don't appear to have helped much. A very cogent "Embassy Consolidated Anti-Corruption Strategy" was put together, but just a year ago. It looks good on paper. But, like other capacity building programs in Iraq, our anti-corruption assistance has suffered from missed deadlines, shifting priorities, structural instability and lack of strong leadership. In fact, evidence of that organizational disarray triggered this hearing. A draft statistical report commissioned by the U.S. Embassy Office of Accountability and Transparency on corruption investigations by Iraqi agencies was embellished with hearsay and anecdotes about blocked cases and official favoritism. Before being vetted or finalized, it was leaked to the media. The State Department then turned light comedy into high farce by classifying the report – which was already on the Internet - because it said things everyone has already heard about lax anti-corruption enforcement in Iraq.

But there are serious questions we need to address today. What *should* we do to help the Iraqis fight corruption, mindful they are a sovereign nation? What *can* we do, given the current security environment? And what *will* we do to implement an effective strategy to help the Iraqis help themselves? The answers matter, not just to accountants and lawyers, but to all Iraqis and every American there. Funds stolen from the people of Iraq sap the growth of civil society and fuel lawlessness and violence.

Finally, there's no avoiding the unmistakable subtext of this hearing – the premise that a corrupt Iraqi government doesn't merit further American sacrifice of life or treasure. By that measure, some would have the United States cede our sovereignty to groups like Transparency International and disavow anyone too far down their annual list of corrupt states. That's far too narrow a view of how the most powerful nation on earth determines who to befriend and where to pursue our interests. As one political veteran observed, "Having discovered an illness, it's not terribly useful to prescribe death as a cure." We can help the Iraqis treat the disease of official corruption without killing their chance to stand as an independent, sovereign nation.

Let me thank you, Mr. Chairman, for agreeing to our request to invite Ms. Claudia Rosett to testify. All our witnesses today bring important information to this discussion, and their unique perspectives will add depth and context to our oversight.

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Chairman WAXMAN. Thank you, Mr. Davis.

For our first panel, we have Judge Radhi Hamza al-Radhi, former head of the Iraqi Commission on Public Integrity.

Mr. MICA. Mr. Chairman.

Chairman WAXMAN. Yes. Does the gentleman seek recognition?

Mr. MICA. Point of order, I would ask regular order so that Members be allowed to present opening statements. I did have one if I could be allowed.

Chairman WAXMAN. Well, I am sorry the rules do not require that Members give opening statements. The practice of this committee under Chairmen Burton and Davis was not to give the right to all Members to offer opening statements, so we will proceed under the rules.

Judge Radhi Hamza al-Radhi, former head of the Iraqi Commission on Public Integrity, Mr. David Walker, Comptroller General of the United States, and Mr. Stuart Bowen, Special Inspector General for Iraq Reconstruction, we are pleased to welcome all of you to our committee today.

The practice of this committee is to take all testimony under oath. So if you would please rise and raise your hands. I would like to administer the oath to you.

[Witnesses sworn.]

Chairman WAXMAN. The record will reflect the fact that each of the witnesses answered in the affirmative.

Mr. DAVIS OF VIRGINIA. Mr. Chairman, could we have the translator identified for the record please?

Chairman WAXMAN. Yes. Could the translator identify herself?

Ms. BEHRENS. Nina K. Behrens, the Department Interpreter.

Chairman WAXMAN. Thank you very much.

I would like to suggest that when we get to questions, because we do have a translator, that each Member be given 7 minutes because it will take time for translation.

Mr. DAVIS OF VIRGINIA. Mr. Chairman, I would just insist on regular order. We had asked that our witness be put in the first panel which would have expedited and, I think, allowed for that, but since we are not going to get to our witness until the third panel, we want to move things along.

Chairman WAXMAN. OK, then we will go to 5 minute intervals. We did accommodate the minority at their request for the witness, but apparently not exactly where they would like to have her.

We would like to hear from each of you, starting with General Walker if we might.

STATEMENTS OF DAVID WALKER, COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; JUDGE RADHI HAMZA AL-RADHI, COMMISSIONER OF PUBLIC INTEGRITY IN IRAQ; AND STUART BOWEN, SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

STATEMENT OF DAVID WALKER

Mr. WALKER. Thank you, Chairman Waxman, Mr. Davis. Pleasure to be back before the House Oversight and Government Reform Committee.

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I am pleased to be here today to discuss the GAO report that we issued today on U.S. Efforts to Build the Capacity of Iraqi Ministries. It is my understanding it has been provided to this committee.

The development of competent and loyal government ministries in Iraq is critical to stabilizing that country. Iraq's 34 ministries are responsible for ensuring security through the armed forces and police and providing essential government services such as electricity, water and health care. The ministries are Iraq's largest employer with an estimated 2.2 million government workers.

U.S. efforts to build the capacity of Iraqi ministries include programs to advise and help Iraqi government employees to develop the skills to plan programs, execute budgets, and deliver effective services.

In 2005 and 2006, the United States provided $169 million for programs to help build the capacity of key civilian and security ministries. The administration received an additional $140 million fiscal year 2007 and requested $255 million for fiscal year 2008.

In doing this report, we traveled to the region including Baghdad, interviewed officials from U.S. Government and other international organizations and collected other information that was available for us to review.

In summary, we found the following: U.S. efforts to help the capacity of the Iraqi national government have been characterized by, first, multiple U.S. agencies leading efforts without overarching direction from a lead agency or a strategic plan that integrates these various efforts and, second, shifting timeframes and priorities in response to varying and sometimes deteriorating conditions in Iraq.

U.S. efforts to develop Iraqi ministerial capacity face four key challenges that pose risk to their success and long term sustainability. These include significant shortages of Iraqi ministry employees with the necessary skills and knowledge to conduct key tasks, sectarian influence over the militia infiltration of some ministries, corruption within the ministries and poor security conditions that endanger employees and cause skilled workers to leave the country.

The U.S. Government is beginning to develop an overall strategy for ministerial capacity development although agencies have been implementing separate programs since 2003.

GAO's work in this area shows that the overall strategy for capacity development should include, first, a clear purpose, scope and methodology; second, a delineation of U.S. roles and responsibilities in coordination with other donors including the United Nations; third, clear goals and objectives linked to Iraqi priorities; and, fourth, performance measures and milestones; and last, fifth, the costs, resources needed and assessment of program risk.

Individual U.S. capacity development efforts have included some but not all of these components. All are necessary for sustainable success.

We, therefore, have recommended to the State Department that it, in conjunction with the Iraqi government, complete an overall strategic and integrated strategy for U.S. capacity development efforts. Congress, we believe, should also consider conditioning future appropriations on the completion of such a strategy.

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Two other things, Mr. Chairman, first, we at GAO are attempting to lead by example in providing capacity-building assistance to our counterpart organization, the Board of Supreme Audit in Iraq. I have met with my counterpart on more than one occasion, both in Iraq and in the United States.

We are providing a lot of technical support and training, and we are also encouraging other countries in the region to be able to provide support to the Board of Supreme Audit as well. I am pleased that progress has been made there.

Second, I think it is also important to recognize that while it is unrealistic to expect that the United States is going to have more allies provide troops in Iraq, that it is very important and appropriate that our allies do more to try to help with regard to this capacity-building effort, especially with regard to civilian ministries because there is significant expertise available among our allies and among international organizations, and hopefully that will be forthcoming in the future.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Walker follows:]

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United States Government Accountability Office

GAO

Testimony

Before the Committee on Oversight and Government Reform, House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EDT
October 4, 2007

STABILIZING AND REBUILDING IRAQ

Serious Challenges Confront U.S. Efforts to Build the Capacity of Iraqi Ministries

Statement of David M. Walker
Comptroller General of the United States

GAO-08-124T

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Highlights

Highlights of GAO-08-124T, a testimony before the Committee on Oversight and Government Reform, House of Representatives

October 2007

STABILIZING AND REBUILDING IRAQ

Serious Challenges Confront U.S. Efforts to Build the Capacity of Iraqi Ministries

Why GAO Did This Study

The development of competent and loyal government ministries is critical to stabilizing and rebuilding Iraq. The ministries are Iraq's largest employer, with an estimated 2.2 million government workers. U.S. efforts to build the capacity of Iraqi ministries include programs to advise and help Iraqi government employees develop the skills to plan programs, execute budgets, and effectively deliver services. The administration received $140 million in fiscal year 2007 to fund U.S. capacity-building efforts and requested an additional $255 million for fiscal year 2008.

This testimony discusses (1) U.S. efforts to develop ministry capacity, (2) the key challenges to these efforts, and (3) the extent to which the U.S. government has an overall integrated strategy.

This statement is based on the report issued at this hearing. To accomplish our report objectives, we reviewed reports from and interviewed officials of U.S. agencies, the Iraqi government, the United Nations, and the World Bank. We conducted fieldwork in Washington, D.C.; New York City; Baghdad, Iraq; and Amman, Jordan.

What GAO Recommends

GAO recommends that State, in consultation with the Iraqi government, complete an overall integrated strategy for U.S. capacity development efforts. Congress also should consider conditioning future appropriations on the completion of such a strategy.

To view the full product, including the scope and methodology, click on GAO-08-124T. For more information, contact Joseph A. Christoff at (202) 512-8979 or christoffj@gao.gov.

What GAO Found

Over the past 4 years, U.S. efforts to help build the capacity of the Iraqi national government have been characterized by (1) multiple U.S. agencies leading efforts without overarching direction from a lead agency or a strategic plan that integrates their efforts; and (2) shifting timeframes and priorities in response to deteriorating conditions in Iraq. As of May 2007, six U.S. agencies were implementing about 53 projects at individual ministries and other national Iraqi agencies. Although the Departments of State and Defense and the U.S. Agency for International Development (USAID) have improved the coordination of their capacity-building efforts, there is no lead agency or strategic plan to provide overarching guidance.

U.S. efforts to develop Iraqi ministerial capacity face four key challenges that pose risks to their success and long-term sustainability. First, Iraqi government institutions have significant shortages of personnel with the skills to perform the vital tasks necessary to provide security and deliver essential services to the Iraqi people. Second, Iraq's government confronts significant challenges in staffing a nonpartisan civil service and addressing militia infiltration of key ministries. Third, widespread corruption undermines efforts to develop the government's capacity by robbing it of needed resources, some of which are used to fund the insurgency. Finally, violence in Iraq hinders U.S. advisors' access to Iraqi minstries, increases absenteeism among minstry employees, and contributes to the growing number of professional Iraqis leaving the country.

The U.S. government is beginning to develop an overall strategy for ministerial capacity development, although agencies have been implementing separate programs since 2003. GAO's work in this area shows that an overall strategy for capacity development should include (1) a clear purpose, scope, and methodology; (2) a delineation of U.S. roles and responsibilities and coordination with other donors including the United Nations; (3) goals and objectives linked to Iraqi priorities; (4) performance measures and milestones; and (5) costs, resources needed, and assessment of program risks. U.S. ministry capacity efforts have included some but not all of these components. For example, agencies are working to clarify roles and responsibilities. However, U.S. efforts lack clear ties to Iraqi-identified priorities at all ministries, clear performance measures, and information on how resources will be targeted to achieve the desired end-state.

State and USAID noted concerns over our recommendation to condition further appropriations and cited the appointment of an ambassador to supervise civilian capacity development programs. GAO does not recommend stopping U.S. investment in capacity development. The $140 million in fiscal year 2007 funds remains available to continue efforts while developing an integrated strategy. In addition, the U.S. ambassador arrived in Iraq in July 2007 underscoring our point that U.S. efforts lacked overall leadership and highlighting the need for an overall integrated strategy.

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Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss our report issued today on U.S. efforts to build the capacity of Iraqi ministries. The development of competent and loyal government ministries is critical to stabilizing and rebuilding Iraq. Iraq's 34 ministries are responsible for ensuring security through the armed forces and police and providing essential government services, such as electricity, water, and health care. The ministries are Iraq's largest employer, with an estimated 2.2 million government workers.

U.S. efforts to build the capacity of Iraqi ministries include programs to advise and help Iraqi government employees develop the skills to plan programs, execute budgets, and effectively deliver services. In 2005 and 2006, the United States provided $169 million for programs to help build the capacity of key civilian and security ministries. The administration received an additional $140 million in fiscal year 2007 and requested $255 million for fiscal year 2008.

My testimony today discusses (1) the nature and extent of U.S. efforts to develop the capacity of Iraqi ministries, (2) the key challenges to these efforts, and (3) the extent to which the U.S. government has an overall integrated strategy.

This statement is based on the report we issued today.[1] To accomplish our report objectives, we reviewed and analyzed U.S., Iraqi, donor government, United Nations (UN), and World Bank reports and data. We conducted fieldwork in Washington, D.C.; New York City; Baghdad, Iraq; and Amman, Jordan. At these locations, we met with officials and contractors working for the Departments of State (State), Defense (DOD), Treasury, Justice, the U.S. Agency for International Development (USAID), the United Nations (UN), the World Bank, European Union, and the Iraqi government. We conducted our review in accordance with generally accepted government auditing standards.

[1]GAO-08-117, *Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk* (Washington, D.C.: Sept. 2007).

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Summary

In summary, we found the following:

- U.S. efforts to help build the capacity of the Iraqi national government have been characterized by (1) multiple U.S. agencies leading efforts, without overarching direction from a lead agency or a strategic plan that integrates their efforts; and (2) shifting timeframes and priorities in response to deteriorating conditions in Iraq.

- U.S. efforts to develop Iraqi ministerial capacity face four key challenges that pose risks to their success and long-term sustainability. These include significant shortages of Iraqi ministry employees with the necessary skills to conduct key tasks, partisan influence over and militia infiltration of some ministries, corruption within the ministries, and poor security conditions that endanger employees and cause skilled workers to leave the country.

- The U.S. government is beginning to develop an overall strategy for ministerial capacity development, although agencies have been implementing separate programs since 2003. GAO's work in this area shows that an overall strategy for capacity development should include (1) a clear purpose, scope, and methodology; (2) a delineation of U.S. roles and responsibilities and coordination with other donors, including the United Nations; (3) goals and objectives linked to Iraqi priorities; (4) performance measures and milestones; and (5) the costs, resources needed, and assessment of program risks. Individual U.S. capacity development efforts have included some but not all of these components.

We recommend that State, in consultation with the Iraqi government, complete an overall integrated strategy for U.S. capacity development efforts. Congress also should consider conditioning future appropriations on the completion of such a strategy.

Background

As of September 2007, the Iraqi government included 34 ministries responsible for providing security and essential government services. U.S. capacity development programs target 12 key ministries: State and USAID focus on 10 civilian ministries while DOD is responsible for the Ministries of Defense and Interior. These 12 ministries employ 67 percent of the Iraqi government workforce and are responsible for 74 percent of the 2007 budget (see table 1).

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Table 1: Estimated Staff Numbers and 2007 Annual Budget for Key Iraqi Ministries

Key Ministries	Staff[a]	Staff as percentage of total	2007 budget (U.S. dollars in millions)	Ministry budget as percentage of total
Finance	10,000	<1%	$14,436[b]	3%
Interior	406,000	18	3,183	8
Defense	200,000	9	4,141	10
Health	151,000	7	1,818	4
Education	515,000[c]	23	1,821	4
Agriculture	10,000	<1	106	<1
Water Resources	17,000	1	363	1
Planning	2,000	<1	210	1
Oil	75,000[d]	<3	2,451	6
Electricity	84,000	<4	1,474	4
Justice	16,000	1	125	<1
Municipalities and Public Works	3,000	<1	370	1
Subtotal - Key ministries	1,491,000	67	30,489	74
Other ministries and entities	727,000[e]	33	10,564	26
Total	2,218,000	100%	$41,054	100%

Source: Government of Iraq and State Department.

Note: Iraqi data are from the Iraq National Budget 2007. The number of employees is rounded to the nearest thousand.

[a]Staff numbers include ministry estimates of funded staff positions. A census of ministry employees, required by the IMF Standby Agreement, has yet to be completed.

[b]Ministry operations account for about 1 percent of this figure. The remainder is for general activities of the state, including food basket distribution, welfare, and pensions.

[c]This figure includes schoolteachers employed by the national government.

[d]This figure includes the employees of 15 publicly funded but independently operated oil companies.

[e]This figure includes staff at all other ministries and employees at the National Assembly, the Ministry Council, the President's Office, the Supreme Justice Council, and the national ministry staff located at the provincial level.

U.S. Efforts to Build Iraqi Government Capacity Lack Unified Direction

U.S. efforts to help build the capacity of the Iraqi national government are characterized by (1) multiple U.S. agencies leading individual efforts without overarching direction from a lead entity or a strategic approach that integrates their efforts with Iraqi government priorities and (2) shifting time frames and priorities in response to deteriorating conditions in Iraq.

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As of May 2007, six U.S. agencies were implementing about 53 projects at individual ministries and other national Iraqi agencies. State, USAID, and DOD lead the largest number of programs and provide about 384 U.S. military, government, and contractor personnel to work with the ministries. DOD provides over half (215) of the personnel to the Ministries of Defense and Interior to advise Iraqi staff in developing plans and policies, building ministry budgets, and managing personnel and logistics. State and USAID together provide an additional 169 advisors to the 10 key civilian ministries.

Although State, USAID, and DOD have improved the coordination of their capacity-building efforts since early 2007, there is no lead agency or strategic plan to provide overarching guidance. Two factors explain the lack of a lead agency. First, from their inception in 2003, U.S. ministry capacity-building efforts evolved without an overall plan or the designation of a lead entity. U.S. agencies provided distinct assistance to four successive governments in response to Iraq's immediate needs, according to U.S. officials.[2] This approach first began under the Coalition Provisional Authority whereby U.S. advisors ran the ministries using U.S. and Iraqi funds and made personnel and budget decisions. Attempts to create an overall capacity development plan were dropped in late 2003 after the United States decided to transfer control of the ministries to an interim government.

A second factor has been the delay in implementing recommendations from a 2005 State assessment that characterized U.S. capacity development programs as uncoordinated, fragmented, duplicative and disorganized. State recommended a unified effort among State, DOD, and USAID, with the latter providing overall coordination and leadership. The recommendations were not implemented. However, in July 2007, State named an ambassador to direct civilian capacity-building programs, including USAID efforts.

Shifting priorities also have affected U.S. capacity development efforts, particularly in response to continued security problems. In early 2007, the U.S. mission refocused its capacity development program as part of the surge strategy associated with the administration's New Way Forward.

[2]The four governments are the Coalition Provisional Authority (April 2003 to June 2004); the interim government (June 2004 to May 2005); the transitional government (May 2005 to May 2006); and the permanent government (May 2006 to the present).

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Rather than focusing on 12 civilian and security ministries, State and DOD targeted 6 key ministries (Interior, Defense, Planning, Finance, Oil, and Electricity) and focused on short-term improvements to address immediate problems with budget execution, procurement, and contracting. Accordingly, U.S. capacity development efforts shifted from long-term institution building to immediate efforts to help Iraqi ministries spend their capital budgets and deliver better services to the Iraqi people. Improvements were expected by September 2007.

Low Capacity of the Iraqi Ministries and Other Challenges Pose Risks to U.S. Efforts

U.S. efforts to develop Iraqi ministerial capacity face four key challenges that pose a risk to their success and long-term sustainability.

First, Iraqi government institutions have significant shortages of personnel with the skills to perform the vital tasks necessary to provide security and deliver essential services to the Iraqi people. When the Coalition Provisional Authority (CPA) removed Ba'athist party leaders and members from upper-level management in government, universities, and hospitals in 2003, most of Iraq's technocratic class was forced out of government.[3] A September 2006 U.S. embassy assessment[4] noted that the government had significant human resource shortfalls in most key civilian ministries. The majority of staff at all but 1 of the 12 ministries surveyed was inadequately trained for their positions, and a quarter of them relied heavily on foreign support to compensate for their human and capital resource shortfalls. The lack of trained staff has particularly hindered the ability of ministries to develop and execute budgets. For example, in 2006, the Iraqi government spent only 22 percent of its capital budget. For January through July 2007, spending levels have improved with about 24 percent of capital budgets spent. However, as we reported in early September 2007, it is unlikely that Iraq will spend the $10 billion it allocated for 2007 for capital budgets by the end of this year.[5]

[3]GAO, *Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks*, GAO-07-1195 (Washington, D.C.: Sept. 4, 2007).

[4]Iraq Reconstruction Management Office, *Baseline Assessment of Core Functions at Key Civilian Ministries*, Sept. 2006. The number of ministries assessed on a core function varied.

[5]GAO, *Securing, Stabilizing, and Rebuilding Iraq: Iraq Government Has Not Met Most Legislative, Security, and Economic Benchmarks*, GAO-07-1195 (Washington, D.C.: Sept. 4, 2007).

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Second, Iraq's government confronts significant challenges in staffing a nonpartisan civil service and addressing militia infiltration of key ministries. In June 2007, DOD reported that militias influenced every component of the Ministry of Interior. In particular, the Ministry has been infiltrated by members of the Supreme Islamic Council of Iraq[4] and its Badr Organization, as well as Muqtada al-Sadr's Mahdi Army.[7] Furthermore, the Iraqi civil service remained hampered by staff whose political and sectarian loyalties jeopardized the civilian ministries' abilities to provide basic services and build credibility among Iraqi citizens, according to U.S. government reports and international assessments.[8] DOD further found that government ministries and budgets were sources of power for political parties, and staff ministry positions were rewarded to party cronies. The use of patronage hindered capacity development because it led to instability in the civil service as many staff were replaced whenever the government changed or a new minister was named, according to U.S. officials.

Third, according to State, widespread corruption undermines efforts to develop the government's capacity by robbing it of needed resources, some of which are used to fund the insurgency; by eroding popular faith in democratic institutions seen to be run by corrupt political elites; and by spurring capital flight and reducing economic growth. According to a State assessment, one-third of the 12 civilian ministries surveyed had problems with "ghost employees" (that is, nonexistent staff listed on the payroll). In addition, the procedures to counter corruption adopted at all but one of the civilian ministries surveyed were partly effective or ineffective. Similar problems existed in the security ministries, according to DOD.[9]

Finally, the security situation remains a major obstacle to developing capacity in areas vital to the government's success. The high level of

[4]This organization changed its name from Supreme Council for Islamic Revolution in Iraq in May 2007.

[7]DOD, *Measuring Stability and Security in Iraq: Report to Congress in Accordance with The Department of Defense Appropriations Act 2007, Section 9010, Public Law 109-289* (Washington, D.C.: June 2007).

[8]GAO, *Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight*, GAO-07-308SP (Washington, D.C.: Jan. 9, 2007).

[9]DOD, *Measuring Stability and Security in Iraq: Report to Congress in Accordance with the Department of Defense Appropriations Act 2007, Section 9010, Public Law 109-289* (Washington, D.C.: Mar. 2007).

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violence hinders U.S. advisors' access to their counterparts in the ministries, increases absenteeism among ministry employees, and contributes to "brain drain" as ministry employees join the growing number of Iraqis leaving the country. According to a UN report, between March 2003 and June 2007, about 2.2 million Iraqis left the country and 2 million were internally displaced. According to U.S. and international officials, the flow of refugees exacerbates Iraqi ministry capacity shortfalls because those fleeing tend to be disproportionately from the educated and professional classes. A November 2006 UN report stated that an estimated 40 percent of Iraq's professional class had left since 2003.

The United States Is Beginning to Develop a Strategy for Capacity Development Efforts

In February 2007, State officials provided GAO with a three-page, high-level outline proposing a U.S. strategy for strengthening Iraqi ministerial capacity. This document was a summary with few details and no timeline. A senior USAID official indicated that it is uncertain whether the high-level summary will be developed into a strategy, although the administration received $140 million in funding for its capacity development efforts in fiscal year 2007 and requested $255 million for fiscal year 2008.

GAO has previously identified the desirable elements of a strategy: a clear purpose, scope, and methodology; a delineation of U.S. roles, responsibilities, and coordination; desired goals, objectives, and activities tied to Iraqi priorities; performance measures; and a description of costs, resources needed, and risks. Table 2 summarizes the key elements of a strategy and provides examples of the status of the U.S. approach as of September 2007.

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Table 2: Status of U.S. Capacity Development Strategy

Key component	Description	Status of efforts
Clear purpose, scope, and methodology	Addresses why the strategy was produced, the scope of its coverage, and the process by which it was developed.	• Limited discussion of purpose and methodology for overall strategy. • Scope of capacity development efforts has shifted.
Delineation of U.S. roles, responsibilities, and coordination	Addresses who will be implementing the strategy, what their roles will be compared with others, and the mechanisms for coordinating their efforts.	• Roles not clearly delineated between USAID, MNSTC-I, and the embassy. • Limited documentation on how efforts are to be integrated, such as a security cooperation office and a lead agency. • Interagency task force helping to clarify roles and responsibilities, and coordination.
Desired goals, objectives, and activities	Addresses what the strategy is trying to achieve, priorities, and steps to achieve those results, consistent with Iraqi priorities.	• U.S. Embassy-Baghdad defined overall end-state: assist Iraq's transition to self-sufficiency. • MNSTC-I priorities and objectives for the Ministry of Defense, consistent with Iraqi priorities. • Overall, Iraqi government priorities not clearly identified.
Performance measures	Performance measures to gauge results.	• Status of efforts to develop performance measures is unclear. • U.S. embassy is using process or output measures at civilian ministries; uncertain about future assessments. • MNSTC-I is in process of developing outcome and results measures at the security ministries.
Description of costs, resources needed, and risk	Addresses what the strategy will cost; what sources and types of resources are needed; and where resources and investments should be targeted, balancing benefits, costs, and risks.	• No assessments of risk provided with agency funding requests for fiscal years 2007–2008. • No estimates of long-term costs and resources needed to achieve program results.

Source: GAO analysis of U.S. military capacity-building efforts.

As table 2 shows, U.S. agencies have developed some of these elements in their programs for capacity building at individual ministries, but not as part of an overall U.S. strategy. For example:

- We found little evidence that the U.S. government has clearly defined the purpose, scope, and methodology for developing an overall strategy. Agencies have provided some limited information on why an overall strategy is needed, what it will cover, and how it will be developed.

- A Joint Task Force on Capacity Development, established in October 2006, has helped U.S. agencies better delineate roles and responsibilities and coordinate their efforts. However, we found no

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plans on how the capacity development programs of State, USAID, and DOD will be unified and integrated.

- While U.S. agencies have clearly identified the overall goals of capacity development at the Iraqi ministries, most U.S. efforts lack clear ties to Iraqi priorities for all ministries.

- While DOD is developing measures to assess progress at the security ministries, such measures have not been developed for Iraqi civilian ministries.

- U.S. agencies have not identified the costs and resources needed to complete capacity development programs beyond the budget for fiscal year 2007 and the 2008 budget request. Agencies have not provided information on how future resources will be targeted to achieve the desired end-state or how the risks we identified will be addressed.

In addition, efforts to improve cooperation with the UN and other international donor nations and organizations have encountered difficulties. For example, U.S. efforts are to be coordinated with the Iraqi government and the international donor community through the Capacity Development Working Group. However, the group did not meet for about a year after forming in late 2005 and did not meet from February through May 2007.

Conclusion

Current U.S. efforts to build the capacity of the Iraqi government involve multiple U.S. agencies working with Iraqi counterparts on many issues. GAO, for example, is working with the Iraqi Board of Supreme Audit to enhance its auditing skills and capacity. However, U.S. efforts to improve the capacity of Iraq's ministries must address significant challenges if they are to achieve their desired outcomes. U.S. efforts lack an overall strategy, no lead agency provides overall direction, and U.S. priorities have been subject to numerous changes. Finally, U.S. efforts confront shortages of competent personnel at Iraqi ministries, and sectarian ministries contend with pervasive corruption. The risks are further compounded by the ongoing violence in Iraq as U.S. civilian advisors have difficulties meeting with their Iraqi counterparts and skilled Iraqi professionals leave the country.

Congress appropriated $140 million in May 2007 for capacity building and the administration requested up to $255 million for fiscal year 2008. We

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believe that future U.S. investments must be conditioned on the development of an overall integrated U.S. strategy that clearly articulates agency roles and responsibilities, establishes clear goals, delineates the total costs needed, and assesses the risk to U.S. efforts. The strategy would also need to consider any expanded role of multilateral organizations, including the United Nations and World Bank.

Recommendation for Executive Action

GAO recommends that State, in consultation with the Iraqi government, complete an overall integrated strategy for U.S. capacity development efforts.

Key components of an overall capacity development strategy should include a clear purpose, scope, and methodology; a clear delineation of U.S. roles, responsibilities, and coordination, including the designation of a lead agency; goals and objectives based on Iraqi-identified priorities; performance measures based on outcome metrics and milestones; and a description of how resources will be targeted to achieve the desired end-state.

Matter for Congressional Consideration

Given the absence of an integrated capacity development strategy, it is unclear how further appropriations of funding for ministry capacity development programs will contribute to the success of overall U.S. efforts in Iraq. Congress should consider conditioning future appropriations on the completion of an overall integrated strategy.

Agency Comments and Our Evaluation

In commenting on a draft of the report accompanying this testimony, State and USAID noted (1) their concern over our recommendation to condition future appropriations for capacity development on the completion of a strategy; (2) the recent appointment of an ambassador to supervise all short- and medium-term capacity development programs; and (3) the need to tailor capacity development needs to each Iraqi ministry. In response to the agencies' first comment, we do not recommend stopping U.S. investment in capacity development; the $140 million in supplemental funding appropriated in fiscal year 2007 remains available for the agencies to continue their efforts. Rather, we recommend that Congress condition future funding on the development of an overall integrated strategy.

We acknowledge that State named an ambassador to coordinate the embassy's economic and assistance operations. However, this action occurred in July 2007, underscoring our point that U.S. capacity

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development efforts have lacked overall leadership and highlighting the need for an overall integrated strategy. Finally, our recommendation does not preclude U.S. agencies from tailoring capacity development efforts to meet each ministry's unique needs. A strategy ensures that a U.S.-funded program has consistent overall goals, clear leadership and roles, and assessed risks and vulnerabilities.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other Members have at this time.

GAO Contacts and Staff

For questions regarding this testimony please me on (202) 512-6500, or Mr. Joseph A. Christoff, Director, International Affairs and Trade, on (202) 512-8979 or christoffj@gao.gov. Other key contributors to this statement were Tetsuo Miyabara, Patrick Hickey, Lynn Cothern, Lisa Helmer, Stephen Lord, and Judith McCloskey.

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Chairman WAXMAN. Thank you very much, Mr. Walker.
Mr. Bowen, let's hear from you next.

STATEMENT OF STUART BOWEN

Mr. BOWEN. Thank you. Good morning, Chairman Waxman, Ranking Member Davis, members of the committee. Thank you for this opportunity to testify before you today on the important subject of this hearing, the State of Iraqi Corruption.

This past August, I visited Iraq for the 17th time since my appointment 3½ years ago as the Special Inspector General for Iraq Reconstruction. While in Baghdad, I met with key Coalition and Iraqi officials on the subject of corruption within the government of Iraq.

SIGIR has regularly reported on this issue over the course of our 14 quarterly reports, and we conducted 2 audits on the subject of U.S. support for Iraqi anti-corruption and, in a word, found that support has been disappointing.

Corruption within Iraq's government is a significant and serious problem. It is an Iraqi problem which the government of Iraq has recognized. A recent report submitted by Iraq pursuant to the requirements of the recently enacted International Compact for Iraq identified "high levels of corruption and an immature accountability framework" within the government of Iraq. So it is something that the Iraqi government on the record recently has recognized.

As the ranking member pointed out, we did not bring corruption to Iraq, and it will not be gone whenever we leave, but it is an issue that fundamentally can undermine our efforts to build a democracy, a fledgling democracy.

Since mid-2003, Iraq has struggled against a violent insurgency. Corruption has concomitantly afflicted the Iraqi government, exerting a corrosive force upon its growing democracy.

SIGIR has described that force as a second insurgency. Prime Minister Maliki recently echoed that sentiment when he referred to the struggle against corruption as "the second war in Iraq," and Deputy Prime Minister Barham Salih told my office that corruption "threatens the state."

So there is a recognition, but is there a response?

That is the subject, I think, of an important aspect of this hearing. What response is forthcoming, both within the U.S. program and within the Iraqi government?

Within the Iraqi government, there are three key entities who have charge of fighting this second insurgency. The Board of Supreme Audit has been around since 1927. It is the analogue to the Government Accountability Office and its focus is on the audit of Iraqi ministries.

The Commission on Public Integrity and the Iraqi Inspector General system was created in 2004 by the Coalition Provisional Authority. Judge Radhi, who was the commissioner until recently of the CPI, is someone with whom I have met on every trip I have made to Iraq, virtually every trip, and his office and my office work very closely on our investigations and exchange information as relevant.

His office along with the 29 IGs and the Board of Supreme Audit comprise 4,000 officials assigned to fight corruption, but the tide of

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corruption continues to rise, and the problem is as bad today as it has ever been although they may have deterred some crime and there have been some prosecutions. Over the past year, the number of corruption cases under investigation by the CPI has increased by 70 percent. Similarly, individual Iraqi ministries have reported dramatic increases in corruption cases.

There are three significant challenges confronting the effort of Iraqi ministries, these Iraqi corruption-fighting entities, to fight corruption within their ministries: security, politicization of the rule of law and capacity.

Security afflicts and inhibits everything that Iraqi tries to accomplish in recovering from the attack. The first president of the Board of Supreme Audit was murdered 2½ years ago.

President Abd el-Basit succeeded him, but his office itself has also been under direct attack. This last May, Ministry of Interior guards came and had a standoff with President Basit's security guards. It resulted in a peaceful resolution, but that is the kind of intimidation that is going on in Iraq.

At least 31 employees of the CPI have been killed, and judges and judicial investigators are also subject to threat. This last trip I met with a chief judge of a district in Iraq, and he complained to me that his investigators are not permitted to carry weapons. Thus, his judges and the judges across Baghdad are subject to continual threat and attack for that matter.

The politicization of the rule of law reflected in provisions like Article 136(b) of the Iraqi Criminal Code which permits any minister to exempt any employee accused of corruption from prosecution for that crime, and also that same provision protects any member of the military and any member of the police force. That sort of provision is incompatible with a growing democracy.

Exacerbating that legal provision is the directive from the Prime Minister's Office issued this spring that required Judge Radhi with the Commission on Public Integrity to seek permission from the Prime Minister's Office before instituting any investigation of any minister or former minister.

U.S. assistance to the anti-corruption effort in Iraq amounts to around $65 million as our audit last year pointed out, less than one half of 1 percent of the Iraq Relief and Reconstruction Fund. This is a disappointing investment.

More important, notwithstanding the funds invested, the planning has been weak, and that is what the core finding of our audit of last July pointed out.

We had 12 recommendations. Out of that audit, the Office of Accountability and Transparency was formed. There has been some progress. An advisor to the IGs was appointed. An advisor to the Board of Supreme Audit was appointed.

Those are good steps, but more needs to be done. Most of those recommendations stand open, and we continue to work and hope to work with the CPI under its new leadership with the Inspectors General and the Board of Supreme Audit. I will meet with each of them in November when I return to Iraq.

Thank you for this time to address you, and I look forward to your questions.

[The prepared statement of Mr. Bowen follows:]

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TESTIMONY OF STUART W. BOWEN, JR.
SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

"ASSESSING THE STATE OF IRAQI CORRUPTION"

HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

OCTOBER 4, 2007

Introduction

Chairman Waxman, Ranking Member Davis, and Members of the House Committee on Oversight and Government Reform, thank you for this opportunity to testify before you today on the subject of this hearing: "Assessing the State of Iraqi Corruption."

This past August, I visited Iraq for the 17th time since my appointment three and a half years ago as the Special Inspector General for Iraq Reconstruction. While in Baghdad, I met with key Coalition and Iraqi officials on the subject of corruption within the Government of Iraq. SIGIR has regularly reported on Iraqi corruption in our past 14 quarterly reports, and we have conducted two audits of U.S. support to Iraq's anti-corruption institutions.

The Second Insurgency

Since mid-2003, Iraq has struggled against a violent insurgency. Corruption has concomitantly afflicted the Iraqi government, exerting a corrosive force upon Iraq's fledgling democracy. SIGIR has described that force as the "second insurgency." Prime Minister Maliki recently echoed this sentiment, referring to his country's struggle against corruption as "the second war in Iraq."

Corruption in Iraq is similar to insurgent attacks on infrastructure because it directly harms the country's economic viability. In very real terms, corruption stymies the construction and maintenance of Iraq's infrastructure, deprives people of goods and services, reduces confidence in public institutions, and potentially aids insurgent groups reportedly funded by graft derived from oil smuggling or embezzlement. Corruption's deleterious effects discourage hope, limit appreciation for America's contributions to Iraq, and strengthen the Jihadists' appeal.

A World Bank expert recently described corruption in Iraq as a "pathology that is far beyond the normal situation in a peaceful state—whether democratic or authoritarian. There is a general failure of law enforcement, and those involved in corruption profit from the emergency situation and the armed conflict. As a consequence, the use of conventional tools to fight corruption—accounting and audit procedures, budget controls,

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public procurement transparency, monitoring of financial activity—are relatively useless."[1]

Iraq's Anti-corruption Entities

The three key anti-corruption institutions in Iraq are the Board of Supreme Audit (BSA), the Commission on Public Integrity (CPI), and the Iraqi inspectors general (IGs). Together, they comprise approximately 4,000 officials assigned to fight corruption in Iraq. Despite security threats, training shortfalls, and severe organizational problems, the existence of these offices doubtlessly has deterred some criminal activity in Iraq over course of the past four years. Indeed, their work has produced a number of corruption cases that have resulted in arrests and convictions.

The Coalition Provisional Authority (CPA) created the CPI as the primary agency in charge of investigating accusations of official corruption and bringing alleged offenders to court. The CPI, which is the Iraq's analogue to the FBI, has had a burgeoning caseload since its inception. For example, in 2005, the CPI reported 2627 total cases, including 255 for bribery, 138 for forgery, and 385 for embezzlement.

The CPA also created Iraq's system of inspectors general, a completely new array of institutions in Iraq intended to work in parallel with the CPI to combat corruption within each Iraqi ministry. The Iraqi IGs, like their American counterparts, are charged with auditing and investigating the work of their respective ministries. The IGs refer potential criminal abuses to CPI's investigative judges. In 2005, Iraq's inspectors general conducted nearly 3,000 audits and 2,200 investigations at the ministerial level; 922 of these cases were referred to the CPI.[2]

The Board of Supreme Audit (BSA), the analogue to the U.S. Government Accountability Office, is the oldest and most highly regarded anti-corruption entity in Iraq. As the government-wide auditing agency in Iraq, the BSA has jurisdiction to oversee all public contracts. The President of the BSA, Dr. Abd el-Basit, reported in 2006 that his office had forwarded 83 cases of suspected corruption to the CPI and had notified the inspectors general of an additional 2,400 cases requiring further review. The BSA's rate of referral this year has more than doubled, with 119 cases sent to the CPI as of September 20.[3]

The existence of these three institutions has promoted public discussion about the need to fight corruption in Iraq. But the CPI, the BSA, and the network of IGs continue to fight an uphill battle.

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[1] "Corruption in Iraq" - Carlos Castresana – paper presented at World Bank Conference, July 2006, Dubai
[2] IG Campaign Plan – March 2006
[3] Emailed response to data call from SIGIR by BSA September 2007

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The Status of Iraqi Corruption

Corruption within Iraq's government is a significant and serious problem. Surveys of Iraq's citizens reveal a common belief that corruption is pervasive within their national government.[4] A recent report submitted by Iraq, pursuant to the requirements of the recently enacted International Compact for Iraq, identified "high levels of corruption and an immature accountability framework" within the government. This report noted that "the Government of Iraq views that incidents of corruption could potentially be endemic."

The strong relationships SIGIR has developed with Iraqi anti-corruption officials over the past three and a half years have amplified our understanding of the corruption problem. SIGIR investigators have formed working relationships with CPI investigators, and they regularly meet with one another to exchange information. Much of SIGIR's detailed understanding of Iraqi corruption comes from our work with CPI as well as my very productive quarterly visits with the CPI's Commissioner. Similarly, my meetings with the President of the Board of Supreme Audit and the Iraqi Inspectors General have proved most useful.

Over the past year, the number of corruption cases under investigation by the CPI increased by almost 70 percent, from 1861 cases in 2006 to 3158 cases thus far in 2007. Similarly, individual Iraqi ministries have reported dramatic increases in the number of corruption cases initiated. Thus far in 2007, the Ministry of Defense has seen a 57% increase in reported cases, the Ministry of Health a 400% increase, and the Ministry of Trade a 728% increase.[5]

These figures point to a rising tide of corruption in Iraq, and its anticorruption institutions are not well poised to stem it. More specifically, these institutions lack the training, tools, and security necessary to execute a successful anti-corruption program. The UN International Advisory and Monitoring Board (IAMB), which the United Nations established as an external auditing agency in 2003, recently concluded that basic administrative procedures in Iraq's ministries are outdated and ineffective (and thus in need of more oversight). The IAMB also concluded that the controls governing public finances require strengthening.

As a side note, I previously have testified that the corruption SIGIR has uncovered to date within the US reconstruction program, while egregious in nature, amounts to a relatively small proportion of the overall U.S. investment in Iraq. I believe that this lower level of corruption within the U.S. program stems, in part, from SIGIR's substantial and aggressive deterrent presence on the ground in Iraq, which has been active for over three years. SIGIR's investigative efforts have produced—and continue to produce—significant cases, resulting in indictments, convictions, imprisonments, and seizures.

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[4] Transparency International's 2006 Annual Report ranks Iraq among the bottom five in terms of public perceptions of corruption within its government.
[5] Data provided by the U.S. Senior Advisor to the CPI.

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Similarly, SIGIR's 200-plus audits and inspections have helped American program managers identify and reduce vulnerabilities to potentially corrupt behavior.

Challenges Facing Iraqi Anti-corruption Entities

Security

Security concerns throughout Iraq severely limit the transparency of government activities. Widespread violence or threats of violence directed at anti-corruption officials as well as untoward political influence over many of Iraq's public institutions have created an inordinately dangerous environment for Iraq's anti-corruption officials. CPI's investigators, for example, usually are forced to reveal the details of their cases (including sources) to the ministries and officials they are investigating. These legal requirements place witnesses and anti-corruption officials in danger. Many have been murdered, including the previous President of the BSA, several Iraqi Inspectors General, and at least 39 employees of the CPI. Dozens of others have been intimidated or forced to flee Iraq. Judges and judicial investigators have also been intimidated or killed.

Political Leadership

Some Iraqi officials have alleged that Iraq's anti-corruption agencies are politicized and corrupt. But some of those airing these allegations are also the subject of current investigations. In addition, although certain senior Iraqi officials have made strong statements about Iraq's commitment to fight corruption, the BSA, the CPI, and the IGs continue to suffer from a lack of support and funding from Iraq's government.

Political influence recently reached into CPI's operations, as evidenced by the presence at this hearing today of Judge Radhi al-Radhi, the recently departed Commissioner of the CPI. I have worked with Judge Radhi throughout my tenure at SIGIR and consistently observed his courage and commitment to accomplish what is perhaps the most dangerous law enforcement job in the world.

Rule of Law

An Iraqi council chairman from Baghdad told SIGIR last month that Iraq "had corruption under the regime of Saddam Hussein, but we also had law."[6] This statement is emblematic of the lack of faith that Iraq's citizens have in their anti-corruption institutions' capacity to prosecute cases effectively and fairly. This weakness is due, in part, to the shortage of reliable judges, courtrooms, and detention facilities. It is also due to political interference and the resulting culture of impunity.

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[6] SIGIR interview with Baghdad District Council official (anonymous).

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Article 136(b) of Iraq's Criminal Code is a notorious structural obstacle impeding Iraq's anti-corruption efforts. This provision allows any Iraqi minister to grant by fiat complete immunity from prosecution to any ministry employee accused of wrongdoing. In addition, an order issued by the Prime Minister this past spring requires Iraqi law-enforcement authorities to obtain permission from the Prime Minister's Office before investigating current or former ministers. These actions are incompatible with a functional democracy.

Iraq's anti-corruption institutions lack a clear definition of their roles and responsibilities. Laws necessary to clarify these matters have yet to be passed by Iraq's Council of Representatives. Of note, the International Compact for Iraq says that progress on this front is essential for Iraq's democracy to succeed.

Capacity

Iraq's anti-corruption agencies face significant capacity and resource shortfalls. Enormous training shortfalls exist in the important fields of investigations, audit, and management. The Government of Iraq must remedy the problems of insufficient staffing and inadequate budgets if these institutions are to succeed.

Signs of Progress

Despite these grim challenges, there are some limited signs of progress in Iraq on the anti-corruption front. Investigators and auditors have begun to receive more training. The BSA just completed a World Bank training program in Jordan; and the BSA has organized 57 training programs for more than 800 employees over the past two years. The inspectors general have formed the Iraq IG Organization, and its chairman is conducting assessments of each IG. Of recent note, a Joint Anti-Corruption Council was established this summer within the Office of the Prime Minister, an apparent positive move forward, but one that still requires clearer direction and more robust support from the Prime Minister.

U.S. Assistance for Iraq's Anti-corruption Efforts

SIGIR has conducted two reviews on the United States' programs aimed at assisting Iraq's anti-corruption institutions; the reviews found these programs inadequate, both in funding and execution. SIGIR reported last year that, as of June 2006, only $65 million had been allocated to anti-corruption activities, amounting to three-tenths of one percent of the Iraq Relief and Reconstruction Fund.

Since 2003, the U.S. has worked to establish law-enforcement institutions, management systems, training programs, transparency initiatives, and campaigns to increase citizens' confidence in their own government. These efforts, however, have suffered from poor coordination and focus. The U.S. provided neither adequate leadership nor sufficient resources to meet the challenge. SIGIR found, for example, that there was no single coordinative point for U.S. support to Iraqi anti-corruption efforts.

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Managing the anti-corruption support activities of the various U.S. agencies is complex and requires a clear strategic plan. SIGIR found, however, that no strategic plan for this mission was ever developed. Moreover, there was no program of planned activities, no framework for outlining the roles and responsibilities of participating agencies, and no integrated budget identifying the resources needed for implementation. There exists a recurrent problem with "stove-piping" among the federal agencies working on anti-corruption efforts in Iraq; and coordination among military advisors, embassy personnel, and PRT representatives is hampered by staff shortages and organizational disconnects.

Despite these largely negative findings, SIGIR did find that the anti-corruption efforts within the Ministries of Defense and Interior are more robust than those within other ministries because of resources provided by the Department of Defense through the Multi-National Security Transition Command (MNSTC-I). The other ministerial IGs share a single U.S. advisor.

Leadership and Organizational Challenges with U.S. Efforts

Since SIGIR first identified the support shortfall for anti-corruption efforts in mid-2006, the Embassy has been unable to secure enduring and effective leadership for its anti-corruption program. Thus, the effort has languished, excepting a few points of progress. Significantly, the Embassy has yet to complete its promised assessment of U.S. government anti-corruption efforts nor has it drafted an integrated, strategic plan.

SIGIR made 13 recommendations in last year's audit. Eleven remain open, including:

- Provide the necessary resources to have sufficient direction and oversight of the Embassy's anti-corruption program, including a senior leader from the Department of State and a senior officer from the Multi-National Force. Both of these positions should be filled with staff that has the background to bring value to the positions.

  Update: While a staff member in the Embassy Economics section has been designated to preside over meetings of the U.S. Anti-Corruption Working Group, the operational arm of U.S. anti-corruption efforts, the Office of Accountability and Transparency (OAT), still lacks a director (DOJ is providing an acting director). Additionally, the recent reorganization of OAT under the Rule of Law Coordinator has produced an unclear reporting relationship with the Economic Section of the Embassy. Adding to the coordination challenge, Multi-National Forces - Iraq (MNF-I) continues to operate its own Rule of Law (ROL) program that is separate from OAT and the Embassy's other ROL efforts.

- Continue the ongoing efforts to recruit an Iraqi local national staff member to provide support to the full-time Anti-corruption Program Manager. This individual should have the necessary skill level to be instrumental in forging joint U.S./Iraqi anti-corruption initiatives.

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Update: A Bilingual/Bicultural Advisor was recently identified to assist as the IG advisor. Progress toward hiring a lead Iraqi national staff member for overall anti-corruption efforts is limited.

- Establish a joint executive steering group, with the Anti-corruption Program Manager as the chairperson, that would have oversight on all U.S. government anti-corruption programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner.

  Update: The Joint Anti Corruption Council was established this year as an Iraqi program. It lacks US advisory representation and was designed that way by the Government of Iraq (GOI). Without a joint coordinating body and without an identified leader of OAT, there is not a single coordination point between the U.S. government and the GOI on anti-corruption efforts.

- Direct the joint executive steering group to provide periodic reports, minimally quarterly, to report on progress, barriers, funding needs, etc.

  Update: No reports provided.

- Establish a policy that will require all participating organizations to vet new anti-corruption initiatives through the new joint executive steering group.

  Update: Not established.

- Direct the joint executive steering group to conduct a complete review of each U.S.-funded anti-corruption program, and assess how that program helps achieve the U.S. government's strategic goals for anti-corruption.

  Update: No assessment conducted.

- Direct the members of the Anti-Corruption Working Group (ACWG) to develop action plans for each activity's program in concert with the overall strategic goals.

  Update: No overall strategic plan governs anti-corruption efforts on the USG side.

- Establish a baseline for each anti-corruption program to document a starting point for the program in order to measure progress.

  Update: No baseline established.

- Establish interim and long term objective(s) for each anti-corruption program consistent with the overall anti-corruption program strategy.

  Update: Not accomplished (see SIGIR audit 07-007).

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- Engage the new Iraqi anti-corruption counterparts within the new government and establish the U.S. – Iraqi Anti-corruption Task Force working group.

  Update: No effective high-level coordination exists between U.S. government efforts and the GOI. The GOI, in creating the JACC, directed that U.S. and UK participation occur by invitation only.

- Encourage the new Iraqi government to establish its own working groups with regional and international partners.

  Update: Some progress toward this reported as part of International Compact efforts.

- Develop and implement an action plan to:

  - Identify the training requirements of the Commission on Public Integrity, Board of Supreme Audit, Central Criminal Court of Iraq, and inspectors general with special emphasis on requirements that apply to all four institutions;

    Update: Work is underway for training requirements within the three anti-corruption entities.

  - Prioritize the identified training requirements;

    Update: Work is underway to prioritize training requirements.

  - Identify training solutions for those requirements that can cut across multiple institutions to avoid duplication and maximize resources.

    Update: Work is underway to identify training solutions.

In our recent review, which updates last year's audit, SIGIR found a continued lack of high-level support for Iraq's anti-corruption efforts and urged that the Embassy address the outstanding 2006 recommendations. SIGIR suggested the Embassy to include in its plans an estimated completion date for corrective actions. We also asked that it define a schedule of anti-corruption programs, activities, and initiatives. Once identified, the Embassy should complete a rigorous assessment of its major anti-corruption initiatives.

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The Challenges Ahead

Continuing to improve support for Iraq's three anti-corruption entities is critical. Although imperfect and under various forms of siege, they are the only extant bulwark against corruption in the GOI.

Incipient training programs for anti-corruption officials are underway, but they require improved coordination and additional resources. For the past three years, officials have discussed the development of a joint training facility in Iraq to assist all three entities. Developing a new training facility would be an important step toward building permanent capacity within Iraq's most important law-enforcement institutions. In the interim, the World Bank is working to strengthen Iraq's anti-corruption programs, albeit in venues outside of Iraq. A World Bank presence inside Iraq would have a much more positive effect on these support efforts.

U.S. government assistance faces an important test in the coming months. The mission requires a more coordinated approach to anti-corruption efforts, including a better-defined strategic plan that is tied to sufficient financial and human resources. This newly-defined effort must link directly with the most critical institutions and officials in the Iraqi government to have any hope of achieving progress in the fight against Iraq's "second insurgency."

Closing

Mr. Chairman, members of the Committee, thank you for your time and attention to these important matters, and I look forward to answering your questions.

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Chairman WAXMAN. Thank you very much, Mr. Bowen.
Judge al-Radhi, there is a button on the base of your mic.

STATEMENT OF JUDGE RADHI HAMZA AL-RADHI

Mr. AL-RADHI. Thank you, Mr. Chairman and Members of the U.S. Congress.

I would like to read my statement to you in English so you can hear it directly from me.

I am Judge Radhi Hamza al-Radhi, commissioner of the Commission on Public Integrity [CPI], Republic of Iraq. I have the honor to be here among you today to discuss with you the most important problems facing Iraq after the elimination of the dictator, Saddam Hussein.

I want to thank the American people who have given their lives and money in order to achieve noble goals in Iraq such as ending the suffering and spreading democracy. Thank you thousands of times.

In my written testimony, I highlighted the reasons for an Iraqi Commission on Public Integrity, my appointment as Commissioner and my background and discussed much of our work.

Our work has been noteworthy, but I must report that corruption in Iraq today is rampant across the government, costing tens of billions of dollars, and has infected virtually every agency and ministry including some of the most powerful officials in Iraq.

Corruption has stopped possible advances by the government on the political level, on economic reconstruction, on basic services, amenities and infrastructure, and on the rule of law.

Corruption has contributed to the failure of the government of Iraq to control the militias that control parts of the government. In fact, corruption has helped fund sectarian militias and violence even from those in the Iraqi military and police who are supposed to maintain order and protect the Iraqi people.

Unfortunately, today in Iraq, corruption has infected our biggest source of money: oil. Corruption has also infected those who have the guns to restore law and order and the leadership who promise a new, better Iraq.

I have led my life governed by these few words: law is above all, no one is above the law.

This guiding principle should apply to all government departments and ministries neutrally, fully and without regard to sect, ethnic or party affiliation, tribe or religion. That is how we have tried to operate the Commission on Public integrity in Iraq. Unfortunately, we have been met with great problems. First and foremost is the violence and personal attacks directed on us.

Since the establishment of the Commission on Public Integrity, 31 employees have been killed as well as at least 12 family members. In a number of cases, my staff and their relatives have been kidnapped or detained and tortured prior to being killed.

Many of these people were gunned down at close range. This includes my staff member, Mohammed Abd Salif who was gunned down with his 7 month pregnant wife.

In one case of targeted death and torture, the security chief on my staff was threatened with death many times. His father was re-

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cently kidnapped and killed because of his son's work at CPI. His body was found hung on a meat hook.

One of my staff members who performed clerk duties was protected by my security staff, but his 80 year old father was kidnapped because his son worked at CPI. When his dead body was found, a power drill had been used to drill his body with holes.

Waleed Kashmoula was the head of CPI's Mosul branch office. In March 2005, a suicide bomber met with Waleed in his office, wearing a suicide vest. He greeted Waleed and then set off his vest, killing Waleed. This was a targeted killing of CPI leadership.

These are just a few examples. There are many more which were directed to my staff, me and our families. Personally, for example, my family's home has been attacked by rockets. I have had a sniper bullet striking near me as I was outside my office.

We have learned the hard way that the corrupt will stop at nothing. They are so corrupt that they will attack their accusers and their families with guns and meat hooks as well as counter charges of corruption. I and many of my people have been so attacked, so too have others who have tried to stop the corruption.

It is a sick method when the person fighting corruption is falsely accused of corruption. Justice loses and corruption wins.

The Prime Minister and his government have refused to recognize the Commission's and the Judiciary's independence under the law to investigate corruption in a non-sectarian and non-political manner.

Further, the government did not appoint leaders, particularly ministers and inspectors general, that would fight corruption within ministries. In order to promote sectarian agendas, professional technocrats who were qualified to perform vital government services and administration were not appointed.

Worse, the government has formally blocked actions against the Presidency, the Council of Ministers and former and current ministers; used the executive law to allow ministers and the Prime Minister to stop specific corruption cases against their own corrupt employees and officials; and has promoted sectarian agendas over the rule of law.

Importantly, it has been impossible for the Commission on Public Integrity to safely and adequately investigate oil corruption where Sunni and Shia militias had control of the metering, transport and distribution of Iraqi oil. This has resulted in the Ministry of Oil effectively financing terrorism through these militias.

And, my small group of investigators investigated the largest number in the Ministry of Defense and Ministry of Interior. As you might imagine, investigating the security forces of Iraq is very difficult but necessary for an Iraqi future of transparency and the rule of law.

Thank you for your attention and patience and feel free to ask any questions.

[The prepared statement of Judge al-Radhi follows:]

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TESTIMONY OF JUDGE RADHI HAMZA al-RADHI
Commissioner, Commission on Public Integrity, Republic of Iraq

Hearing on Assessing the State of Iraqi Corruption, October 04, 2007
House Committee on Oversight and Government Reform

The Status of Corruption in the Iraqi Government

To Our Distinguished Chairman and Respected Members of the United States Congress, Ladies and Gentlemen:

GREETINGS

I am Judge Radhi Hamza al-Radhi, Commissioner of the Commission on Public Integrity ("CPI"), Republic of Iraq. I have the honor to be here among you today to discuss with you the most important problems facing Iraq after the recent change. The change which led the United States and its allies in Iraq to eliminate the highest dictatorship in the world, that of Saddam Hussein. The dictatorship he built on the corpses, money and the suffering of Iraqis. I want to thank the American people who have sacrificed their life and money in order to achieve noble goals that are worthy of respect. The goal for Iraqi's rights, for the ending of their suffering and for the spread of democracy throughout Iraq, which is the key to progress and growth. Thank-you and thank-you thousands of times for everyone who participated and sacrificed for these noble goals.

REASONS FOR AN IRAQI COMMISSION ON PUBLIC INTEGRITY

- Iraq is a rich country; however its infrastructure is essentially nonexistent and much work needs to be done.
- Building democracy requires transparency from the Government in order for that government to manage socio-economic matters.
- The Iraqi people are smart and hard working and are looking for progress. For that they deserve a fair and honest government.

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- Transparency and the presence of an effective Commission on Public Integrity as well as The Board of Supreme Audit and the Inspectors General will encourage foreign investment in Iraq.

- The existence of these bodies dedicated to public oversight, especially CPI, would protect public funds, and these funds would be devoted to public services for Iraqi people, leading to welfare and prosperity for them. This in turn would bring internal stability and would have positive impacts on regional and international stability.

- The legal authorities for these anticorruption organizations are derived from the Coalition of Provisional Authorities orders including Order No.(55) establishing the Commission on Public Integrity, Order No.(57) establishing the office of Inspector General in each ministry and Order No. (77) Continuing the Board of Supreme Audit which was established in 1927.

APPOINTMENT AS COMMISSIONER

For these important reasons Iraq established the Commission on Public integrity. I was honored to be named the Commissioner of CPI. The Iraqi Judicial Council selected three candidates for this position. Ambassador Bremer chose me to lead CPI because I graduated from the Judicial Institute in 1979 and I have 39 years of experience in legal affairs. Additionally, I was director of funds for Iraqi orphans during the Iraq-Iran war. According to the law, future commissioners will be selected by three candidates being chosen from the Higher Juridical Council, the Prime Minister must pick one of these candidates and the Parliament must confirm this candidate. A Commissioner can only be fired for cause by a two thirds vote of the Parliament. Therefore the responsibility of this power and the need for integrity in this office is great.

OPERATION OF CPI

This Commission on Public Integrity started in June 2004. American experts have had a great impact in providing advice and guidance to this magnificent Commission. The American experts helped us by establishing training courses from day one until now. They have spent a great

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amount time and of money to hold this Commission accountable to disseminate and promote the ethics of integrity for my country.

The functioning of CPI has been outstanding even under very difficult circumstances. It has been able to build several important departments or directorates within 3 years, such as:

- The Directorate General of Prevention and Transparency, which prepared a Code of Conduct for all Iraqi government employees and has also prepared a Financial Disclosure program to disclose the financial interests of senior employees such as the general director and superior officers.

- The Directorate General for Non-Governmental Organization relations, which contacted most NGOs in Iraq in order to motivate them to achieve their objectives and solve their problems honestly. Some of these organizations have played a significant role in my country to develop morals and contribute to the reconstruction of Iraq and also to put pressure on the Government to provide better services to the Iraqi people.

- The Directorate General for Education, which worked to educate government employees on their duties and responsibilities, including promoting the Code of Conduct, educating Iraqi public on their rights and responsibilities as well as promoting the Hotline. In conjunction with the Ministry of Education, it worked to develop a curriculum for Iraqi school children to promote public service and ethics. It had a public affairs department to work with International and domestic news media organizations.

- In addition, the Directorate General for Investigations investigated corruption in government departments and ministries.

RESULTS

During these three years, there have been many results produced for an organization so young and new to my country. I will briefly expand on many of the areas above such our work with educating the government ministries in the Code of Conduct, work on Financial Disclosure; the establishment of an INTERPOL liaison office, printing and distribution of educational materials

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for children, a Civil Service Reform conference and NGO conference, Investigation Department has expanded with the establishment of a Forensics Division, an Investigative Research Division, a Witness Protection Program and facilities, the establishment of a Statistics Division in the Administration Department which promulgates annual reports to the Iraqi government and the Iraqi people on the activities of CPI, the initial establishment of a Public Integrity and Ethics Institute to professionalize the civil service and provide training for CPI, the Board of Supreme Audit and the Inspectors General, the establishment of an anticorruption Hotline to receive calls from Iraqi citizens for the first time in Iraq's history, the printing and distribution Hotline promotional materials and other CPI materials. For the first time, perhaps in Middle East history, a minister was arrested, in accordance with the Rule of Law in a non-political, non-sectarian manner on corruption charges. Unfortunately, this case was early in our investigation process before the full force of opposition to CPI was organized. Of the 3,000 corruption cases we successfully investigated and forwarded to the courts for adjudication, only 241 cases to date were adjudicated with guilty sentences ranging between six months and one hundred and twenty years. However, the cost of corruption that my Commission has uncovered so far across all ministries in Iraq has been estimated to be as high as $18 billion.

GUIDING PRINCIPLE

I have lead my life governed by these few words, "Law is above all, no one is above the law." This guiding principle applies to all government departments and ministries neutrally, fully and without regard to sect, ethnicity, party affiliation, tribe or religion.

MAIN OBSTACLES

The main obstacles in our work are:

- Violence, intimidation and personal attacks. Since the establishment of the Commission of Public Integrity, 31 employees have been assassinated as well as at least an additional 12 family members. In a number of cases, my staff and their relatives have been kidnapped or detained and tortured prior to being killed. Many of these people were gunned down at close range. This includes my staff member Mohammed Abd Salif who

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was gunned down with his seven month pregnant wife. In one case of targeted death and torture, the Security Chief on my staff, was repeatedly threatened with death. His father was recently kidnapped and killed because of his son's work at CPI. His body was found hung from a meat book. One of my staff members who performed clerical duties was protected by my security staff, but his father was kidnapped because his son worked at CPI. This staff member's father was 80 years old. When his dead body was found, a power drill had been used to drill his body with holes. Waleed Kashmoula was the head of CPI's Mosul branch office reporting directly me. In March 2005, A suicide bomber met with Waleed in his office wearing a suicide vest. He greeted Waleed and then detonated his vest killing Waleed. This was a specific targeted killing of CPI leadership. These are just a few examples, there are many more which were directed to my staff, me and our families. Personally, for example, my family's home has been attacked by rockets. I have had a sniper bullet striking near me as I was outside my office. We know the corrupt will stop at nothing. They are so corrupt that they will attack their accusers and their families with both guns and meat hooks as well as counter charges of corruption. So that the accusers become the accused in a deadly game that all of us have witnessed.

- The Prime Minister and his government have refused to recognize the independence of the Commission on Public Integrity, even though the Iraqi Constitution sets forth the independence of CPI in point No. 102,103.

- The interference of the Iraqi Government in Commission matters; officials and agencies in the Iraqi Government sent us formal letters forbidding us to take any action against the presidency, council of ministries and former and current ministers.

- The use of Article 136, Section B of the Criminal Procedures Law No. 23 of 1971, which prevented us from transmitting many corrupt employees' cases to court until we received permission from the minister of the agency we were investigating! This presented obvious problems. The same thing applied to corrupt ministers: We could not take any action until we could get the permission of the Prime Minister! Based on that, many

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corruption cases have been closed by the ministers and the Prime Minister, at an estimated worth of one hundred billion Iraqi dinar. In addition to the obstacles of Article 136, there was pressure put on the judiciary not to prosecute cases on behalf of individuals.

- The Executive, Legislative and Judicial branches of the Iraqi Government did not work as required to promote the Rule of Law and fight corruption in Iraq. The executive branch often protected corrupt employees and actively attempted to eradicate or control the Commission. The legislative branch did not revise the anticorruption laws. The judiciary branch succumbed to pressure and did not adjudicate corruption cases.

- The government did not appoint leaders, particularly ministers and Inspectors General that would fight corruption within ministries.

- In order to promote sectarian agendas, professional technocrats who were qualified to perform vital government services and administration were not appointed.

- Importantly, it has been impossible for the Commission on Public Integrity to safely and adequately investigate oil corruption where Sunni and Shia militias have control of the metering, transport and distribution of Iraqi oil. This has resulted in the Ministry of Oil effectively financing terrorism through these militias.

- Additionally, my small group of investigators investigated the largest number of cases in the Ministry of Defense and Ministry of Interior. As you might imagine, investigating the security forces of Iraq is very difficult, but necessary for an Iraqi future of transparency and the Rule of Law.

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THE FUTURE

As the committee can appreciate, this is not an easy situation to resolve and it will not be resolved quickly or completely. Obviously the Government of Iraq, with the help of the US government, needs to resolve the specific obstacles that I have listed above.

Further, the people who were dedicated and honest under my tenure at the Commission on Public Integrity need to be protected and supported and those who infiltrated the Commission for sectarian political reasons must be re-staffed with people who are truly committed to its mission and its guiding principle that "No one is above the law." If this does not happen, I am afraid that the Commission itself can be used as a tool of oppression as well as a tool of the corrupt to further -- not stop -- corruption.

Finally, the people of Iraq must see advances by the Government on the political level, on economic reconstruction, on basic services, amenities and infrastructure, and on the rule of law. The Government of Iraq will fail and the Iraqi and American people will continue to suffer if the militias and militia controlled parts of the Iraqi government, including the security forces, are not brought under control. Sectarian corruption has eroded work of the Americans and Iraqi people to build a better future for Iraq and the region.

CONCLUSION

Let me share with you my situation -- at the least to the extent I am able right now. I and a staff delegation from the Commission on Public Integrity of the Republic of Iraq came to the United States on August 24, 2007, for forensics and evidence training with the US Department of Justice. During our visit, threats against me and my family in Iraq escalated to a point where, together with the immense pressure of the last two years from the highest levels of the Iraqi Government, regretfully and painfully caused me to seek appropriate US Government protection.

Thank you for your attention and patience, and please feel free to ask any questions.

Judge Radhi Hamza al-Radhi
The Chairman of the Integrity Commission in Iraq

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Chairman WAXMAN. Thank you very much, Judge Radhi.

I am going to start off the questions, and then we will follow the regular order.

I want to thank all three of our witnesses for your presentation in this panel.

I think it is very important for us to understand that corruption is a problem in Iraq, and it is not a problem that we can think is only unique to their culture and we should dismiss, but it is undermining our very mission in Iraq. It is keeping the possibility of a political reconciliation from taking place which is the only way we are going to end this war in Iraq successfully.

Judge Radhi, I want to specially thank you for coming here today. It is not easy to come to speak before a foreign country's representatives in a foreign language, and I appreciate your taking the time to read your statement in English, but I know that in response to questions you will want to answer us in Arabic and have it translated.

It is very courageous for you to be here. You have already told us that your life and the lives of your family members have been threatened, and you can't take that casually when you have already seen 31 people that work for you already killed for the anti-corruption efforts that your commission has undertaken.

You have undertaken this effort at the U.S.' request. Ambassador Bremer asked you to take on this responsibility. The United States understood from the very beginning that it was essential to stop corruption in order to have Iraq succeed as a stable and independent country.

Let me ask you this question. You have been there for a number of years in this position as head of the Commission on Public Integrity. Based on your experience over the last 3 years, is corruption in Iraq getting better or worse?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, it is getting worse because of the sectarianism in the country and the lack of the rule of law in the country.

Chairman WAXMAN. You indicated in your statement that $18 billion is a sum that you feel has gone to the costs of corruption; $18 billion is a lot of money. It could have gone to electricity projects, hospitals, police training or a lot of things that could have helped the Iraqi people.

How much does corruption affect the reconstruction efforts in Iraq?

Mr. AL-RADHI. [Translated by Ms. Behrens.] I believe that it has stopped the process of reconstruction in Iraq.

Chairman WAXMAN. You have indicated that some of the money has gone to the sectarian militias. How would that have happened?

Mr. AL-RADHI. [Translated by Ms. Behrens.] In areas where oil is present, such as Bayji and it is a Sunni-controlled area and Basrah which is a Shia-controlled area, the militias do control these areas, and they sell oil and take the revenues of oil to finance the purchase of weapons to the militias, respective militias.

Chairman WAXMAN. I would think that the Iraqi government would want you to investigate money that would go from the sale of its oil. After all, this is a revenue for the government of billions

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of dollars. Yet, you are not allowed to investigate corruption relating to the sale of oil.

Why would the national government stop you from stopping the corruption of oil sales which then go to the militias that are fighting the government?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Because these militias are from the parties, from the blocks, and therefore this is a financial source or financial revenue for them, and that is why they forbid us from investigating such cases.

In addition, that those who manage who direct these directorates are from their own political affiliations.

Chairman WAXMAN. So it is your statement to us that around $18 billion, maybe more, has been used for corruption instead for proper purposes like reconstruction, hospitals, electricity and fighting against terrorism in Iraq. Is that your statement?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Can you repeat the question, Mr. Chairman?

Chairman WAXMAN. Is it your view that $18 billion is not being used for hospitals, reconstruction, electricity and to even fight terrorism because it is being siphoned off by corruption? It is going to corruption?

Mr. AL-RADHI. [Translated by Ms. Behrens.] All these amounts were spent over the 3-years, but when you go to the field or you go to the ground, you don't see signs of reconstruction. You only see 2 percent to 5 percent of reconstruction happening.

When you go to the field and you don't find water nor electricity nor fuel and Iraq is the country of oil, then Iraq is importing oil now. So you don't see reconstruction.

Chairman WAXMAN. Thank you.

General Walker, you feel so intense about this corruption issue that you have even recommended to us that we should limit our money to Iraq, requiring them before they get the money to stop the corruption. Is that your view?

Mr. WALKER. Slightly different, Mr. Chairman. The United States has been trying to help fight corruption and build capacity in the Iraqi ministries since 2003, but we haven't had a strategic and integrated plan. We haven't had appropriate metrics and milestones. We haven't had appropriate responsibility and accountability noted.

Therefore, we believe that the Congress should consider conditioning future appropriations for this effort to making sure that plan is done and effectively implemented so that we can achieve some results rather than just have more efforts.

Chairman WAXMAN. Thank you.

Mr. Bowen, do you agree from your observations in Iraq that corruption is increasing rather than decreasing in Iraq?

Mr. BOWEN. That is what I said. The rising tide is in part attributable to the politicization of the rule of law, specifically the directive from the Prime Minister's Office requiring permission to be obtained before initiating prosecutions of any minister, former minister and the like.

One distinction I want to draw here, though, is that Judge Radhi is talking about his oversight of Iraqi money and the $18 billion

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in the Iraq Relief and Reconstruction Fund is taxpayer money that is not within his jurisdiction, within mine.

Chairman WAXMAN. As I understood his statement, he thought over a 3-year period, there has been a waste of $18 billion of Iraqi funds.

Mr. BOWEN. Right. I just want to be sure that the $18 billion, it is the same number as the Iraq Relief and Reconstruction Fund.

Chairman WAXMAN. Just happens to be the same number.

Mr. BOWEN. Yes, I want to draw the distinction between the two so there is not confusion as has occurred in the past. On the U.S. side, corruption has not been a significant component to date that we have uncovered.

Chairman WAXMAN. If I asked how high up in the Iraqi government this corruption goes, Judge Radhi, does it go all the way to the Prime Minister? Do you think that Prime Minister Maliki is involved in corruption himself?

Mr. AL-RADHI. [Translated by Ms. Behrens.] As a judge, I cannot say that someone is engaged in something unless I have evidence and proof. However, Maliki has protected some of his relatives that were involved in corruption endeavors and especially some of his relatives.

Chairman WAXMAN. And he has allowed other ministers to protect their employees from any investigation?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, and for that reason the Council of Ministers, the Prime Minister has closed cases related to 100 billion Iraqi dinars and, in Iraqi currency, such an amount is not a small amount.

Chairman WAXMAN. Thank you very much.

Mr. Davis.

Mr. DAVIS OF VIRGINIA. Thank you, Mr. Chairman.

First of all, let me ask unanimous consent that all Members have 5 legislative days to submit opening statements for the record.

Chairman WAXMAN. Without objection, that will be the order.

Mr. DAVIS OF VIRGINIA. Mr. Walker, the GAO report released today discusses corruption in Iraq and references to a State Department Embassy report from December 2006.

Mr. WALKER. That is correct.

Mr. DAVIS OF VIRGINIA. Can you tell us anything about this 2006 report which is now classified?

Mr. WALKER. What I can tell you is that the 2006 report, based upon publicly available information, noted serious concerns with regard to the nature and extent of corruption in Iraq, also noted that there had been significant diversion of oil and fuel, both fuel and oil that is produced within Iraq as well as that is purchased from outside of Iraq, and then stolen and sold on external markets.

So the bottom line is that the State Department report noted that the United States is trying hard to try to build capacity, including to try to fight corruption, but corruption is a serious problem involving large sums of money.

Mr. DAVIS OF VIRGINIA. Do you know what data were used to prepare the report?

Mr. WALKER. I don't have that available to me, Mr. Davis, but I am happy to try to find out for you.

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Mr. DAVIS OF VIRGINIA. Would it surprise you to learn that during our committee interviews of staff, we learned that this report "was started as a statistical analyses, and then the drafter said let's go interview the CPI investigators and get their subjective reactions of what it is like in the various ministries and that some of the conclusions were, you know, it was pulled out of the air. So it is not statistically based, that discussion about particular cases were added by the sole drafter for "flavor?"

It is not the practice of GAO to reply upon reports embellished for flavor, is it?

Mr. WALKER. No, not at all. I might note for the record we were not asked nor did we assess the methodology that the State Department used in preparing that report.

Mr. DAVIS OF VIRGINIA. According to the State Department, this report was a working draft and it was not a formal Embassy report, that neither this report nor the followup in July 2007, was vetted by any senior staff at the Embassy.

Let me just ask this. Corruption in Iraq is not a new phenomenon. Do you agree?

Let me start with Judge al-Radhi. Do you agree that Iraq has a culture of corruption going back many years?

Mr. AL-RADHI. Yes.

Mr. DAVIS OF VIRGINIA. Do you think that corruption is pervasive throughout the Middle East?

Mr. AL-RADHI. Yes.

Mr. DAVIS OF VIRGINIA. Mr. Bowen, would you agree with that?

Mr. BOWEN. I would say that Iraq has a history of corruption, absolutely. That characterized Saddam's regime.

Mr. DAVIS OF VIRGINIA. Let me, during my time here, yield to Mr. Issa.

Mr. ISSA. Thank you.

Judge, I commend you for your diligence at great personal risk. I think Ranking Member Davis said it very well, that we are not surprised that a country that was run by a corrupt dictator who doled out moneys in order to maintain power would have a pattern of corruption.

How much of the corruption in your opinion, do you believe, comes from that legacy of Saddam in how corruption was part of the structure of maintaining authority and power?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Corruption is corruption whether it was under Saddam's regime or under the current government. Corruption is bad, and it is undermining my country.

Mr. ISSA. Thank you.

I am going to call your attention to a letter, but while it is being brought up, I want to ask are you aware that there are about 750,000 Iraqi refugees in Jordan at this time?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes.

Mr. ISSA. And probably another 500,000 or more in Syria, is that your understanding?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, sure.

Mr. ISSA. To your understanding, in both of those countries in general, are Iraqis safe when they are living there?

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Mr. AL-RADHI. [Translated by Ms. Behrens.] It is better than the daily killing that takes place in their original country.

Mr. ISSA. I appreciate that.

I want to call your attention, Judge, to a letter written on September 20th to the U.S. Citizenship and Immigration Service concerning your family and their welfare, naming some nine members of your family. Have you seen this letter before?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, this is a private matter, and I do not wish to talk about it, especially that my family is subject to private circumstances.

Mr. ISSA. Now I certainly understand that, but in order to understand the workings of this committee, I think it is important that we ask some very limited questions.

We are not going to name any names other than to note that the letter is signed by Chairman Waxman, Chairman Lantos, Chairman Conyers and Chairman Thompson, Bennie Thompson, the Chairmen of Homeland Security, House Judiciary, House Government Oversight and Reform and the Foreign Affairs Committees.

Chairman WAXMAN. The gentleman's time has expired. Is there a question pending?

Mr. ISSA. Yes, very briefly. When were you first involved in the request for this letter to ask that your family, your entire family, be brought to the United States as a refugee and particularly was that prior to or after you came here under a diplomatic visa?

Mr. AL-RADHI. [Translated by Ms. Behrens.] I came to the United States under the auspices of the U.S. Department of Justice on a workshop, on a training workshop along with 10 of my employees.

The Prime Minister, to get rid of me, so I don't return to my country, has put forth this issue, this issue of prosecuting me.

Chairman WAXMAN. Please, if you have more to say.

Mr. AL-RADHI. [Translated by Ms. Behrens.] I love my family. I love my country. I love to serve my country. However, these threats have been an obstacle for me.

Chairman WAXMAN. Thank you very much.

Mr. Cummings.

Mr. CUMMINGS. First of all, I want to thank you, all the witnesses, but you, Judge Radhi, thank you very much for your bravery and your integrity.

Can you tell us about the threats that you and your family have faced, briefly?

Mr. AL-RADHI. [Translated by Ms. Behrens.] After I referred several cases pertaining some of the political blocs governing there to the courts in corruption cases, they referred me to the Parliament, charged me with this issue, and I would say that I was successful in combating corruption there.

They were unable to remove confidence in me in front of the Parliament.

They also accused me in courts with the same charges, and again in courts they were unable to successfully get something against me.

Mr. CUMMINGS. Judge Radhi, let me ask you this.

Mr. AL-RADHI. [Translated by Ms. Behrens.] In addition to what I said in my testimony, in my deposition.

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Mr. CUMMINGS. Judge Radhi, who is Salam al-Maliki? Was he the former Iraqi Minister of Transportation?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, he is the former Iraqi Minister of Transportation. He is a relative of the Prime Minister. We had referred this person to the courts for corruption. However, the Prime Minister has resorted to closing this case.

Mr. CUMMINGS. You got a letter in regard to that, did you not?

I am going to show you a document on the screen. What does this letter tell you to do in regards to the investigation of Prime Minister Maliki's cousin, Mr. Salam?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Not to followup on the case and not to investigate, and there was a request to close the case.

Knowing that Salam had violated the constitution and the Prime Minister has approved that.

Mr. CUMMINGS. Did he ever grant you permission to reopen the case?

Mr. AL-RADHI. [Translated by Ms. Behrens.] No. We have attempted to move the case forward, but the Prime Minister had closed it.

Mr. CUMMINGS. Why do you think he closed it?

Mr. AL-RADHI. [Translated by Ms. Behrens.] First, because Salam al-Maliki is affiliated with one of the parties of the Shiite alliance or coalition and, second, because this gentleman is one of his relatives.

Mr. CUMMINGS. Mr. Walker, when Judge Radhi testified a little bit earlier, he basically said he didn't even have the power to audit the oil revenues. Is that correct?

In other words, he has the power, but he doesn't get the opportunity to do so.

Mr. WALKER. Well, my understanding is that the judge's responsibility is not to conduct audits. It may be to conduct investigations. Audits typically are done by the Board of Supreme Audit which is our counterpart organization, and Dr. Abd el-Basit is President of that organization.

Mr. CUMMINGS. Are you able to do it? You said it comes under you.

Mr. WALKER. Well, we cannot audit Iraqi funds. We can only get involved where it involves U.S. funds, and obviously the Special Inspector General for Iraq has been set up to try to be able have an on the ground presence in Iraq to do certain types of activities. But we do do audit work in Iraq, but it is on U.S. funds, not Iraqi funds.

Mr. CUMMINGS. Thank you.

Mr. WALKER. I might note that, as I said before, Mr. Cummings, we have worked very closely, meaning GAO, with our counterpart organization in Iraq, and corruption is rampant in Iraq. It is a serious problem. It has been for a while, continues to be a problem.

We have a situation, as was mentioned by Stuart Bowen, that while there hasn't been massive corruption that he has found with regard to U.S. activities in Iraq, there is huge waste there.

I might also note that security is a real concern. When I went to visit my counterpart in 2006, we couldn't meet where we were

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supposed to meet because a U.S. bomb-sniffing dog found a bomb in the area where we were supposed to meet.

The United States also, U.S. Army, went into the home of my counterpart in November 2006 and took the weapons of his security guards, without any explanation, and I have been trying to get an explanation for that for him. So there is real challenging situations that exists in that country.

Mr. CUMMINGS. Thank you.

Chairman WAXMAN. Thank you, Mr. Cummings. Your time has expired.

Mr. Mica.

Mr. MICA. Thank you.

We didn't get a chance for opening statements, but I just wanted to put on the record a couple of comments, first of all, about the conduct not only of today's hearing but the conduct of yesterday's hearing. I did get a chance yesterday when I moved to adjourn the meeting, it was based on request by the Department of Justice and also the Department of State to ask us not to not hold a hearing but to delay a hearing.

It brought to mind my request to Mr. Davis. This is during the Sandy Berger incident when we found out that he had taken classified documents, stuffed them in his trousers or whatever and just actually destroyed them. I requested Mr. Davis—Mr. Davis may recall this—that we undertake an investigation. Department of Justice asked us not to do that, and he did not do that.

Then we came back, and I asked him during the sentencing time to conduct an investigation and hearing in this committee. You might recall, Mr. Davis, that you also denied that because of the Department of Justice request.

That is a difference in the way this committee operated with Mr. Davis and the current Chair.

Additionally, I have been on the committee for 15 years. I have never received, and my staff gave me this. They said the majority memo for today's hearing given to the minority was received 9 minutes before the hearing.

I don't mind participating. In fact, I enjoy participating in this. I think this is one of the most important responsibilities in Congress. But to have the minority receive this memo and our information about the hearing 9 minutes before, in my knowledge, is unprecedented, let alone isolate our witness at the end. I just have never seen anything like the conduct today.

Mr. Walker, corruption is a problem not only in Iraq but just about every democratic society and throughout the Third World, is that correct?

Mr. WALKER. Corruption is a problem in much of the world, in some places, a lot more than others.

Mr. MICA. I asked the staff. Well, of course, I am in the Congress, the U.S. Congress, one of the most respected institutions in the world. Right now, we have probably more Members of Congress under scrutiny, criminal investigation, than any other body and probably more in prison.

Then I said, corruption. I said, what about some of the past administrations, and I have the record from the Clinton administration.

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We have the record set: the only President ever impeached on grounds of personal malfeasance, the most number of convictions and pleas guilty by friends and associates, the most number of cabinet officials to come under criminal investigation, the most number of witnesses to flee the country to refuse to testify, the most number of witnesses to die suddenly, the first President sued for sexual harassment. The list goes on and on of the last administration.

Now let me be fair. Forty Government officials were indicted or convicted in the wake of Watergate.

Another number, 47 individuals in business association with the Clinton administration were convicted or pleaded guilty to crimes, with 33 occurring during the Clinton administration itself.

Now, this also talks about the Reagan administration. There is a total of 31 Reagan administration convictions. So my point is that no administration is left without corruption.

Additionally, I want to ask the Judge a question. Mr. Clinton gave a pardon to a gentleman by the name of Mr. Rich. Mr. Rich was involved in an Oil for Food scandal which I understand that money went to prop up the Saddam Hussein regime.

Are you aware of any of the Oil for Food scandal incidents or Mr. Rich?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Corruption is found all over the world, and I have heard about corruption in the file of the Oil for Food program. Iraqi is cooperating with other countries to gather information about this issue.

However, I believe the issue is different in Iraq for many reasons. First, the infrastructure in Iraq is almost equal to zero. Services in the country are almost equal to zero.

Iraq is a wealthy country. Imagine that the budget of 2007 is $41 billion and $30 billion is what remains from the previous and earlier years. Don't you think that $71 billion, such an amount that can build an entire country, don't you think that it deserves a followup and attention?

Corruption is corruption in all times, and I am a professional and I fight corruption because this is my profession to do so.

Mr. MICA. Thank you. I appreciate it.

Chairman WAXMAN. Thank you very much, Judge Radhi.

I just wanted to inform the gentleman. I don't want to make any comments, although I would like to make comments, but I won't make comments on his round of questioning. When we were requested by the Justice Department not to inquire with Blackwater's recent episode in September, we honored that request. We have always honored requests from the Justice Department.

Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman.

First of all, I want to thank the chairman and the ranking member for holding this hearing.

I also want to thank Comptroller General Walker and also Inspector General Bowen for your great work on our behalf, and I also want to thank the Judge. I appreciate the risk to yourself, and I offer the prayers of our country for 31 employees of your ministry that have been killed and also their families.

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Judge Radhi, your testimony says that your investigators identified about $18 billion as the estimated cost of corruption in Iraq. There is so much to go on here. I have to pick just one case so I can ask some questions about it.

This is a case involving Aiham Alsammarae. I hope I have that right. He was the head of or very high in the electricity industry. The Ministry of Electricity, I guess it is called.

I want to ask you. Do you recall the facts surrounding Aiham Alsammarae?

Mr. AL-RADHI. [Response in foreign language.]

Mr. LYNCH. Just briefly, I am trying to get the facts. You don't need a long explanation. Just basically tell me what he was being investigated for. What were the allegations against Mr. Alsammarae?

Mr. AL-RADHI. [Response in foreign language.]

Mr. LYNCH. How about a leading question? How much money was Mr. Alsammarae accused of embezzling, stealing?

Mr. AL-RADHI. [Translated by Ms. Behrens.] It is not embezzlement. It is a waste of public money.

Mr. LYNCH. OK. Corruption involving how much money, hundreds of millions?

Mr. AL-RADHI. [Translated by Ms. Behrens.] In each ministry, a particular, a certain amount of money, and the total across all ministries is $18 billion; for electricity, $2 billion.

Mr. LYNCH. $2 billion, OK.

Mr. Alsammarae, I understand, was arrested and held in prison inside the Green Zone, but he somehow escaped. Do you know the facts surrounding that?

Mr. AL-RADHI. [Translated by Ms. Behrens.] I know some of the facts that surround this case, and I know that a U.S. protection company has helped him get away.

Mr. LYNCH. Do you know what the name of that U.S. protection agency might have been?

Mr. AL-RADHI. [Translated by Ms. Behrens.] I believe it is DynCorp.

Mr. LYNCH. OK, Blackwater.

Now, with the assistance of Blackwater, do you know where?

Chairman WAXMAN. He said DynCorp.

Mr. LYNCH. Oh, DynCorp, I am sorry. I am sorry, DynCorp. Thank you for that correction. So DynCorp, a U.S. contractor, helped this person get out of jail in the Green Zone.

Do you know where Mr. Alsammarae is right now?

Mr. AL-RADHI. [Translated by Ms. Behrens.] This is not important to me. What matters to me is there is absentia order or court order against this man, and that is a sentence for 3 years.

Mr. LYNCH. It may not be important to you, but it is important to this committee.

Is it your understanding that this gentleman is in Chicago, in the United States right now?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Three years sentence awaiting him, and there are 11 other charges against him fielded through the Interpol.

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Mr. LYNCH. All right, my understanding, and I will offer it for testimony, is that our staff did talk to this gentleman. He is in Chicago.

I will yield back, Mr. Chairman.

Chairman WAXMAN. Thank you very much, Mr. Lynch.

Let me explain that on the House floor, we have votes, and we have a number of votes. So we are going to recess now for around 40 minutes. I would request that Members come back here as quickly as possible after the last vote, so we can continue the questions.

We thank you for your patience.

We stand recessed.

[Recess.]

Chairman WAXMAN. Before Mr. Burton arrives because he is next, Mr. Lynch, you were asking a question and you were in the middle of your question. Do you want to complete your last question?

Mr. LYNCH. Thank you, Mr. Chairman.

I am going to ask Mr. Bowen. I have tried to establish that the former Iraqi Electricity Minister was accused of corruption of potentially hundreds of millions of dollars. He was arrested. He was brought to the Green Zone. I believe it was a DOD facility. We are talking the Unites States Military.

He was then broken out of that jail or removed from that jail by a U.S. contractor. We have evidence it was DynCorp or testimony that it was DynCorp.

Mr. Bowen, is that your understanding of the facts of this case?

Mr. BOWEN. Yes, but with the one additional fact that he was convicted by that Iraqi court and was awaiting sentencing.

Mr. LYNCH. Is there an investigation ongoing relative to the handling of this case?

Mr. BOWEN. I can't comment on our ongoing investigations.

Mr. LYNCH. OK, so if it is an ongoing investigation, it must be ongoing.

Can you tell, Mr. Bowen? Look, I have followed your work in Iraq, and I appreciate greatly what you are doing tremendous work, and I appreciate.

Can you tell me, the allegation that this gentleman is in Chicago, is that correct? Is that your understanding?

Mr. BOWEN. That is what I have heard, yes.

Mr. LYNCH. OK, I will let it go at that.

Thank you, Mr. Chairman.

Chairman WAXMAN. Yes, Mr. Lynch.

Mr. Burton, I think you are next.

Mr. BURTON. Thank you, Mr. Chairman.

Was there any corruption under Saddam Hussein?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, sure. Oil was for Saddam and for Saddam's family only.

Mr. BURTON. Were you ever prosecutor when Saddam Hussein was in power?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes.

Mr. BURTON. How long were you a prosecutor when Saddam Hussein was in power?

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Mr. AL-RADHI. [Translated by Ms. Behrens.] After I graduated from the Judicial Institute, he did not consider as a member of the prosecution, but he dealt with me as a regular employee.

Mr. BURTON. You were not a prosecutor from 1979 to 1992?

Mr. AL-RADHI. [Response in foreign language.]

Mr. BURTON. It shouldn't be that difficult to answer. Either you were or you weren't.

Mr. AL-RADHI. [Translated by Ms. Behrens.] I graduated from the Institute as a prosecutor.

Mr. BURTON. So you were a prosecutor from 1979 to 1992.

Mr. AL-RADHI. [Translated by Ms. Behrens.] Only the last 3 years.

Mr. BURTON. What did you do before that from 1979 to 1992?

Mr. AL-RADHI. [Translated by Ms. Behrens.] I was managing the funds of the juveniles or the orphans. Those were under 18 years old.

Mr. BURTON. You were a prosecutor for over 3 years under Saddam Hussein. How did you get appointed to these positions?

Mr. AL-RADHI. [Translated by Ms. Behrens.] I have worked as an attorney until the change.

Mr. BURTON. But you were a prosecutor for the government.

Mr. AL-RADHI. [Translated by Ms. Behrens.] In the court of misdemeanors, yes.

Mr. BURTON. How did you get that job?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, when I graduated from the Judicial Institute, they did not appoint me, but because I was a non-Baathist. But afterwards because of my work managing the funds of the orphans, I was appointed to that. Then in 1992, because of great pressure, I left.

Mr. BURTON. Well, the record shows that you were in the Saddam Hussein regime from 1979 to 1992 and that you were a public prosecutor and that you did work under Saddam Hussein. Now it is laudable that you worked for the children that were damaged during the Iran-Iraq War, but you were in fact an official of Saddam Hussein, were you not?

Mr. AL-RADHI. [Translated by Ms. Behrens.] What was your last question, Mr. Burton?

Mr. BURTON. You were an official in the Saddam Hussein regime and how did you get those jobs?

Mr. AL-RADHI. [Translated by Ms. Behrens.] I obtained those jobs with my hard work, my studying and my work at the Judicial Institute.

Mr. BURTON. Well, let me just finish, Mr. Chairman. I know you have given others just a little bit of extra time.

Saddam Hussein was a brutal dictator who even cut people up and put them in chippers. They did everything, buried hundreds of thousands of people in mass graves. If you had been an opponent of Saddam Hussein, I cannot figure out how you got those jobs.

Mr. AL-RADHI. [Translated by Ms. Behrens.] Of course, under Saddam Hussein, I refused to do what he was asking, and therefore they put me in prison and they broke the bones of my head.

Mr. BURTON. Thank you, Mr. Chairman.

Chairman WAXMAN. Thank you, Mr. Burton.

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Mr. ISSA. Mr. Chairman, point of inquiry, under our rules, I believe from my past experience, those who are advising, specifically providing testimonial input, are also supposed to be identified and sworn. Could we at least have the identification of those who are obviously contributing considerably to the answers.

Chairman WAXMAN. We did have the translator identify herself.

Mr. ISSA. No, no, the gentleman behind.

Chairman WAXMAN. Oh, the attorney?

Mr. ISSA. Yes, and the one next to him. They are obviously providing a significant amount of these answers.

Chairman WAXMAN. I don't recall that is the practice of the committee to ever ask who is advising people. They are not testifying.

Ms. Watson.

Mr. BURTON. Mr. Chairman, parliamentary inquiry.

Ms. WATSON. Yes, thank you so much, Mr. Chairman.

Mr. BURTON. May I make a parliamentary inquiry, Mr. Chairman?

Chairman WAXMAN. Just a minute, Ms. Watson.

Yes, you have a parliamentary inquiry?

Mr. BURTON. Yes, Mr. Chairman. It is a fact, is it not, that when we were doing investigations under my leadership that we did identify the people behind those who were testifying?

Chairman WAXMAN. I understand that was not the general practice. I know of no rule that requires it. If you want to find out, I don't have any reason why you shouldn't find out, but that hasn't been the way this committee has operated in the past.

Mr. BURTON. You have selective memory loss like the White House did.

Ms. WATSON. Resuming my time.

Chairman WAXMAN. No, you haven't started your time, but you will now.

Ms. WATSON. Thank you so much, Mr. Chairman. I appreciate that.

Judge Radhi, were you tortured under Saddam Hussein?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, I was tortured twice, in 1970 and in 1977.

Ms. WATSON. Do you still bear the marks of that torture on your body?

Mr. AL-RADHI. [Translated by Ms. Behrens.] A break in my head skull is still visible.

Ms. WATSON. Thank you so very much.

Judge Radhi, in your written testimony, you said that Prime Minister Maliki has refused to recognize the independence of the Public Integrity Commission.

You also said that officials and agencies in the Iraqi government sent us formal letters forbidding us to take any action "against the Presidency, the Council of Ministers and former or current ministers," is that right?

Mr. AL-RADHI. [Translated by Ms. Behrens.] This is right and this is a letter that would demonstrate to you in front of you that they prohibited us from conducting investigations touching the Presidency, the Council of Ministers, current and former ministers.

Ms. WATSON. Yes, that letter is up on the screen. The press might want to get a copy of it.

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The document says, and I will read it because the wording is so small: "It has been decided not to refer any of the following parties to the court until approval of His Excellency, the Prime Minister, is obtained: Presidential Office, Council of Ministers, current and previous ministers."

This is a secret order from Prime Minister Maliki's office saying that you cannot investigate the Iraqi President, the Prime Minister or any current or past Iraqi ministers without the Prime Minister's position, is that right?

We have a copy of it here, both in your language and English. You are nodding that is correct.

Is this order allowed under the Iraqi constitution?

Mr. AL-RADHI. [Translated by Ms. Behrens.] This is an illegal order and the Iraqi, that goes against the constitution, and the constitution considers the CPI an independent entity, and that would only be subject to orders of the Parliament.

Ms. WATSON. Thank you.

Judge, did you have any cases that you were investigating that were stopped by this order?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Tons of cases were stopped because of this letter would go to the courts and the courts would stop looking into examining the cases.

Ms. WATSON. Did you have cases that involved current and past ministers?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, current and former ministers.

Ms. WATSON. I would say that this letter, this secret letter, illustrates and demonstrates to me that there are violations of your own constitution going on under this administration.

Mr. AL-RADHI. [Translated by Ms. Behrens.] That is true.

Ms. WATSON. To me, I interpret it as corruption.

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes.

Ms. WATSON. If this is a new developing democracy, we need to attack corruption wherever we find it, and that is the reason for this hearing today.

I appreciate your response. Maybe you want to translate that.

Mr. AL-RADHI. [Translated by Ms. Behrens.] Thank you.

Ms. WATSON. I appreciate one of your responses to one of our Members when you said corruption is corruption and I am a professional, and I go after corruption wherever it may be.

Mr. AL-RADHI. [Translated by Ms. Behrens.] Thank you.

Ms. WATSON. Thank you so much for your testimony today.

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

Chairman WAXMAN. Thank you very much, Ms. Watson.

We now turn to Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman. Thank you for holding this hearing, and I appreciate the bravery, particularly, of Judge Radhi.

As Members of Congress know and hopefully the public knows, General Jones, the Marine Corps General, issued a bipartisan report just last month. It was called the Report of the Independent Commission on the Security Forces of Iraq. Of course, there are two missions we have been training the Iraqi folks for, military and police.

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I trust all the witnesses are familiar with this report because it says, "Sectarianism and corruption are pervasive in the Ministry of Interior and cripple the ministry's ability to accomplish its mission to provide internal security of Iraqi citizens."

Things are apparently so bad at the Interior Ministry that this report by General Jones, the Marine Corps General, recommends that the entire national police be disbanded.

Here is exactly what the report concluded: "Conclusion: The national police have proven operationally ineffective. Sectarianism in its units undermine its ability to provide security. The force is not viable in its current form. The national police should be disbanded and reorganized."

That is a pretty damning conclusion.

Mr. Bowen, as the Inspector General, what is your opinion? Have corruption and sectarianism really gotten to this point that the Jones' recommendation is appropriate, to scrap the national police and start all over?

Mr. BOWEN. I am very familiar with that issue and that report, and indeed I met with members of the Multinational Security Transition Command-Iraq that is in charge of training the national police, and they independently confirmed to me the problem of infiltration in the national police, as well as other problems in the IPS and other Iraqi security forces and the facility protection services as well.

But the national police is a very serious issue. It is managed quite directly from the MOI. The corruption that grew within it, which is really a sectarian infiltration that was condoned over several years, has produced the situation that General Jones quite accurately addressed, and his solution, I think, is on point.

Mr. COOPER. Judge Radhi knows the situation better than any of us do. One of the most disturbing elements of this conclusion of the report was that the previous Minister of the Interior was a man named—forgive me if I mispronounce it—Bayan Jabr.

Mr. AL-RADHI. [Translated by Ms. Behrens.] Bayan Jabr.

Mr. COOPER. Bayan Jabr, it was under his leadership that the ministry became so heavily politicized.

The report, for example, says that Mr. Jabr gave key ministry posts to members of the Badr Brigade, and the Badr Brigade Militia infiltrated Iraqi police units throughout Iraq.

Judge Radhi, to your knowledge, was Mr. Jabr, a member of the Badr Organization?

Mr. AL-RADHI. [Translated by Ms. Behrens.] This issue, of course, I know about it from the media because I do not have a political relationship with them.

However, I can say that these security ministries are now divided among the sectarianism and the sectarianism influence, and therefore you see that their performance is not a good performance.

Mr. COOPER. The amazing thing to me is it is my understanding, even though Mr. Jabr, was the previous Minister of Interior, instead of being punished or reformed or in any way changed, now it is my understanding he has been promoted to be Minister of Finance, which is truly astonishing.

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Judge Radhi, given Mr. Jabr's record at the Interior Ministry, do you have any concerns about what he is doing as Minister of Finance?

Mr. AL-RADHI. [Translated by Ms. Behrens.] My concern is toward the ministries themselves because the sectarian quotas are ongoing, and therefore these ministries are not protecting the Iraqi people. Therefore, you see that the security is continuously deteriorating.

Mr. COOPER. Thank you.

Chairman WAXMAN. Thank you, Mr. Cooper.

Have you completed what you wanted to say?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes.

Mr. Sali. Are you not going to go at this time?

Mr. SALI. Can I yield my time to Mr. Issa?

Mr. ISSA. The gentleman yields his time to me, I guess.

A couple of quick questions, Mr. Bowen, has the Iraqi government, at any time, given us authority, the United States, the executive branch or the Congress authority over corruption of the use of Iraqi funds?

Have we asked Iraq to allow us to investigate the use of their funds?

Mr. BOWEN. No.

Mr. ISSA. So we have never asked?

Mr. BOWEN. No, sir.

Mr. ISSA. Have we ever asked any government whether we could investigate the corruption in their government to your knowledge?

Mr. BOWEN. No, not to my knowledge.

Mr. ISSA. Is it unusual for the U.S. Congress to investigate a sovereign nation's utilization of their own resources in your experience?

Mr. BOWEN. This is the first time I have been at a hearing on that matter.

Mr. ISSA. Do you think it is appropriate in your own judgment?

Mr. BOWEN. I think addressing, assessing the state of Iraqi corruption is appropriate for oversight and review because it amounts to an economic undermining of this fledgling democracy. Corruption is the abuse of public office for private gain, and it has occurred on a large scale in Iraq.

Mr. ISSA. I appreciate that. The question really isn't do we analyze it. The question is what do we do about it after we all agree on this dais that it was rampant under Saddam and it is rampant under Maliki and that, in fact, it goes far, far, far down?

It doesn't flow just to the top the way it once did where you only stole with the permission of top. Now you have little fiefdoms that are stealing all along.

I guess one of my questions is has the GAO ever investigated another sovereign nation's utilization of its resources?

Mr. WALKER. No. The only thing that would be close is you recall the Coalition Provisional Authority was set up by the United States. The Coalition Provisional Authority had access to both U.S. funds as well as Iraqi funds.

Mr. ISSA. Your organization oversaw how we spent their funds while we were in control.

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Mr. WALKER. Actually not. What we did was we were involved in expenditure of U.S. funds, and we facilitated the release of records from the U.S. Government to the Board of Supreme Audit of Iraq so that they could hopefully do the audit work with regard to Iraqi funds. So we have not audited Iraqi funds, but we facilitated the Board of Supreme Audit hopefully being able to do the same.

Mr. ISSA. So that the record be complete on one thing, I know you are not going to find one person on the dais, under any circumstances, that is satisfied with the level of integrity, transparency or lack of corruption in Iraq. That is something that, from the chairman going both directions on the dias, it is very clear that this is not a government that works to the best interest of their people, particularly if they are Sunnis in Anbar or Kurds in the north.

Mr. Bowen, your written testimony states the number of corruption cases under investigation by the Iraq Commission on Public Integrity was 1,861 in 2006 and 3,158 in 2007. Can you describe essentially how we got to this increase?

It looks good on paper. Tell me about it.

Mr. BOWEN. One is an increased effort under Judge Radhi's leadership to push forward, try to push back the tide of corruption that has been rising, as he testified today. It is also indicative of that rising tide itself, that the corruption efforts have increased because the work is to be done.

Mr. ISSA. I appreciate that.

To your knowledge, how many convictions have there been in Iraq?

Mr. BOWEN. I don't know what the total number is. There have been hundreds of convictions.

Mr. ISSA. So they do get convictions.

Mr. BOWEN. Yes.

Mr. ISSA. What is the typical penalty when convicted? Are they the equivalent of a U.S. felony conviction?

Mr. BOWEN. It depends on the nature of the crime, of course. The challenge in Iraq, especially with the ministries, is that there is selective prosecution because there is by fiat, the authority with every minister to protect any ministry employee from any corruption investigation.

And so, I am aware of some cases wherein most of the defendants were protected under Article 136(b), but one of the lower level ones was permitted to be prosecuted and imprisoned because of their sectarian identity.

Mr. ISSA. Always please your boss, I guess, is the rule in Iraq.

Judge, one question I have for you is when did you decide that you needed to leave Iraq and get your family out of Iraq to a permanent place such as the United States for safety?

Mr. AL-RADHI. [Translated by Ms. Behrens.] For 2 years, there were continuous threats, and I did send letters and petitions to the Parliament about this issue of threats, and then they started hitting my residence with missiles. Then it has become very difficult for me.

Mr. ISSA. I only wanted a date if that could be provided, just a calendar date, if possible, for the decision.

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Chairman WAXMAN. You can submit it for the record if you don't recall a date at the moment.

Mr. AL-RADHI. [Translated by Ms. Behrens.] I decided only when the Prime Minister warned me through an interview on [phrase in foreign language].

Mr. ISSA. And the date?

Mr. AL-RADHI. [Translated by Ms. Behrens.] The beginning of September this year.

Mr. ISSA. Thank you.

Chairman WAXMAN. Thank you, Mr. Issa.

Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman.

I want to thank all of our witnesses here this morning for their testimony, for their consistent help with the committee, and Judge Radhi, particularly, I want to thank you for the courage that you have shown and integrity of coming forward.

Mr. Chairman, just for the record, I don't know as I had to go in and out of other meetings, but if nobody has brought it up yet, I think that we ought to make a statement that the State Department's attempt to indicate that even broad statements and assessments that anyone might make characterizing the quality of Iraqi governance or corruption and saying that shouldn't be discussed, I think is a little bit bizarre, if nothing else, given the fact that there is $600 billion of the United States invested in that country and the importance of the Iraqi people of having those investments come out to reconstruction and safety and security and other things. So this is a very germane issue that we are investigating and talking about here this morning and important to delve into.

Judge Radhi, we have talked about your statement that some $18 billion has been lost as a result of corruption, but if we can take just a minute to talk about corruption at the Ministry of Oil, an area where I understand that you have not yet been able to even have an audit on that basis.

You made a statement: "It has been impossible for the Commission on Public Integrity to safely and adequately investigate oil corruption where Sunni and Shia militias have control of the metering, transport and distribution of oil."

So we are talking about billions and billions of dollars worth of Iraqi oil revenues, basically the lifeblood of the country, and a central obstacle to obtaining any political reconciliation. Are you saying, sir, that given that importance you have not been able to have audits or investigations into that ministry?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Out of this $18 billion total amount, only half a billion is related to issues pertaining to the Ministry of Oil.

With respect to the Ministry of Oil, the Inspector General of that ministry had issued a report that contains three sections. The Inspector General of that ministry spoke about trafficking in oil, about the amount of funds of these revenues and about the amount of oil that was involved in this in addition to the reports by U.S. and British authorities.

There were two cases about a current and former minister, and these cases were closed.

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Mr. TIERNEY. Let me back up a second. The reports on the Oil Ministry would have added to that $18 billion or were already incorporated in the $18 billion figure?

Mr. AL-RADHI. [Translated by Ms. Behrens.] It would have added.

Mr. TIERNEY. Mr. Bowen and Mr. Walker, is it your understanding also that militias are likely in control of a substantial amount of money from the oil industry?

Mr. BOWEN. There are a number of sources that report that, yes, sir.

Chairman WAXMAN. Yes. There is more information available on a classified basis, Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Walker.

Judge Radhi, in your statement, you say, "This has resulted in the Ministry of Oil effectively financing terrorism through these militias."

Can you tell us what you mean by that? Are you saying that these oil revenues were given directly to the terrorists?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Yes, such as in Bayji in the central part of Iraq, there are Sunni militias that control this region, and they take a great share of these revenues, and they use some of the amounts to finance their militias. The same goes to Basrah where the region is under the control of the Shiite militias.

Mr. TIERNEY. Thank you very much.

My time is up, Mr. Chairman. Thank you.

Chairman WAXMAN. Thank you, Mr. Tierney.

Mr. Sarbanes.

Mr. SARBANES. Thank you, Mr. Chairman.

I am sort of reeling here because the testimony from everybody is such that I have virtually no hope left that any meaningful progress is being made in terms of rebuilding the infrastructure in Iraq in a way that represents true progress, and I think everyone's testimony puts a lie to assertions that progress is being made.

I would ask the Judge, whose testimony is courageous but he is clearly a man of courage innately, what can you point to that would give me hope that real progress is being made in combating the corruption that you are talking about today?

Mr. AL-RADHI. [Translated by Ms. Behrens.] As I said in my testimony, that the government has closed many cases and intervened in our matters, and that goes against the constitution. That was the thing that impeded concrete, good results in fighting corruption.

Mr. SARBANES. So you really can't point to anything that would give me hope.

Let me ask Mr. Walker or Mr. Bowen to take that question.

Maybe if you could just, either one of you, start by describing where you have seen a comparable level in your experience or from what you know or have studied, if you could cite a comparable level of corruption in terms of the impact that it is having on infrastructure and services within any society that you have looked at in the recent past. What can I look to get a frame of reference on what we are talking about here?

Mr. WALKER. I don't know if I can give you a frame of reference, Mr. Sarbanes, but I would have some comments that are directly

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relevant to your line of inquiry. First, I think we have to keep in mind that corruption, as has been mentioned, involves the abuse of public office for private gain. Corruption happens all over the world in differing degrees. It has happened in Iraq for a long time.

There is, however, a difference. The United States is dedicating a lot of lives and a lot of money in Iraq and, in general terms, I don't think it is any of our business to investigate corruption of other sovereign nation's money. However, when the United States has 160,000 troops on the ground and billions of dollars invested, I think we need to be concerned with it, not to investigate it, to be concerned with it because I think it can have a direct impact on the ability of the Iraqi government to achieve the 18 benchmarks that have been laid out for political, security and economic progress in Iraq.

So that is why I think it is important, but I think there is a line that ought to be drawn as to how far we should go.

Mr. SARBANES. You cited four elements that are impacting progress. One was employee shortage. The other was sectarian influence. The third was the corruption within the various ministries, and the other was security.

Let's take employee shortage. Any prospects any time soon that the employee shortage aspect of this will be fixed or remedied or progress much in a positive direction from what you have seen?

Mr. WALKER. Well, there are several angles there, one of which there has been a brain flight outside of the country because the security situation. The question is whether and to what extent that might be able to be reversed. I think it is going to take a more stable security question for that to be reversed in any significant numbers.

Second, you have the de-Baathification policy and if political progress can be made on that such that there might be a possibility to be able to tap some expertise from the former regime that may have been Baathist but not hard line Saddamist, if you will, you might be able to achieve some progress there.

But then I would ask Mr. Bowen whether he has any perspective because he is on the ground.

Mr. BOWEN. First of all, it is an employment issue. The real problem in Iraq is unemployment which ranges up to 40 percent by some estimates, and that provides a breeding ground for insurgent recruitment.

With respect to the corruption effort or the attempt to stem the tide, we have issued two audits in the last 13 months that have found that the U.S. effort has not been well planned, well coordinated or well funded. Notwithstanding that, we created two thirds of the anti-corruption bulwark, the IGs and the CPI.

I spent a good portion of the first third of my time in this job taking on the support of the IGs because of a vacuum of support and pushing their growth, pushing their interest, trying to. I pushed for an anti-corruption summit which Ambassador Khalilzad held in November 2005.

But, notwithstanding those efforts, the plan, the coordination, the funding never came about, unfortunately. It is disappointing as our audits point out.

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Mr. SARBANES. My time is up. I want to thank the witnesses, and I just want to highlight a comment that the Judge made which was to suggest that the infrastructure in Iraq is almost equal to zero and that the key services being provided by ministries in Iraq are almost equal to zero, which I think is a very damning assessment of where things stand.

Thank you, Mr. Chairman.

Chairman WAXMAN. Thank you, Mr. Sarbanes.

Mr. SHAYS. Let me just ask you, how many Members do you have, because I came here a little later and I would be happy to wait a few more. How many more do you have?

Chairman WAXMAN. There are two more.

Mr. SHAYS. I would be happy to wait for one more and then I will go.

Chairman WAXMAN. There are two more.

Mr. SHAYS. Then I will go.

First, Judge Radhi, I want to say to you that you honor us by your presence. You are a very brave and distinguished man. I have known about you for a number of years, and I try to get to Iraq every 3 to 4 months. So to have you here is a real honor.

I would like to say your decision to leave Iraq is understandable, but it is a huge defeat for good government and my hope of success in Iraq, and I am very sorry that it has come to a point where you feel you need to leave.

I first want to say to you, Mr. Walker, I get concerned when we—and to you, Mr. Bowen—from the outside looking in are passing judgment on circumstances that I think are known and yet there is recognizably very little solution. I mean one solution is to give up on Iraq because it is corrupt. That is one solution, and I don't think you are suggesting that.

No one can blame the U.S. Government for the fact that the Iraq government is corrupt, no one. You could blame us for going in.

Let me just ask you, Judge al-Radhi, are you regretful that Saddam's regime was overthrown by the U.S. Government?

Mr. AL-RADHI. [Translated by Ms. Behrens.] As I said in my opening statements, I thanked the United States because it removed a dictatorship that oppressed the Iraqi people.

Mr. SHAYS. Judge Radhi, I know you said it, but it can never be said too much in an environment where most of Congress is critical that we did, in fact, do that, and so it is important for people to know as I see all the time when I go into Iraq, thank you for coming and getting rid of Saddam. But I do believe that the people of Iraq could be very critical for what we did once we were there.

What do you think the biggest mistake was that the American Government made?

Mr. AL-RADHI. [Translated by Ms. Behrens.] I am not a politician. That is one. The second thing is that the Americans helped the Iraqi people by removing the dictatorship. What is happening now in Iraq is really the work of the neighboring countries.

Mr. SHAYS. The Iraqi what? I am sorry.

Mr. AL-RADHI. [Translated by Ms. Behrens.] The aspirations of neighboring countries, of regional aspirations.

Mr. SHAYS. Should we give up on Iraq and leave?

Mr. AL-RADHI. [Translated by Ms. Behrens.] Regional aspirations.

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Mr. SHAYS. Thank you.

I want to ask the Judge, should we give up on Iraq and leave?

Mr. AL-RADHI. [Translated by Ms. Behrens.] In reality, the Iraqi people would hope that you continue your support to them. Otherwise, they will be suppressed by the neighboring countries.

Mr. SHAYS. You appreciate that the United States came in and removed Saddam, and you do not want us to leave. So tell me the bottom line issue of what we can learn by your testimony that will help make Iraq a better place and not have your testimony be used by some as an argument that we should leave?

Mr. AL-RADHI. [Translated by Ms. Behrens.] In reality, it is a great endeavor that you came to Iraq and to liberation. Liberation was a great endeavor. I believe if you help the Iraqi people to be managed and governed by an honest government, I believe that the problem will be over.

Mr. SHAYS. Thank you very much.

Thank you, Mr. Chairman.

Chairman WAXMAN. Thank you, Mr. Shays.

Mr. Yarmuth.

Mr. YARMUTH. Thank you, Mr. Chairman.

I would also like to thank all the witnesses.

I would like to pursue for a minute the issue that Congressman Tierney mentioned regarding the efforts of the administration to muzzle any discussion about corruption in Iraq, and I would like to address Mr. Walker and Mr. Bowen.

As I know Mr. Walker knows, I was a journalist in my former life, and so I have a professional as well as personal interest in efforts to conceal information, a natural resistance to that.

Last week, the State Department informed this committee that their officials would not be allowed to provide information about corruption in Iraq unless the committee agreed to treat it as classified and withhold it from the public. The State Department sent an e-mail to committee staff, confirming that virtually any discussion of Iraqi corruption was now classified.

Let me show you what the State Department said was classified. The e-mail said: "Broad statements or assessments which judge or characterize the quality of Iraqi governance or the ability or determination of the Iraqi government to deal with corruption including allegations that investigations were thwarted or stifled for political reasons and statements or allegations concerning actions by specific individuals such as the Prime Minister or other GOI officials or regarding investigations of such officials."

Mr. Bowen, let me ask you first. Is there anything that you said today that would have passed muster according to this directive other than good morning?

Mr. BOWEN. It is a pretty broad directive, and it was not and does not apply to me or my testimony today.

Mr. YARMUTH. I understand, but if such a policy did apply to you or your testimony, what effect would that have on what you could do?

Mr. BOWEN. A significant effect.

Mr. YARMUTH. Would you be able to do your work if this policy were applied to you?

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Mr. BOWEN. As testifying before this committee, I would have to be more circumspect about what I said, but everything I have said today, virtually everything I have said today, we have reported on in the past, and so this is not new news. We first called the problem of corruption in Iraq a second insurgency over a year ago.

Mr. YARMUTH. Mr. Walker, did you know that the State Department would consider the broad statement in your report that characterized the ability of the Iraqi government to deal with corruption to be classified information?

Mr. WALKER. No. Several comments on that, first, my testimony is based on this report which the State Department had an opportunity to review and comment on, and they did not classify any of the information in this report which is the basis of my testimony.

Second, I can understand why the State Department might have a concern if you were talking about specific individuals because, frankly, in our own country, we would probably have concerns about testifying with regard to ongoing investigations dealing with specific parties. But with regard to the broader challenge, itself, I think it would be over-reaching to try to classify discussions about the broader overall challenge.

Mr. YARMUTH. I was going to ask you, the report that you submitted, if the State Department were to issue it, this entire report would have been classified, wouldn't it, under those guidelines?

Mr. WALKER. Well, we did submit it to them both for comment, which we do under generally accepted government auditing standards, and second also for sensitive review and classification review, and what you have before you is unclassified.

Mr. YARMUTH. As part of this new classification policy, the State Department also went back and retroactively classified the reports issued by the Office of Accountability and Transparency. I understand that both GAO and the Special Inspector General received copies of these reports when they were unclassified.

Either of you, did anyone ever tell you that these reports were classified before you received them?

Mr. WALKER. No, and quite frankly I have seen at least two circumstances within the last 2 months where both the State Department, this being one, and the Defense Department attempted to retroactively classify something that had been made available publicly and in some cases were on the worldwide Web which is obviously, I think, highly questionable.

Mr. YARMUTH. Thank you very much.

It is pretty obvious, Mr. Chairman, that we all know what is going on here. There is no real danger to national security from these reports. The State Department was fine with circulating them on an unclassified basis throughout the government, and it wasn't until this committee asked to see the documents that they took this action. So it is pretty clear that the administration just wants to muzzle any comments that reflect negatively on the Maliki government.

Chairman WAXMAN. Will the gentleman yield to me on that point?

Mr. YARMUTH. Yes, Mr. Chairman.

Chairman WAXMAN. We even asked one of the people at the State Department whether he agreed with a statement by Sec-

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retary Rice when she praised Prime Minister Maliki for his efforts to stop corruption. She even praised him.

We asked this fellow from the State Department, do you agree with that, and he said, I am not allowed to discuss that in an open forum.

I can't believe the attitude that the State Department has taken in this regard. It is just incomprehensible to me. We are going to insist on our rights for the Congress of the United States to be able to get information about corruption in the Iraqi government. Their only excuse is that it might embarrass the Maliki government.

Well, I think that the information that is already on the record, that is public knowledge should be a source of embarrassment to the Maliki government and a source of concern to the U.S. Government. The levels of corruption according to General Walker and Special Inspector General Bowen and Judge Radhi is that corruption is increasing in Iraq, and the State Department can't keep us from knowing that and can't censor that just because they think it might embarrass or hurt our relationship with the Maliki government. Too many Americans are over there fighting and dying and too many American are paying taxes to support the efforts in Iraq for her to pretend something is not happening when we all know it is happening.

I thank the gentleman for yielding to me.

Mr. YARMUTH. Thank you, Mr. Chairman. I yield back.

Mr. WALKER. Mr. Chairman, could I real quickly? I testified that corruption is a serious problem in Iraq, and it is, but I can't attest as to whether or not it is increasing or decreasing based upon our work.

Chairman WAXMAN. Well, I am not citing you, but both Mr. Bowen and Judge Radhi.

Mr. WALKER. You are correct. The others did. I just wanted to be clear for the record.

Thank you, Mr. Chairman. I appreciate that.

Chairman WAXMAN. You covered yourself.

Mr. Braley.

Mr. BRALEY. Thank you, Mr. Chairman.

Mr. Walker, it is good to see you again. Do you have any ulterior motive for being here today?

Mr. WALKER. I work for the Congress of the United States. This is our authorization, authorizing committee. I have no ulterior motive other than to serve my client.

Mr. BRALEY. Mr. Bowen, likewise, good to see you again. Do you have any ulterior motive for being here today?

Mr. BOWEN. No. I am responding to your invitation and thankful for the opportunity to testify.

Mr. BRALEY. I raise that interesting question because one of the witnesses on the panel with you has had questions raised by other members of the committee about his ulterior motives for being here today.

Judge Radhi, you were the top Iraq anti-corruption official for several years. You investigated thousands of cases involving Shiites, Sunnis and Kurds. By being so persistent and evenhanded, you made both friends and enemies.

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We have talked with many people in the U.S. Government who are very proud to be associated with you. For example, Christopher Griffith is a Senior Advisor to the U.S. Office of Accountability and Transparency at the U.S. Embassy in Iraq, and he said this about you, "I think he is the most honest government of Iraq official that I have met in my 21 months in the country. He has never lied to me. He has tried to be studiously non-sectarian in his efforts, and I have worked closely with them. To the extent that I would trust a government of Iraq official, I would trust him."

Judge Arthur Brennan who is the Director of the Office of Accountability and Transparency in the Embassy said this about you, "Among the people that I have worked with in the U.S. Embassy, Judge Radhi had the reputation as a courageous, honest and effective and at least as effective as you could be under the circumstances as effective Director of CPI."

Of course, you know Mr. Bowen who is sitting next to you today. When you resigned your position last month because of escalating death threats against you and your family, Mr. Bowen stated, "It is a real blow to anti-corruption efforts in Iraq. He was the most prominent anti-corruption enforcer."

Mr. Bowen, do you stand by that statement today?

Mr. BOWEN. Yes, I do.

Mr. BRALEY. Last month, you were attacked by the Maliki government.

Mr. Bowen, from what you know about Judge Radhi and his work in Iraq on these very important anti-corruption issues, do you believe there was any merit to those accusations?

Mr. BOWEN. I found Judge Radhi to be my most reliable partner in carrying out my mission in Iraq. Accusations are commonplace within the Iraqi government, and I don't have any information about the merits of them.

Mr. BRALEY. Well, Judge Radhi, I just want to join the rest of the committee in thanking you for making the difficult journey here to share your important testimony with us. No one here understands what you have been through as a true and courageous person standing up for truth, standing up for justice, and we appreciate your efforts and thank you for joining us.

Mr. AL-RADHI. [Translated by Ms. Behrens.] Thank you.

Chairman WAXMAN. Thank you very much, Mr. Braley.

First, I want to ask unanimous consent that the documents that were referred to in questioning which the majority and minority have looked at be admitted to the record.

Mr. ISSA. It has been mutually agreed to.

Chairman WAXMAN. Without objection, that will be the order.

Mr. Issa, you wanted to ask a few more questions.

Mr. ISSA. Yes. I am going to be very brief. Believe or not, this is my first round, but if enough people yield to you, it seems like you have been here forever.

I just want to followup on a question that I asked earlier, and I asked the question for a reason. We are putting in $6 billion a month into Iraq by anyone's rounding error. It is great or it is less. It is huge.

That huge amount of money, approaching a trillion dollars that has been spent in this theater so far, why wouldn't we treat, and

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this is for General Walker first and then for Mr. Bowen. Why wouldn't we treat Iraq oversight of their corruption and of their use of their funds as we treated the Marcos government, as we dealt with the post-Soviet Russian period, as we have dealt with Colombia and other countries in which drug money has had an adverse influence?

Why wouldn't this committee look at it in terms of the leverage of U.S. money?

I ask that because, although I don't believe we have yet made the case, I hope by the time we adjourn in a few minutes, we will have made the case that, in fact, this committee in both an unclassified and, with the chairman's indulgence, hopefully, in a classified setting, should be learning much more than any one individual can tell us.

I would go to General Walker first. In your opinion, your experience, is it appropriate for us to have oversight over the billions of dollars being spent of U.S. dollars and not see the effects of the other dollars? Because I would presume that for every dollar that we don't spend, the Iraqis would have to find a way to come in many cases with those dollars, and for every dollar we contribute, we relieve their obligation to use their oil money wisely.

General Walker.

Mr. WALKER. Well, first, I think this committee has a responsibility to aggressively oversee expenditure of U.S. funds, especially when it deals with contracting and other related activities in Iraq. Second, I believe that in general terms it is not the U.S. Government's responsibility nor is it appropriate for us to investigate Iraqi sovereign money.

However, I do believe it is in the interest of this committee, the Congress and our country to understand the nature and extent of corruption overall and to what extent does that undermine the ability of the Iraqi government to deliver on its promises with regard to funding and the ability of the Iraqi government to meet the 18 benchmarks that are necessary in order to achieve "success."

Mr. ISSA. Right. The second part of the question, in your opinion, would that require a followup in a classified setting for this committee to fully understand some of what you and the State Department and other sources could give us?

Mr. WALKER. I clearly think it is in the committee's interest to obtain access to as much information as possible and to the extent that there is information available that is classified, then I would encourage you to avail yourself of that classified information as I did in connection with the Iraqi 18 benchmark report that we issued.

Mr. ISSA. Mr. Bowen.

Mr. BOWEN. Yes, Mr. Issa, the classified hearing makes sense since those reports are now classified, and I have read them, and they are full of details about corruption within the Iraqi Ministries, specifically cases, case details. So I think that would be useful for the committee.

As to the first part of your question, the United States has enormous interest in the success of democracy in Iraq, clearly. Iraqi corruption, by the Iraqi government's own admission, threatens that state today.

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The Coalition Provisional Authority, essentially a U.S. entity, created two thirds of the anti-corruption effort, the CPI, which Judge Radhi headed for the last 3 years, and the Iraqi Inspectors General, and by creating them took on the burden to build their capacity. They were new entities. They did not sustain that burden as our audits have shown either through effective strategic planning or appropriate funding.

The way ahead, implicit in your question on that front, I think is engaging those with expertise in the issues you alluded to, international corruption and the fight against it.

That is the World Bank. They have two people in Iraq right now. I met with them in August. They have good ideas. They have no capacity themselves to address the issue. They need to lean forward and deploy and, more broadly, other United Nations efforts. UNAMI needs to engage, needs to be a presence, ultimately.

As with everything in Iraq, multi-lateralizing the solution will improve the likelihood of success of this fledgling democracy.

Mr. ISSA. Thank you.

Judge, just in closing, I want to thank you for your courageous work over the last several years. Hopefully, you understand that even though tough questions are always asked by this Congress, it is with great appreciation for the work that you have done in Iraq on behalf of your country.

I yield back, Mr. Chairman.

Mr. AL-RADHI. [Translated by Ms. Behrens.] Thank you.

Chairman WAXMAN. Thank you very much.

Thank you, all of you in this panel, for your participation.

We have votes on the House floor. We will respond to those votes and be back here in 10 minutes because we still have Ambassador Larry Butler from the State Department and Ms. Claudia Rosett from the Foundation requested by the Republicans.

So we stand in recess to respond to the votes, which I think we should be back here in 10 minutes.

[Recess.]

Chairman WAXMAN. The meeting of the committee will please come back to order.

For our next witness, we are pleased to welcome Ambassador Larry Butler. He is a Deputy Assistant Secretary for Near East Affairs at the U.S. Department of State.

Mr. Butler, it is the practice of this committee that all witnesses that testify take an oath.

[Witness sworn.]

Chairman WAXMAN. Your prepared statement will be in the record in full, and I would like to ask you to proceed in around 5 minutes.

STATEMENT OF AMBASSADOR LARRY BUTLER, DEPUTY ASSISTANT SECRETARY FOR NEAR EAST AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. BUTLER. Mr. Chairman, Ranking Member Davis, members of the committee, thank you very much for the opportunity to appear before you today.

Just to digress a little bit, in the course of my 31 years with the State Department, I have served in countries like Finland and

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Denmark where corruption is virtually unheard of. In fact, this year, Transparency International's Corruption Index lists those two countries in first and second place as the least corrupt countries in the world.

I have also served in countries that figure a little further down in the list, namely, the countries that emerged from the breakup of the former Yugoslavia where corruption had long been a way of life. Thanks to sanctions, conflict and transition from totalitarian Communist regimes, corruption and law-breaking were essential for survival at every level of society.

Politicians sought elected and appointed office precisely to access public resources not just for personal but also for partisan benefit. The shift from socialist to private ownership was frequently characterized as brazen daily robbery by insiders, organized crime and regime cronies.

I may have contributed to coining the term crony capitalism to describe Milosevic's kleptocracy during my service in Belgrade in the mid-1990's.

We can, therefore, by extension and without knowing any facts, presume that corruption should also be a serious problem in Iraq as it is in practically every other country in the throes of emerging from dictatorship and conflict situations. None of us should underestimate the challenges of establishing strong and transparent government institutions in the wake of a dictatorship where corruption was woven into the very fabric of governing, and none of us should underestimate the challenge of rooting out corruption in a combat zone, even one where violence is diminishing as we have seen over the past 6 months.

The Department of State has devoted considerable effort and resources to helping courageous Iraqis establish mechanisms and procedures to investigate and prosecute corruption. This is paralleled by efforts to build the technical capacity of public institutions to execute their budgets in transparent and accountable ways.

It is fair to say we probably do not have a program in the ministerial capacity development area that does not seek to build an environment in which corruption is less prevalent. There have been, as we say, negative impacts due to the immutable law of unintended consequences. Mid and senior level bureaucrats have become gun shy about signing off on tenders and contracts for fear they may later be prosecuted. A well intentioned but clumsily administered anti-corruption system can be used to punish the wrong persons.

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

This year, the Embassy established an Office of Accountability and Transparency with responsibility for overseeing our anti-corruption programs. We continue to add staff including specialists in anti-corruption. We have urged the government of Iraq to establish its own interagency body to coordinate anti-corruption efforts and

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to share best practices, and they have done so by creating the Joint Anti-Corruption Council.

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

Although I represent the Department of State at this hearing, it is important to note that many other U.S. Government agencies, including the Department of Justice and the Agency for International Development, have also made combating corruption an important part of their missions and programs in Iraq.

We pursue these efforts across the country and not just in Baghdad. At the grassroots level, for example, the Department of State funds a number of non-governmental organizations that target corruption and are seeking to create a civil society where government transactions are transparent and subject to the rule of law.

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

Thank you, Mr. Chairman.

[The prepared statement of Mr. Butler follows:]

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Testimony of Ambassador Lawrence E. Butler
Deputy Assistant Secretary of State
for Near Eastern Affairs
U.S. Department of State

Before the Committee on Oversight and Government Reform
United States House of Representatives
October 4, 2007

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

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

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

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

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Chairman WAXMAN. Thank you very much.

Ambassador Butler, the problems of corruption in Iraq have enormous implications for our efforts in Iraq. It is undermining Iraqi confidence in their own government. It is funding the insurgency, and it is fostering sectarian divisions. All of those are major questions when it comes to what is going on in the Iraqi government and the extent of corruption that is taking place.

I believe it is essential for Congress and the American people to understand the extent of corruption and its impact on our policy in Iraq.

Our committee staff tried to ask the State Department officials about the corruption issue, but the State Department refused to allow them to provide any answers unless the committee agreed that all answers would be considered classified information and not discussed in public.

I am going to read to you some of the questions we tried to ask Vincent Foulk who is a Senior Consultant for the Office of Accountability and Transparency in the Embassy.

We asked him, what effect does corruption have on the progress of the Iraqi government and their ability to move toward political reconciliation? He was instructed that he could not answer this question in an open forum.

We asked him whether Prime Minister Maliki or his associates obstructed any anti-corruption investigations in Iraq to protect his political allies. He said, I cannot answer that question in an open forum.

He and other State Department officials were also instructed not to answer questions about whether the Iraqi government has the political will to root out corruption and whether corruption is funding the insurgency.

Ambassador, we live in a democracy. Our system of government depends on an informed public. What would be the rationale for preventing these officials from answering the committee's questions in an open forum?

Mr. BUTLER. Mr. Chairman, it is a fair question, and permit me to say that every foreign service employee at the State Department in their annual evaluation is required to, is evaluated on his or her performance in protecting sensitive national security information and system.

Chairman WAXMAN. I understand that. Is that sensitive national security information to ask the questions that I just reported we asked?

Mr. BUTLER. We heard earlier today, Mr. Chairman, graphic testimony from Judge Radhi about the risks, the very real risks and the price that he and his associates have paid in Iraq in pursuing and attempting to deal with the corruption that exists in Iraq.

The programs that we have contain two elements which are nationally sensitive. One is some of them are operational.

Chairman WAXMAN. We are not asking specific questions. We are asking general questions. What I understand is that the State Department people told us that to ask questions that were critical of the Maliki government would undermine our relationship with them, and therefore it would be contrary to our foreign policy interests.

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Does that make it classified?

Mr. BUTLER. That very much falls under one of the provisions in the Executive order that provides the basis for classification which is where revelation of information would damage bilateral relationships. It is intended to be kept confidential, Mr. Chairman.

Chairman WAXMAN. Well, let me ask you some of these questions, and you tell me if this is something that you think has to be kept confidential.

Has Prime Minister Maliki or his associates obstructed any anti-corruption investigations in Iraq to protect his political allies?

Mr. BUTLER. I would be unable to answer that question in an unclassified setting, Mr. Chairman.

Chairman WAXMAN. Why is that?

Mr. BUTLER. This goes to the nature of our relationship with the government of Prime Minister Maliki, and we have repeatedly on many occasions offered to the committee and to staff to provide answers to questions like this in a classified setting.

Chairman WAXMAN. The American people want to know whether the government of Iraq currently has the political will or the capability to root out corruption within its government. Do you believe that the government of Iraq has that will?

Mr. BUTLER. I am in a position to detail many of the anti-corruption efforts undertaken by the government of Prime Minister Maliki.

Chairman WAXMAN. No, no, that is not the question I asked you.

Do you believe that the government of Iraq currently has the political will or the capability to root out corruption within its government?

Mr. BUTLER. Mr. Chairman, questions which go to the broad nature of our bilateral relationship with Iraq are best answered in a classified setting, and we are very prepared to do that. We are prepared to respond.

Chairman WAXMAN. That information would be classified?

I mean all the people we have in Iraq getting killed, all the billions of dollars we are spending in Iraq. The American people are asking, what are we doing and what are the chances for success?

How are we going to have any chance of success if there is corruption going on in the Maliki government?

If I, as a representative of over 600,000 people and chairman of this committee, ask you from the State Department whether he has a chance to succeed, you can't answer that?

Mr. BUTLER. Mr. Chairman, we have repeatedly made clear our willingness to meet with you and your committee members in a closed session.

Chairman WAXMAN. Well, Mr. Ambassador, I think that Secretary Rice is going to have a confrontation with this committee because we are not going to accept the idea that if you say something that could be negative about the Maliki government, it is classified; if you say something about them positive, it is OK. That seems to be what we have been told by the State Department.

I consider that completely unacceptable, and we are going to have a confrontation on this because the executive branch must answer the questions of the legislative branch if we are to do our job.

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I just think that this business that this cannot be answered, even a broad question, in a public forum or a hearing of the Congress is absurd.

Mr. BUTLER. Mr. Chairman, we are prepared at any time in the appropriate setting to answer your questions to the best of our ability.

Chairman WAXMAN. Is it inappropriate for me to ask you whether you think the Maliki government is working hard to improve the corruption situation so that he can unite his country?

Mr. BUTLER. A broad assessment along that line, I would prefer to address in a closed setting, Mr. Chairman.

Chairman WAXMAN. You would prefer, but do you feel that you have the right to say that you won't answer that question?

Mr. BUTLER. My experience in 31 years of dealing with the Soviet Union and dealing with Milosevic's Yugoslavia, this is, I would prefer to address, be able to respond to that question in appropriate circumstances, Mr. Chairman.

Chairman WAXMAN. Do you think it would be appropriate if I asked you whether we should approve billions more for the Iraq War if the Maliki government is not doing its best to stop corruption?

Mr. BUTLER. Mr. Chairman, clearly, corruption is a fact of life on the ground in Iraq as it is in any of the countries in the former Yugoslavia, and unfortunately, as we find in our own country, this does not mean that we can give up on our efforts to root our corruption with the best of our abilities in, in this case, a sovereign country. Iraq deserves the best.

Chairman WAXMAN. You talked about Sweden. You talked about Yugoslavia. You talked about other countries and how they don't have a lot of corruption in the Nordic countries. Did you have authority to make that statement from the State Department?

Mr. BUTLER. Each foreign service officer, each government employee, who is entrusted with national security information, has rather, is required to exercise their judgment as to what constitutes national security information.

In this particular case, it is well established and on the record that Finland and Denmark rank one and two on Transparency International.

Chairman WAXMAN. Where does Iraq rank?

Mr. BUTLER. Pretty close to the bottom on Transparency International's list.

Chairman WAXMAN. Do you feel you can say that in a public forum? You said it.

Mr. BUTLER. I can certainly quote Transparency International.

Chairman WAXMAN. Who are below them?

Mr. BUTLER. I do not know.

Chairman WAXMAN. Well, I understand it is Myanmar and Somalia. That has to be way there on the bottom, and Iraq is right next to them.

Mr. Issa.

Mr. ISSA. Thank you, Mr. Chairman.

You know the line of questioning is one that I think it would be inappropriate to let go of. You do publish. This is a leading question, but you do publish or do you publish, as you do with Egypt

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and other countries, an annual report on Iraq including its transparency and corruption?

Mr. BUTLER. We publish quarterly reports that we submit to the Congress on 2207, I think.

Mr. ISSA. Have those been provided to the committee?

Mr. BUTLER. Those have been provided to the committee.

Mr. ISSA. Fully vetted, do those or do those not say, about many countries, and I have worked the Egyptian desk, so to speak. So I have read those every year along with all the other areas, the Lavant.

Iraq, in that report, looks better or worse than Egypt or other countries in the Lavant, other Arab countries?

Mr. BUTLER. The 2207 report is very specific to Iraq, and I would not be able to draw comparisons to other countries.

Mr. ISSA. Does it look pretty bad? Does it look like, in fact, that you have a corrupt government in that report?

Mr. BUTLER. I cannot recall. In the 2207 report, I don't think we get very much into the specifics of corruption.

Mr. ISSA. OK. So do you think there should be a report that talks about a direction improvement or dropping off in the level of transparency and/or corruption in Iraq?

Mr. BUTLER. The Embassy, under the direction of Ambassador Crocker, is focused and will continue to be focused on dealing with the issues involving corruption in Iraq.

We have stipulated; there is corruption in Iraq. How to measure it, I don't know. This is a country that is undergoing violence. It is difficult to figure out what are your definitions.

Mr. ISSA. Well, you mentioned the post-Soviet period. Does it look a lot like Russia did?

Mr. BUTLER. It looks very similar. Many aspects of that do look similar.

Mr. ISSA. So in a post-dictatorship period, a post-organization period, an emerging democracy with privatization, with systems that were previously subsidized in one way that are not being subsidized the same way now, it, to you—only wanting your opinion—is it not surprising, even if we didn't have the violence, even if we didn't have the insurgency, that this is, in fact, pretty close to a basket case as far as legitimacy of the institutions of government and delivering services?

Mr. BUTLER. I don't, would not. I would not associate myself with an assessment close to a basket case.

The government of Iraq is in an ongoing process of a revolution of creating a government in a democracy where one did not exist before.

Mr. ISSA. Is it better than the mid-1990's in Russia?

Mr. BUTLER. Hard to make comparisons.

Mr. ISSA. Does it look reminiscent of the mid-1990's in Russia?

Mr. BUTLER. In some areas, there are many similarities.

Mr. ISSA. What is Maliki doing as far as you know or key ministers of his to fight corruption that you can say is being effective?

Mr. BUTLER. During the 18 months that Prime Minister Maliki and his government have been in power, and that is, I think, a key number to focus on. It has only been 18 months.

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He inherited the Commission on Public Integrity as well as the Board of Supreme Audit that were established prior to him assuming power, becoming the first democratically elected Prime Minister of Iraq subsequent to 2003.

He created the Joint Anti-Corruption Council in May 2007. The Prime Minister has provided crucial support to the JACC's creation which is an Iraqi solution to an Iraqi problem.

Part of the Joint Anti-Corruption Council's agenda is to formulate recommendations, and this is one of the areas that I know came up earlier in the day, and this has to do with Paragraph 136(b) of the Iraqi Criminal Procedures Code. That is on their agenda to deal with.

They are also working with the Inspector Generals to create an association to coordinate strategic goals.

Mr. ISSA. OK. My time is going to run out, and I appreciate the long list, but let me just ask one question.

The President has openly said that he is—I will characterize—disappointed in this government's movement toward passing certain almost universally agreed on need for reforms, such as carbon sharing, such as these corruption laws. To the extent that they are on the agenda, you get no points.

Do you see the likelihood that in a timely fashion they are going to be passed and enforced? I want your opinion, your assessment on that.

Mr. BUTLER. I would need to take the so-called benchmark legislation which doesn't include anti-corruption measures specifically, but they are all built in there. Ambassador Crocker, working with Prime Minister Maliki, continues to work toward achieving the legislative goals.

In the meantime, two things I would like to throw out there is that Prime Minister Maliki did something back in March which dramatically improved one aspect where there had been corruption, and he put the Iraqi Army around the Bayji refinery.

Mr. ISSA. He started watching the oil.

Mr. BUTLER. He started watching the refined oil, specifically, which was literally going out the front and back gate and was ending up on the black market.

The second thing the Prime Minister did, and I think this is an important point, was followed an IMF recommendation to, on two occasions, increase the price of fuel in Iraq which reduced the disparity between the black market price and the street price, which has taken a huge bite out of the black market. Some of that money was going into criminal networks, some of it was going to feed the insurgency. These are very important steps to drain the swamp that insurgents and organized crime are operating.

Chairman WAXMAN. The gentleman's time has expired, but how can you say all those positive things about Iraq but you can't admit to any of the negative things?

Ambassador BUTLER. Mr. Chairman, we acknowledge there is corruption in Iraq, and corruption, by necessity, is defined as when government officials at every level are not discharging their jobs. We recognize that this is a rapidly changing environment and we have an Embassy which is rapidly changing and evolving to meet and respond to the threat, if you would——

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Chairman WAXMAN. I am talking about what you are able to say in this meeting. You are able to say all the things that you think are positive that he is doing, but you are not able to talk about the failures of the Iraqi government, even though we had a panel that has given us very clear indication that this government is riddled with corruption. Why can you talk about the positive things and not the negative things? Shouldn't we have the whole picture?

Ambassador BUTLER. Mr. Chairman, I would be very pleased to answer those questions in an appropriate setting.

Chairman WAXMAN. An appropriate setting for positive things is a congressional hearing, but to say anything negative has to be behind closed doors?

Ambassador BUTLER. This goes, as you know, to the very heart of diplomatic relations and national security. This is our ability to——

Chairman WAXMAN. No, it goes to the heart of propaganda.

Ms. Watson.

Ms. WATSON. Thank you, Mr. Chairman.

Stuart Bowen and David Walker testified earlier today about the lack of leadership undermining the anti-corruption efforts at the U.S. Embassy in Iraq. Mr. Bowen and Mr. Walker are certainly not alone in that sentiment, and as I sit here—and you know I have been there out in the field, at a post, and any area of corruption I reported to the Secretary of State immediately. So on my watch I would not allow it to go on without at least making a statement about it, and I would go any place at any time to say that American taxpayers' money was being abused and misused. So over the past few weeks committee staff have interviewed several Embassy officials involved with U.S. Embassy anti-corruption efforts and they uniformly told us that no single official has been put in charge of U.S. efforts to combat Iraqi corruption and that there is no coordinated strategy for fighting corruption in Iraq.

Judge Arthur Brennan, who served as the Director of the Office of Accountability and Transparency for part of 2007 was asked whether there was an overall U.S. strategy for combating Iraqi corruption, and let me read an excerpt from his transcript: "During the time you were there, were you aware of any coordinated U.S. strategy to fight corruption in Iraq?" The answer was "No."

James Santelle, Rule of Law Coordinator at the U.S. Embassy, told committee staff the following: "The Embassy, over time, developed what are called stovepipe institutions. There is not coordination, as I have said before. You have a system where the coordination is lacking."

Anti-corruption efforts are supposed to be a cornerstone of the U.S.' effort to bring political reconciliation in Iraq. How is it possible that these efforts can be in such disarray?

Ambassador BUTLER. Ambassador, to take a moment and describe Embassy Baghdad and the environment it is in, and to pay tribute to the men and women of the United States, as well as their counterparts in the Iraqi government who have stood up to tackle the very real challenges presented to the development of a market-based economy and a real democracy, Embassy Baghdad is an Embassy where it endures nearly 100 percent turnover every year and in a rapidly changing external environment——

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Ms. WATSON. May I stop you there, Ambassador Butler? Because our time runs out. But we have a fundamental responsibility to do something about the corruption. We were told in the beginning—of course, I didn't support this war, but we were told that the moneys from oil would support the war. We are waiting—and not breathlessly, because I intend to vote against it—for another supplemental to put billions of dollars of money in there. I don't see even a light at the end of the tunnel, and I know how long it has been going on. I know how long this government has been set up. But I don't see the effort on the part of the—I think we are at the point now it is going to take politics and diplomacy, not guns and bullets. We can't kill everybody. We don't know what the enemy or the insurgents look like, so we are going to kill everybody that we think looks like or supposedly is. I think it is time for diplomacy, and we can't get from you on the ground, you know, what is going on. Is there a coordinated effort? How are you going after?

And I know we have a relationship. It is a puppet government, as far as I am concerned, but we ought to model the right way to—at least that is the way I was trained in the State Department. I am very proud of it. We had to model the right thing to do, and I spent my time going from island to island out there in Micronesia, trying to get them to do the right thing because they were using our dollars. And I don't hear from the State Department what I am expecting to hear. We have a fine tradition there. So what are these people, who are new, coming in and doing? Are we going after corruption? Are we pointing it out to Maliki? Are we saying, you know, you have to show us that you are going after this corruption. These are taxpayers' dollars. And if we want support for the——

Anyway, can you respond? I am really disappointed in what I am hearing.

Ambassador BUTLER. Ambassador, I would like to say I agree with what you just said. Both the GAO nor SIGIR have found any evidence of corruption in the expenditure of U.S. taxpayer moneys in Iraq, for which I derive a certain amount of satisfaction, and also——

Chairman WAXMAN. Well, that is not an accurate statement.

Ms. WATSON. $9 billion to Haliburton was missing. Bremer was sitting right there at the table and he didn't know where the money went.

Ambassador BUTLER. The SIGIR reports that I have looked at have in the last couple of years that I went through show that we have pretty good marks on our programs. Regarding——

Chairman WAXMAN. We have contracted——

Ambassador BUTLER. Ambassador Crocker takes fighting corruption very seriously. He has, as we do on a regular basis——

Ms. WATSON. Excuse me, Ambassador. Ambassador Bremer sat there and said he did not know where that $9 billion went. So for you to say that you did accounting, there was no accounting. That money went in one way and there was no accounting. There was testimony on the record. We would be happy to send that. And that was Ambassador at the time Bremer, and he certainly didn't oversee that we had an accounting. $9 billion would do a lot in this country for our children.

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Chairman WAXMAN. Time has expired.

Ms. WATSON. Excuse me. I know my time is up.

Chairman WAXMAN. Unless you want to say something, we are going to move to Mr. Davis.

Mr. DAVIS. Thank you. Yes, I heard something different in the testimony. I remember Ambassador Bremer saying that we gave it to people who gave it out. There weren't accounting systems further on down the line, but we gave it to the appropriate authorities. As you know, it was an emergency situation at the time; you had to start paying people and the like.

I gather that is your testimony.

Ambassador BUTLER. These were CPA days, yes?

Mr. DAVIS. Yes.

Ambassador BUTLER. With accountable taxpayer money—and if I am wrong on that one, sir, I do apologize—IIRF money and others——

Mr. DAVIS. This was Iraqi money, I think is what she is talking about.

Ambassador BUTLER. I believe that is correct. And it was CPA time, as opposed to U.S. taxpayer money. We take our responsibility to look after taxpayers' money very carefully, very seriously. I just wanted to take a moment——

Mr. DAVIS. Well, let me do this, because I have 5 minutes, and I don't want you answering her questions in my 5 minutes, I am sorry.

Ambassador BUTLER. Yes, sir.

Mr. DAVIS. Page 1 of the strategy says that the basis of the problem of corruption in Iraq is market distortions, cultural tolerance, intimidation militias, undeveloped civic culture, lack of government capacity. What market distortions enable or foster corruption?

Ambassador BUTLER. First and foremost, when you are selling subsidized or under-market priced fuel. We saw gasoline and diesel fuel being diverted all over the place into the hands of militias and organized crime networks who were selling it on the black market and pocketing the difference. And that has been taken care of.

Mr. DAVIS. OK, so we have fixed that problem?

Ambassador BUTLER. It is being fixed.

Mr. DAVIS. Describe an example of cultural tolerance of corruption.

Ambassador BUTLER. For 35 years, the people in Iraq lived under a system where you had to play by the rules of the Bathist party and Saddam Hussein. That would be the cultural. If you wanted to survive, you paid whatever you had to to the boss on top of you and do things that were for the regime and not for the benefit of the broad public.

Mr. DAVIS. So it was like a little tip to get things.

Ambassador BUTLER. And something we see in the former Soviet Union and in the former Yugoslavia.

Mr. DAVIS. Well, it is not uncommon, in fact, around the world, is it?

Ambassador BUTLER. No.

Mr. DAVIS. What are some elements of civic culture that would reduce corruption?

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Ambassador BUTLER. The lack of NGO's, civic associations, societies that serve as public watchdogs who are able to come in and say money has been wasted on this particular project and effectively become whistleblowers and can lobby in Baghdad or in the provincial governments.

Mr. DAVIS. What would you say is the key government capacity that is most important in establishing fighting corruption, would it be the IGs, the CPI, the BSA? And how do we prioritize?

Ambassador BUTLER. I wish I could point to one thing that fights corruption. Corruption is a lot like a football game, you have to play defense with the IGs and the other investigative bodies, but you also have to play offense, and that means you put in place the mechanisms, the technical capacity to reduce the ability of people to put money in their pockets or steer contracts to cronies or family.

Mr. DAVIS. We have heard a lot of questions about the classification of documents. I guess really what I want to know is allow you to say what steps the U.S. Embassy is taking to assist the Iraqi government's counter-corruption. How are the anti-corruption offices organized? What is the strategic plan to assist in countering corruption? How many people do we have involved with that and how much funding are we allocating?

Ambassador BUTLER. Over the last 4 years we have dedicated significant Iraq reconstruction rehabilitation funds to support Iraq anti-corruption——

Mr. DAVIS. What is significant? Can you give me an idea, what is significant?

Ambassador BUTLER. I don't think I have a number for you.

Mr. DAVIS. To me, $1,000 is significant, but in a case like this, what is—for some in government salary. What is a significant amount, ball park, is it tens of millions?

Ambassador BUTLER. I would have to come back to you on that one in writing, sir.

Mr. DAVIS. OK, I think we need to know that. OK.

Ambassador BUTLER. I will come back for the record, please.

Mr. DAVIS. OK. Keep going.

Ambassador BUTLER. That was to support both the CPI and the board of the supreme auditors. As a result of the USG assistance to the Commission on Public Integrity, the CPIs conducted over 4,000 investigations and made several high profile arrests, including the former minister of electricity and minister of labor and a number of officials of the ministry of oil, and referred more than 2,000 cases for prosecution to the Central Criminal Court. INL also funds Department of Justice resident legal advisors. These are U.S. prosecutors who advise and mentor criminal court justices in all manners of serious cases. We have also funded Department of Justice ISITAP advisors and specialists to train and mentor the investigators from the Commission on Public Integrity. There were 11 of these investigators who came back with Judge Radhi to learn how to do polygraphs. Every one of those investigators went back to Iraq to get back to work with their new skills. IRF also works to enhance investigative capacity of the CPI, as well as provide equipment for their investigators.

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And, most recently, we have just signed a grant with the Organization for Economic Cooperation and Development for, I think, about $1.3 million to complement efforts on the international compact for Iraq—I am sorry, $1.6 million—to do the business side of anti-corruption efforts, and this is precisely our efforts to multilateralize a problem that we have been attacking just by ourselves.

Mr. DAVIS. OK. Thank you.

Chairman WAXMAN. Thank you, Mr. Davis.

Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman.

I want to thank the witness for coming forward. Look, I know you said we get high marks for our job, but I am trying to find evidence of that in the record here. We have an assessment that currently there is no single office that has the authority or responsibility for oversight, and to assure that all anti-corruption efforts are focused on a common goal or that efforts are being performed in an efficient manner. We have evidence here that the Office of Accountability and Transparency has been hampered from the beginning by a lack of support and leadership. The office has only had one permanent director, Judge Brennan, and he lasted a month. I heard he was doing a good job, but, again, he was only there for a month.

Now, I know that the Inspector General, Stuart Bowen, had recommended that you appoint a senior leader from the Department of State to run the office, and yet we have evidence that, actually, by default, the acting head over there was actually a paralegal doing administrative work. So instead of an experienced senior Department person, you have an inexperienced paralegal. Hey, some paralegals are great, not to run this critical agency.

There is a lot of testimony here that you are not getting high marks, to be honest with you. And then when we ask you about the level of corruption here, we are getting answers like we don't want to talk about any broad statements or assessments to judge the level of corruption in Iraq, and yet I think we have sent over $450 billion over there so far. How does that square with your constitutional responsibility and ours?

Ambassador BUTLER. The Embassy, the U.S. Government has invested heavily in the last couple of years in broad-based anti-corruption efforts. In the first instance this was the playing offense side of it, to develop capacities in ministries, and more recently, through the provincial reconstruction teams, to develop capacities at the provincial and municipal levels, which are showing very promising early days.

Mr. LYNCH. Well, let's talk about that. You tell me. You tell me. You have this refusal here to testify in any detail about the level of corruption in Iraq that we know is going on. How do you reassure us in Congress, representing the American people? They are looking for more money over there and, yet, you won't even tell us about what you have found in terms of the level of corruption and whether things are getting better or worse over there. You won't get into any of the details that the first panel talked about. How does that square? We have a problem here. We have a problem of constitutional dimensions here.

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Now, I respect the job that you do, we all do, but it appears that you don't have the same respect for the job that Congress must do. We have an oversight responsibility. Not to sign a blank check, but to find out how progress is being made in terms of the resources that we have committed to this.

Ambassador BUTLER. Congressman, two things. One, we have provided to the committee all the documents from the Embassy that we were able to find related to corruption. Second, we have made it clear that we are prepared to answer your questions in an appropriate setting. We are prepared to do that at any moment.

Mr. LYNCH. Look, I will leave it at this. This is a matter of transparency. Do you see the irony here? You are saying you have actually established a Committee on Accountability and Transparency for the benefit of the Iraqi people, and yet, here, when we ask you to exercise the same transparency with respect to your responsibility to the American people, you are claiming that there is a level of confidentiality that is required, that we can't actually tell the American people, the American taxpayer what we are doing with their money. It is just ironic that you are standing there.

And I know it is not your decision, sir; this decision was made at the secretariat level. Let's be frank. And I know you are just here doing your job, but it is totally disrespectful to the American people.

Ambassador BUTLER. Mr. Congressman, the issues and the aspects that are involved in the fight against corruption in Iraq risks people's lives. You heard that from Judge Radhi earlier today, what has happened to him and to his colleagues. It potentially endangers the lives of fellow Americans who are on——

Mr. LYNCH. But, sir, if it wasn't for his testimony, we would never hear about it, because you have a gag order on at the State Department. It is his testimony that we are discussing today. But the State Department has offered no clear assessment. You haven't really fulfilled your responsibility to the American people, in my opinion.

Ambassador BUTLER. We have provided the documents as requested. We have also provided the witnesses, the individuals that have been deposed in the last week, and we are prepared, in a classified setting, to answer questions to our best ability in detail.

Mr. LYNCH. Very disappointed.

I yield back.

Chairman WAXMAN. Thank you.

Mr. Shays.

Mr. SHAYS. I am not disappointed with your testimony. In my judgment, you are being asked to say that individuals in Iraq are corrupt, and then we have to work with those individuals, and I don't see how that helps our soldiers win in Iraq; I don't see how it makes us safer in Iraq. I am accused sometimes of being a pretty naive person. I don't think I am, but I am accused of it. But the one thing I am willing to say is Iraq is corrupt. We knew it under Saddam and we knew just because we invaded them they wouldn't, all of a sudden, become pure and uncorrupt. So I am not amazed by it, and I would be pretty horrified if you started depicting every leader in Iraq that we thought was corrupt.

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I would also like to correct for the record if it is $415 billion or $600 billion. Those dollars are not what we are talking about. We are talking about Iraqi government officials ripping off their fellow constituency with their dollars, to which we do not have control. And I love how we ask people in Congress to let them have their autonomy and respect their autonomy, and then when we don't like what they are doing, then we say we have to step in and criticize them. So this is where I think there is valid reason for this hearing. It is an absolute waste of our time if we are, all of a sudden, discovering that the Iraqis have a corrupt government. That would be foolish.

The real issue is what are the things we can do to make it less corrupt. That is the issue. And I think it was valid for both the Inspector General and the head of GAO to say there should be one person in the Embassy totally focused on that issue. And I want to be on record as saying I hope that the State Department will consider that recommendation. I think it is constructive and I think it would be helpful.

I would like to ask you about your reaction to Judge al-Radhi and his testimony. What I know of him is that he is an incredibly honest and dedicated Iraqi who happens to be a Shia, and that he has met the point where he doesn't feel that he can continue. But I also heard him say that he was happy the United States came in and removed Saddam. I heard him say that it would be a huge mistake for the United States to leave. Is his leaving Iraq—first, what is your impression of the job he did, his testimony, and can you speak to that?

Ambassador BUTLER. Congressman, thank you. I can only offer tribute to the courage and the tenacity of the judge, and his departure from the scene is a blow. It may be a while before somebody with his capacity and willingness steps in to replace him.

Mr. SHAYS. Will it make it harder for Iraq to deal with corruption when you lose someone who is so brave and so talented?

Ambassador BUTLER. It depends. It depends on how the system responds. It is possible this serves as a shock to the system, but certainly Ambassador Crocker, this week, has ordered a review of how the Embassy attacks anti-corruption. One branch of it is how we develop capacity, and this is the offensive side; creating systems where it is harder to be corrupt, at the same time as continuing well-established track record on developing Iraq's own sovereign ability to deal with corruption. This is going to take time; there is no hiding that.

Mr. SHAYS. Now, it is his testimony, I think, that he didn't feel he got the help from the Maliki government that he felt he deserved. Was that your reading of his testimony? I am not asking you what you think; I am asking you what you heard.

Ambassador BUTLER. I didn't listen to all of his testimony, Mr. Congressman.

Mr. SHAYS. OK. Well, the testimony was fairly clear that he felt that he was taking a tough stand and was not getting the support of the government.

Chairman WAXMAN. Since they offered to kill him, I would say that is an understatement that they didn't offer to support him. They threatened his life.

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Mr. SHAYS. His testimony was he was not getting the support and he felt his life was threatened. And I have met other people like him, people like Fal al-Alusi, who has done very brave things and his life is threatened. That is nothing new for the folks that are trying to work on this government. So I appreciate that he was here. He thinks it would be helpful if there was someone within the Embassy that could be more focused on this issue. I think it is a constructive part of this hearing to which, Mr. Waxman, I thank you for helping to focus attention on that issue. But if it is to say that people in Iraq, the government is corrupt, given 35 years under Saddam, there would be nothing that would tell me it would be different now that you have a government, to which I might add is concerned that we might pull the rug out from under them and that they may not even exist.

Chairman WAXMAN. May I ask, Mr. Shays, do you think this is an appropriate question? Has Prime Minister Maliki or his associates obstructed any anti-corruption investigations in Iraq to protect his political allies? Do you think that is an appropriate question?

Mr. SHAYS. Of course. Is there anything that you would think that I would think it wasn't appropriate?

Chairman WAXMAN. Well, Ambassador Butler refused to answer it.

Ambassador BUTLER. Ambassador Butler offered to answer that in a closed setting, Mr. Chairman.

Mr. SHAYS. In a closed forum. So I would answer your point. I think things about the prime minister should be done behind closed doors and let Congress decide and listen to the testimony. I don't think we should have government officials be exposing people in those leadership positions.

Chairman WAXMAN. Well, how about this question. Do you believe that the government of Iraq currently has the political will or the capability to route out corruption within its government? Do you think that is a legitimate question to get an answer to?

Mr. SHAYS. I would hope that the Ambassador would share with us his sense of that, yes.

Chairman WAXMAN. Would you like to?

Ambassador BUTLER. Mr. Chairman, Mr. Congressman, we have provided an assessment of the concrete examples of the Maliki government's efforts on anti-corruption, as well as a general overview of the Embassy's anti-corruption efforts, which is a very appropriate subject for this hearing And the questions, the messages intended to transmit back to Ambassador Crocker an overall assessment of the Maliki government——

Chairman WAXMAN. How about an answer to that question?

Ambassador BUTLER. I would prefer——

Chairman WAXMAN. The question is do you believe that the government of Iraq currently has the political will or the capability to route out corruption within its government.

Mr. SHAYS. That is really a two-part question.

Ambassador BUTLER. It is an assessment. Again, I would prefer, because of the nuance involved in it, to do that in a classified setting, sir.

Chairman WAXMAN. Mr. Cooper.

Mr. COOPER. Thank you, Mr .Chairman.

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Thank you, Mr. Ambassador. During this hearing today, we have seen a pretty stark contrast. We saw, on the first panel, Judge Radhi, who is risking his life to tell us the truth, and here you are in the position of not being willing to risk your career to tell us the truth. Now, I am not faulting you, most people wouldn't want to risk their career, but we have the responsibility of raising money from the American people to pay for this war, and Judge Radhi told us, in his testimony that, "The cost of corruption that my commission has uncovered so far across all the ministries in Iraq has been estimated to be as high as $18 billion."

Now, maybe that is Iraqi money. My friend, Mr. Shays, tried to make that point, but money is fungible. I think total U.S. appropriations for reconstruction in Iraq has been about $20 billion. And if money is fungible and they can swap Iraqi money for dollars, we may have been party to taxing American citizens to pay for massive new levels of corruption heretofore unseen in Iraq. We have been in the country for 4 or 5 years now; they haven't exactly pulled out of the bottom of the ratings on the corruption index.

The dispute we have had over what is an open testimony and what is classified, the viewers should understand that it is not what we hear in a classified session—we would like to learn as much as we possibly can—but by hearing it in that session, then we are unable to talk about it, so the taxpayers don't get any new information. If you can't tell us here, they will not learn a thing, and here, sir, the people rule. And after 4 or 5 years than this, a longer engagement than World War II, they are kind of wondering what we should do, and we need to supply them with answers, and it shouldn't be an ideological dispute.

Let me ask you. I talked about the Jones Commission before, an excellent independent, bipartisan commission that reported last month, led by Marine Corps General James Jones, and he said sectarianism and corruption are pervasive in the Ministry of Interior and cripple the Ministry's ability to accomplish its mission to provide internal security to Iraqi citizens. He said basically it is so bad we have to disband the whole thing.

What is your opinion of General Jones' view of the Ministry of Interior's behavior? Is he right or wrong?

Ambassador BUTLER. Mr. Congressman, in 2004, the U.N. restored sovereignty to the Iraqi government. The recommendation as to what happens with the Ministry of Interior and the police forces would be a decision for the Iraqi people, the Iraqi Council of Representatives, and the Iraqi government.

Your first comment, my job here is to protect the lives and the interests of the people that are in Baghdad and throughout the country, from Irbil down to Basra. Some of the details that have been alluded to would have the potential of compromising their relationships and operations. I am sure you will appreciate that. The military calls it operational security, OPSEC. And the second part is our ability to have influence and be able to maintain trust with our interlocutors in Iraq is something which is very much covered by national security information. It is a judgment call and I have an obligation to them; not to my career, but to the people who can't be here to answer your questions, but have a very hard job to do. Judge Radhi and his colleagues risked their lives, some lost their

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lives. He has left his country and his homeland and done a courageous thing by coming before the committee. There are folks still there who have to finish the job, and the job will take as long as the job takes. I can't predict when it will end.

I have never seen corruption entirely routed out or defeated anywhere, but the Iraqis, because it is their country, have to develop the capacities, and your oversight is more than appropriate, it is very welcome to make sure that we in the executive branch are doing what we are supposed to do, what we can do to support Iraq develop the institutions and the capability to reduce corruption to the point where it doesn't affect economic development, where it doesn't fuel sectarian tensions, and helps this country become a strong and vibrant democracy.

Mr. COOPER. Marine Corps General Jones is as patriotic as you are. Mr. Bowen, the SIGIR Inspector General of Iraq, is as patriotic as you are. They are telling us what sounds more like the truth than what you are, at least in an open setting.

A final point. I see my time is running out. Secretary Rice said, in October 2006, "They, the Iraqis, need to do more of the kind of thing that apparently the interior ministry is trying to do." So here she is in a public forum complimenting the same ministry that General Jones tells us is so sectarian, so corrupt, basically, the Iraqi police need to be disbanded. Why is our Secretary of State saying things that are so directly at odds with the Jones Commission?

Ambassador BUTLER. General Jones and his very distinguished panel, who spent considerable time in Iraq in August and September, did so as private citizens with considerable extraordinary service in uniform to the country and the police service as well. Chief Ramsey was a member of that Commission. Certainly respected professional judgments based on what they saw and heard out there, and we are looking very hard at it. The Department of Defense, as you know, has primary responsibility for the Ministry of Interior and the Ministry of Defense.

Mr. COOPER. I see that my time has expired, Mr. Chairman.

Chairman WAXMAN. Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman. I don't think the American people would sit by idly and quietly if we were having secret discussions about $18 billion worth of taxpayer money going out the door through corruption, and I don't know of any situation where corruption has ever been defeated or diminished with secret meetings, as opposed to shining light on it and bringing it out into the public light and the public coming forward, whether Iraqi citizens or American citizens, demanding something be done. I mean, these hearings are about finding out who is corrupt, how that corruption is playing out, what should be done to stop the corruption, and to the extent our government is, what are we doing about it and how is it going.

We are not doing very much, when Judge Brennan, the former Director of the Office of Accountability over there says he is not aware of any coordinated U.S. strategy to fight corruption in Iraq; when James Santelle, who supervises the activities of that OAT organization and is the Rule of law coordinator for the Embassy, told us you have a system where the coordination is lacking; and Mi-

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chael Richards, the Executive Secretary of the Anti-Corruption Work Group, says basically he would like to be able to say that they have done quite a bit in this area, but, unfortunately, they have not.

Vincent Foulk, a senior consultant in the Office of Accountability and Transparency, was the primary drafter of two reports issued by the OAT, in December 2006 and another in July 2007. Those reports assessed the anti-corruption efforts of the Iraqi government, something you feel now would be a real high security risk to divulge. According to him, these reports were not classified when they were drafted, they were not classified when they were issued. They were, instead, marked sensitive but unclassified.

Now, both Christopher Griffith, Senior Advisor to OAT, Judge Arthur Brennan, the former Director of OAT, as I have said, confirmed that those reports were not classified when they were issued and they were not classified when they were drawn. Are you aware of those reports?

Ambassador BUTLER. Mr. Congressman——

Mr. TIERNEY. Are you aware of those reports, sir? I have only got 5 minutes, and I really want answers more than talk.

Ambassador BUTLER. I have, in the last couple weeks, become aware of working documents prepared by OAT.

Mr. TIERNEY. OK. Were you aware that those reports were not classified when they were drafted and issued by the Office of Accountability and Transparency?

Ambassador BUTLER. We only found out 3 weeks ago these documents, working documents, even existed.

Mr. TIERNEY. All right. And did you become aware that those reports have been widely distributed, both within the Embassy and with other relevant agencies, by e-mail?

Ambassador BUTLER. They were not widely distributed within the U.S. Government.

Mr. TIERNEY. You say they were not?

Ambassador BUTLER. Well, if we would have been, we would have known about it in my office.

Mr. TIERNEY. Did you know that they were apparently distributed to others, although maybe not your office, surprisingly so?

Ambassador BUTLER. I am unaware of the distribution of these internal working documents of the OAT.

Mr. TIERNEY. Interesting. Well, Scott Winne, the Acting Rule of Law Coordinator for the U.S. Embassy in Iraq, told the committee staff that he was asked to do a classification review of those reports shortly after this committee went and asked for those reports to be given to the committee for this investigation. Mr. Winne then told the committee he had never even done a classification review before. So why is it that when we asked for these documents, Mr. Winne is suddenly asked to review the documents for classification, when he has no experience in that field at all?

Ambassador BUTLER. I am reminded of the very first security infraction and almost the last one I had in the Foreign Service was as a junior officer. I wrote a message back to Washington that I marked unclassified, and when it went to my superior, he upgraded it to confidential. I didn't spot it, tossed it in my wastebasket when

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I finished with it, and got a pink slip from the Marine the next day.

This is the responsibility of classification authority. These documents were not properly classified and, according to the Embassy, have subsequently been appropriately classified given the sensitive nature of the information contained therein.

Mr. TIERNEY. This report, the one you thought wasn't circulated, was first given to Ambassador Saloom and his chief of staff. Five days later it was given to the Anti-Corruption Working Group, the entire group; and then it was given to the Rule of Law Coordinator and others. So apparently you were out of the loop, but it was distributed broadly within that group on that basis.

Ambassador BUTLER. Congressman, every person you have mentioned is inside the Embassy.

Mr. TIERNEY. It also went to the GAO and the Special Inspector General.

Ambassador BUTLER. It did not come back to Washington. We were unaware of the existence of that report.

Mr. TIERNEY. So that is the key, as long as it doesn't come back to Washington, it can be disseminated around the Embassy, to the GAO and to the SIGIR?

Ambassador BUTLER. My understanding is this was an internal draft working document which had not been blessed as an Embassy document.

Mr. TIERNEY. And you thought it was important not to share it with this committee, to have it accepted as a classified document?

Ambassador BUTLER. We provided it. Your committee staff was able to review it upon us finding out about it, and we provided hard copies shortly thereafter, sir.

Mr. TIERNEY. Can you see at all or appreciate at all the fact that this committee, and probably the public, finds it bizarre that something gets retroactively classified on a public hearing about corruption which weighs on the safety of our men and women over there? The testimony today is some $18 billion—that is without looking at the oil ministry, without looking at the interior ministry—of money that, according to testimony today, is going in the hands of militia, those same militia that are shooting at our troops, and your story is, well, we can't talk about that publicly, it is embarrassing to us and it might get the Iraqi government upset when the public knows that they are engaged in it as well.

Ambassador BUTLER. Congressman, you phrased that well. The safety of our men and women in the Embassy and those who are working on the anti-corruption deserve the protection of the proper classification of that document.

Mr. TIERNEY. What they deserve, sir, is a full investigation so that we understand the depth and breadth of it so that we can do something about it, instead of having people say that it is a disorganized department, a system where the coordination is lacking, where there is no awareness on the part of the director of OAT of any coordinated U.S. strategy to fight corruption, and where that money that is being corruptly taken out of circulation is given to militias who are shooting at our people. That is why we are having the hearing and that is why maybe we will wake you all up so that you have a coordinated effort at OAT and the working group and

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start doing something about it, and we will find out who is involved with it and get it done so that our people aren't being shot with weapons bought from money as a result of corruption.

Chairman WAXMAN. Thank you, Mr. Tierney.

Ambassador Butler, Stuart Bowen and David Walker testified earlier today that there is a lack of leadership undermining the anti-corruption efforts at the U.S. Embassy in Iraq. Mr. Bowen and Mr. Walker are certainly not alone in that sentiment. We have also heard in other interviews from several Embassy officials that there is no coordinated strategy for fighting corruption in Iraq. Now, maybe you don't want to talk about this issue because the U.S. Embassy is not doing its job. How do you respond to that?

Ambassador BUTLER. The SIGIR report of July did a couple of things, and the previous year. One, that there should be a consolidated anti-corruption strategy, which was prepared in 2006; and then, subsequent to this year's SIGIR report, Ambassador Crocker has convened and designated a person to conduct a full anti-corruption internal organization review.

Chairman WAXMAN. So you are doing better.

Ambassador BUTLER. We are attacking the problem when we find the problem, sir.

Chairman WAXMAN. Well, we learned, a couple days ago, when we looked at Blackwater, which works for the State Department, that there was no real oversight that the State Department was providing with regard to Blackwater troops, and they are a private military. Now I am wondering what kind of job the State Department is really doing, with this conflicting testimony, in oversight in terms of anti-corruption efforts, and I think this is going to be a serious matter that we are going to have to review.

I also want to just end by saying that I think your position is absolutely absurd that you cannot answer questions in an open forum that the American people are entitled to have answered before we appropriate more money to put into this war effort in Iraq. I just cannot understand it. So when I say we are going to have a confrontation with the Secretary, we want to know whether the State Department is doing its job of oversight with the private military that they have employed; whether they are doing their job of oversight with regard to anti-corruption efforts, which our Embassy should be supporting more strenuously; and we want to know why the State Department is refusing to talk to Congress and give us answers to questions that ought to be given in a public forum.

So I put that out there not to have you address it, but I just want to put you on notice and the State Department on notice that we are going to have to resolve these matters.

Mr. Davis, anything further before we move on?

Mr. DAVIS. Well, let me just ask what is the long-term hope over there? We are spending over half a trillion dollars to try to bring democracy and the rule of law to this country, and the question I think a lot of us face is are we giving birth to a democracy or are we babysitting a civil war.

Ambassador BUTLER. Mr. Davis, that really is the fundamental question, and my faith is in the people that are working on this, both in the men and women in uniform under General Patraeus' command and the men and women who work for Ambassador

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Crocker. Democracy is not easy; it is hard. It takes time, it takes imagination. We have a phenomenal team out there.

And I very much, Mr. Chairman, value your candor and appreciate the committee's attention to these issues because corruption is something that I have had to deal with in just about every assignment I have had in the last decade. This is hard. I have never seen anything as complicated as presents itself in Iraq, with a combat zone going on, the influence of the neighbors, and add to it the oil resources. I am confident that Ambassador Crocker is the right leader. He will, together with Jim Santelle, the head of the Rule of Law Department, get that part of it organized.

At the same time, what we haven't really emphasized this very much, Mr. Davis, but the efforts to develop the capacity of the Iraqis themselves, invest in people, invest in sort of help us, bureaucracies. They are able to deliver services and support the democratic institutions that are accountable to the people and that the Iraqis themselves can be proud of and not afraid of. I think we share that goal.

Mr. DAVIS. Thank you.

Chairman WAXMAN. Thank you for your testimony. Just for the record, total funding for ongoing and planned anti-corruption activities through June 15, 2006 was approximately $65 million, or less than .003 percent of the total Iraqi IIRF funding to date. That is just so we have a perspective of how much we are doing financially in that area.

We are now being called for a vote. We will respond to the vote and then come back and here the last witness.

[Recess.]

Chairman WAXMAN. For our last witness, we are pleased to welcome Claudia Rosett, a journalist in residence at the Foundation for the Defense of Democracies. We are pleased to have you with us today. It is the custom of this committee to ask all witnesses to answer questions under oath, so if you would please stand.

[Witness sworn.]

Chairman WAXMAN. Thanks. Your prepared statement will be made part of the record in full. We would like to ask, if you would, to present your oral statement in around 5 minutes. The button on the base of the mic you need to push.

STATEMENT OF CLAUDIA ROSETT, JOURNALIST IN* RESIDENCE, FOUNDATION FOR THE DEFENSE OF DEMOCRACIES

Ms. ROSETT. Good afternoon, Chairman Waxman, Ranking Member Davis, and members of the committee, wherever you are. Thank you very much for the chance to testify here today. I hope I can be of some help in providing some background and context for what you have been discussing. These are extremely important matters.

Is the mic at a good distance here? OK.

In listening to it, there are a few things I want to mention because I think they may be important, and I could not agree more with you that corruption is a huge problem, and it is one that should concern people, whatever side of the aisle, whatever. A brief story I want to tell you.

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I worked in Russia in the mid-1990's; I was the Moscow bureau chief for the Wall Street Journal, a reporter there before that. And there were no rules at that point; the Soviet Union had just collapsed and it was very hard to know what applied anywhere, except corruption was the way. Anything that worked worked by corruption. And there came this horrible cold day and the Iranians down the hall were trying to make the fuse box work again, and I had to file a story and I couldn't get anywhere. Finally, in misery and desperation—it was freezing—I called a man who won a Nobel prize in economics for looking at the interaction between political institutions and economies, exactly the nexus where corruption takes place. His name is Douglass North, back in the States. And I said, how long is it going to take for them to sort out the institutions so that this place works. And he said, oh, about 50 years. I thought, oh my God.

That is, I think, the real time horizon. And if I could just suggest—what I want to get to is Iraq was immensely corrupt before the period that you have been discussing, in the time when Saddam was there, and it is terribly important in understanding how to address this. I don't think anybody here who praised the Judge and understands some of the problems there, wants to simply leave it, but to understand it matters greatly there are different kinds of corruption, and it is something that is extremely complicated to clean up. I have seen it in countries in the Far East, in the former Soviet Union, and I have spent the past 5 years looking at how it worked when Saddam Hussein was in Iraq, because it was intimately entwined with the United Nations Oil for Food Program, which I have reported on and reported on.

Corruption is something that tends to sort of improve as a place becomes more democratic, but it is an organic process; it is not something where you can sort of do it step by step. It is also not all about fighting it with agencies. There is a tremendously important component that comes with simply getting rid of bad rules. It is the difference between, say, a Bangladesh with very high tariffs, where trading in just normal goods like soap and socks can be illegal and corrupt, and Hong Kong, where it is a free market and it is legitimate trade, and there is not such reason for officials to have their hand out. Any time you see these levels of corruption as you do in Iraq, and have for a long time, that is a big part of the problem.

A further item that I think just needs consideration. This can be discussed and explained in many ways, but corruption does not necessarily bring down governments. That may be unfortunate, but I did in fact print out the Transparency International latest list just out, and in my written testimony mention that Iraq is third from the bottom. But they are bunched up, a great, great many countries, way down near the bottom on the scale of 1 to 9, and if you look, you will also see that Iran is not so different. Would that it were the case that enormous corruption would just hollow out and bring down a regime. It doesn't necessarily follow in that way. One can deplore it and, yet, countries on this list, sort of very close to this level of corruption, include some like Russia, Syria, Azerbaijan, Belarus—where the dictator has been in power for

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years—Venezuela, and so forth. So just to say this is a complex scene.

And in the short time here, something important to understand in Iraq, under Saddam Hussein it was immensely institutionalized. Corruption was so much part of the government that one of the fascinating scenes in a Federal trial that just concluded with a guilty plea in New York on Monday was an Iraqi witness who ran the corruption data base for the oil ministry. In the hundreds of millions of dollars of kickbacks that poured in when Saddam began collecting kickbacks on Oil for Food contracts, they actually set up, officially, inside their state marketing organization, an entire section data base, cabinets, employees, who did nothing but track graft. And this really was graft; it had to come through front companies, it was something that violated the agreements that Iraq had struck with the United Nations. It was also graft in the sense that it was skimmed away from money that was supposed to go for the relief of the Iraqi people. It went, instead, as we know, for palaces, weapons, convention, but still deadly, and all the other things that Saddam Hussein liked to do with it.

When his government fell, in a sense, the same kind of thing as happened in the former Soviet Union. This corruption was, in a sense, privatized. It was no longer sort of the state. The state under Saddam was Saddam, so when he decided to have a collection for kickbacks, as the Judge said, oil was for Saddam and his family. That oil was the main source of—that was almost the only source of foreign exchange for Iraq.

Mr. WAXMAN. Is it fair to say that what happened is that, under Saddam Hussein, corruption was centralized, and then when he was gone, it was like the head cutoff and corruption spread much further, to others who could be corrupt independently?

Ms. ROSETT. It was spread, even at that point, in the sense that oil was for Saddam, but there is huge evidence, documentary evidence that I have looked at and is publicly available from many of the investigations into the U.N. Oil for Food Program, that the ministries, some of the ones that you are also concerned with, the Ministry for Sports—if you run through the list—the ministries, many of them which were involved in the humanitarian contracts, also had kickback deals. So it was institutionalized there as well.

What has been inherited by the Iraqis, by everyone who is dealing with this right now, the Americans, anybody, is a system in which, really, every part of the system—these were fractals—had something like this going on. The evidence I have seen suggests that Saddam had a very, very organized way of raking in all the oil graft, of the money. The rest of it was more difficult for him to control. In fact, in my written testimony I mention the best report put out on the subject in 2002, even before his fall, by the Coalition for International Justice, which talks about the Uday-Qusay—remember them—Hussein rackets, and they were jockeying sort of like, you know, the Sopranos of Iraq, for who would control the turf, who would have the cigarettes, the——

Mr. WAXMAN. Do you think that the fact that the corruption that we are seeing now is making it harder for the Iraqi government to reconcile the different ethnic groups—the Shiites, the Sunnis, the Kurds—and do you think that the corruption that is going on now

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is making it more difficult for the Maliki government to have the legitimacy with the people of Iraq?

Ms. ROSETT. I think that it would be a wonderful thing if the connections were that linear. I am trying to think how to explain it because it is a more complex set of interactions that go on.

Mr. WAXMAN. Well, do you think this is one of the factors that works against the goals of reconciliation in Iraq and legitimacy for the government?

Ms. ROSETT. Oh, corruption is terrible in any setting, absolutely.

Oh, and there is one other thing I meant to say to you. I fully agree that it would be a highly useful thing were the State Department to be far more open. I would, if anything, suggest taking it back some years. I think, at this point, there may be less ability to influence things that way than there was. On the other hand, what is the point? We go forward. I think one should go forward. But I share the frustration of trying to see documents that I think should be publicly available. My own experience was it took 5 years from the time I called someone at the U.S. Mission in early 2003 to say I see generic signs that, in this debate over whether or not the United States should go into Iraq, the members of the Security Council have been bribed by Saddam Hussein, because his graft also radiated out, you know, it affected everything that came close. When Charles Duelfer said, in testimony 2 years ago, it poisoned everything it touched, that was the system that Saddam set up.

And I think there was a moment when we first went in—I am giving my own view—sort of like the first day on a new job, when you have a chance to do things, where bringing out what was, at that point, clear and yet very hard to document might have helped. It might have said, you know, we won't put up with this while there was a chance to set some terms. That didn't happen. It took until the following year, 2004, when an Iraqi newspaper, Al-Mada, published what we now know as the Al Mada list, a long list of people on the take simply on the oil side of the graft, in that program that had become the Iraqi economy, basically.

Mr. WAXMAN. Isn't there a problem in Iraq in trying to figure out how to deal with the sharing of the oil revenues because it is so much a major part of their economy?

Ms. ROSETT. That actually——

Mr. WAXMAN. Because I know our government has tried to push them to adopt legislation for greater sharing of those revenues so people could all feel they have a stake in the future of the country.

Ms. ROSETT. I will give you again my own prescription, and one I wrote in 2002, but many people wrote many things. I think they will have this problem, I would actually say I think part of the problem, corruption is a symptom. Let me back up and try just an economic slant on this.

Corruption is basically, what is a corrupt deal? There are many ways and levels in which you can engage in it, but basically it is putting a price on a transaction. It is saying you want something done? OK, but I can get that done for you; I have discretionary power, but there is a price. It is a pricing mechanism for things that, in a society with integrity, ought to just happen; the government should do the things for you, not make you pay for it. And

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in that sense the oil is one of the things that makes for immense corruption, as long as it is in the public domain.

My own recommendation actually has been, from the beginning, unless it is privatized, I mean, the way it really should be dealt with is sell it off to private companies and distribute the revenues, whatever is raised by that to the people of Iraq. What that does is it removes from the public domain that endless tempting pot, which I actually think explains a great deal of the war that is going on there right now.

Chairman WAXMAN. That is a very interesting point. I see my red light is on, so I am going to call on Mr. Davis to ask you questions.

[The prepared statement of Ms. Rosett follows:]

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Statement of Claudia Rosett

Journalist in Residence, The Foundation for Defense of Democracies

Before the Committee on Oversight and Government Reform

United States House of Representatives

October 4, 2007

Good morning, Chairman Waxman, Ranking Member Davis, and members of the Committee. Thank you for the opportunity to testify here today. I hope that I may be of help in providing some historical background and context for the questions now arising about how best to address corruption in Iraq.

My background in reporting on corruption comes from working as a journalist over the past 26 years in a number of countries in which corrupt practices are widespread and deeply entrenched – among them the Philippines immediately after the fall of Ferdinand Marcos, India, China, and Russia and other former Soviet states in the years immediately following the Soviet collapse. During the past five years I have spent considerable time reporting on corruption connected with the United Nations Oil-for-Food relief program for Iraq, which ran during the final years of Saddam Hussein's rule, from 1996-2003. This program became a window on corrupt practices not only at the UN, but in Iraq itself. The two became intimately entwined.

As I informed the Committee staff, I am less familiar with the specifics of the current situation in Iraq, though it is clear that the corruption is extreme. Berlin-based Transparency International, in its 2007 Corruption Perceptions Index, ranks Iraq third from the bottom in a list of 179 countries; more corrupt than Zimbabwe, Uzbekistan and Haiti; and only slightly better than Burma and Somalia.

This did not begin with 2003 fall of Saddam Hussein. There are no pre-2003 rankings to compare, for the simple reason that despite a database on its web site going back to 1998, Transparency International did not include Baathist Iraq in its rankings at all. What happened inside Iraq in the way of corruption was treated by the rest of the world as largely a matter for Saddam's government, even after the UN in 1996 officially took on the job of oversight of the core economy. Saddam's approach was to institutionalize corruption in keeping with the opportunities and needs of himself and his inner circle to a

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degree that transformed virtually the entire economy of Iraq into a network of patronage, plunder and graft.

In other countries that have emerged from tyranny bereft of any normal, functional system of law and versed in criminal rackets – for instance, most of the nations spun out of the former Soviet Union -- we have witnessed the enormous difficulty of establishing institutions that police corruption and protect and reward integrity.

In Iraq, this has been made all the more difficult not only by the violence, but by the legacy of the sanctions era and relief program that marked Saddam's final stretch in power. Sanctions, combined with Oil-for-Food, was a mix meant to contain and control Saddam's government while delivering help to the population. The irony is that the UN arrangements served, if anything, to hones the skills, compound the complexities and extend the depth of corruption both inside and emanating from Iraq. In the various investigations into Oil-for-Food that followed the overthrow of Saddam, much has come to light about the devices and dodges by which the Iraqi regime translated erstwhile relief funds into palaces, arms and patronage, rather than baby milk, medicine and soap.

Having entered into an agreement with the UN in 1995 that despite the sanctions imposed in 1990 following the invasion of Kuwait, Iraq's government would be allowed to sell oil solely in order to buy humanitarian relief, Saddam and his sons, cronies and functionaries then enlisted every subterfuge, scam and corrupt practice in the book to cream money out of the funds theoretically earmarked for the public good. Meanwhile, the majority of the population came to depend on the patronage and rations doled out by this same corrupt government. Corruption was the norm; the only issue was who came out on top in the competition to run the rackets. This provides at least a crude guide to the habits and tacit understandings – not to mention the unfortunate set of skills – which any attempt to address corruption in Iraq must now overcome.

An excellent report on this era, released in September, 2002 by the Coalition for International Justice, is a 70-page study entitled "Sources of Revenue for Saddam & Sons: A Primer on the Financial Underpinnings of the Regime in Baghdad." It includes a discussion of the competing crony networks of that time, the shifting balance between Saddam's sons, and an overview of sanctions-busting techniques -- illicit, immoral and ever more refined – including not only such well-known practices as smuggling oil (and the jockeying for the franchises to do so) and over-invoicing to scam money out of payments for food, but practices such as "Fleecing Pilgrims."

One of the authors of that study, John Fawcett, testified two years ago before the House Committee on Energy and Commerce. In that instance he was speaking mainly about the effects of Oil-for-Food corruption on the international system. But what he said applies even more thoroughly to Iraq itself: "The oil for food program gave a tremendous boost towards the institutionalization of corruption within the global economy, the repercussions of which have barely begun to emerge."

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One after another, subsequent studies have weighed in with similar findings about the corruption that grew inside Iraq (and radiated from it). When CIA chief weapons inspector Charles Duelfer produced his September, 2004 report, what grabbed headlines was that he had found no weapons of mass destruction. Less noticed was that he had devoted hundreds of pages of his massive report to chronicling the vast landscape of corruption he encountered via interviews with former Iraqi officials, and documents from the secret files of the regime. In his introduction to what is now known as the Duelfer report, he wrote: "In many ways, the arms inspectors have merely been leading the way in exploring the decay that Iraq became, and, indeed, the corrupt systems that grew parasitically on Iraq as it decayed."

Mr. Duelfer included detailed descriptions of many of the front companies, rackets, and the institutionalized corruption, such as that of the Ministry of Foreign Affairs, which "facilitated, established, and maintained foreign government and business contacts and provided Iraqi officials involved in illegal international trade with financial and political sanctuaries."

Similarly, when Paul Volcker's U.N.-authorized probe looked into Oil-for-Food activities on the ground in Iraq, he found – as he noted in his Sept. 7, 2005 report – that "It is clear that the environment in Iraq during the Programme enabled (and possibly even fostered) corruption." Among the examples he cited, "in which poor controls enabled fraud and corruption" was the need, in absence of a reliable banking system, to transport and keep on hand large amounts of cash.

In a U.S. federal trial which ended just this week in Manhattan with the guilty plea (of conspiracy to defraud the Oil-for-Food program) of an American former Oil-for-Food contractor, Oscar Wyatt, prosecutors introduced into evidence a once-secret database kept by the marketing arm of the Iraqi Oil Ministry. It was devoted entirely to keeping track of hundreds of millions of dollars worth of illicit kickbacks on oil sales – including not only the names of the clients paying these fees, but the relevant front companies from which the money came, and the illicit Iraqi-controlled accounts into which it flowed. This was corruption exalted to the level of state policy – not for the good of the Iraqi people, who were in fact the chief victims of these schemes.

This translated into a culture of graft so brazen as to produce the example in 2002 of a Russian businessman with a Swiss front company, Lakia S.A.R.L., who paid a $60,000 "deposit" upfront – in other words, a kickback -- into a secret Iraqi-controlled account in Jordan, in order to obtain a lucrative Oil-for-Food oil contract. The Iraqis on the receiving end took the money, but did not deliver the contract. Outraged, this businessman sent faxes to both the UN and the Iraqi government in Baghdad, demanding a refund of his kickback.

Multiply this sort of scene across thousands of companies contracting with Saddam's government under the official Oil-for-Food program, compounded by many more doing

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illicit business not only in smuggled oil but in smuggled goods, and what comes into view is an astounding infrastructure of corrupt activity.

As Mr. Duelfer noted in his 2004 report, Saddam did not tolerate corruption from others when it infringed on the wholesale corrupt activities of his regime. But he enlisted the entire apparatus of the state in furthering corrupt schemes that enriched himself and those he favored. When his government fell, what remained was an utterly corrupt ethos, wrapped around decayed institutions, in which the measure of right or wrong had nothing to do with justice, and everything to do with power and opportunity.

How to change that ethos is a big question. I believe there was a moment early on, just after the fall of Saddam – or even before -- when maximum daylight, in the form of extensive and early disclosure of the extent of the corruption, with the available documentation, might have helped chart a better course. But I do not think there is, or has been at any stage, a quick and easy fix. But the answers begin with transparency, combined with an understanding of the assumptions and practices that engendered this ethos in the first place.

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Mr. DAVIS. Well, thank you very much for your experience and insights on this. Iraq, right now, is a fledgling democracy in the middle of war. How do wartime circumstances exacerbate the corruption?

Ms. ROSETT. Well, in a normal economy they would tend to make it worse because the government would put on regulations and rationing. But Iraq hasn't had a normal economy in decades.

Mr. DAVIS. They never did, did they, really?

Ms. ROSETT. I think the problem of how are people choosing to spend their money—this may sound odd, but, again, I am sort of thinking of the economic view of this. And could I just suggest we have heard a lot from the State Department today and from bureaucrats who use phrases like capacity building. I don't think anyone who uses the phrase capacity building is going to be able to think past that jargon to figure out what really needs to be done.

Mr. DAVIS. Well, do you think the State Department is doing enough?

Ms. ROSETT. Sorry?

Mr. DAVIS. Do you think the State Department is doing enough?

Ms. ROSETT. Actually, I think they are doing the wrong things. They are doing too much of what they shouldn't and not enough of what they should, and I think what they ought to be doing is, first of all, to whatever extent they can, looking for ways to reduce all these mechanisms that make it possible for people to collect graft. What is it that people are selling when they collect graft, when corruption happens in Iraq? Oil is one of the things that fuels it. That is what I was going to say. I think, flip it around. As long as there is oil in the public domain, it will be extremely difficult to deal with corruption. That is the reason, if you look at the OPEC lineup, with the exception, basically, of Norway, they are enormously corrupt states.

Mr. DAVIS. Well, that is because the democracies there have never had to face the contract between being taxed for services and getting the buy-in because the money has come too easily, basically, right?

Ms. ROSETT. That is exactly right. And when you have to haggle out with the people you are collecting the taxes from, you have a great deal more—you know, take a country—I lived in India years ago, and corruption was——

Mr. DAVIS. So, basically, the oil exacerbates that corruption.

Ms. ROSETT. Yes. It has done it in Russia; it has done it in Venezuela; it has done it—where is that transparency list? It is no accident, yes. I mean——

Mr. DAVIS. So you were explaining what the State Department ought to do differently. You were saying they are doing the wrong things.

Ms. ROSETT. I am going to say something that probably will sound crazy, but let's put it on the record.

Mr. DAVIS. That is all right.

Ms. ROSETT. The biggest favor anyone could do to actually help end corruption in Iraq would be destroy their oil wells. Leave them like the people in Hong Kong, who sat on a rock and thought what can we do with ourselves, or the people in Taiwan, who ended up there, too many of them on an island, and had to figure out ways

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to earn a living, where there wasn't somebody doling it out or people fighting for this immense source of wealth. However, I understand the State Department probably isn't going to go bomb the oil wells of Iraq.

Mr. DAVIS. No, but that is a good observation. You know, the fastest growing Arab economy in the Middle East is Jordan, and they have no oil.

Ms. ROSETT. Exactly. And that is no accident.

Mr. DAVIS. Correct.

Ms. ROSETT. It is the great curse. In fact, it is the same thing—some of the most perceptive Russians said to me when I was working there, and that is one of the problems here. In other words, it is so tempting to talk about fighting corruption in terms of set up an agency, do a study. There are things that, if we had privatized that oil when we first went in there—and you could see the complications. There would be an outcry: oh my God, is that trying to steal it? It would have been terribly important. If there is ever any political way to do it—I don't see really how you would, but you are the politicians, I am not.

What I can see is if there were any way to do it, the money should go to the people of Iraq. That is the patrimony that right now, in theory, they own, but in practice what they get for it is wars. And it is looking for some way to deal with things like that can actually help. As I mentioned, I am not familiar enough, right now, with what are the nest of rules of claims of things that Iraqis have to bribe for. I am much more familiar with what it was when Saddam Hussein was doing business. That was quite obvious.

Mr. DAVIS. Do you know how this operated under the British mandate? I mean, you know the level of corruption? The British usually ran a pretty clean area.

Ms. ROSETT. Yes. Well, one of the things that was much harder to buy under the British was any semblance of law. I mean, any system will have some corruption, but part of—I saw it at work in Russia. It is frustrating, it is heartbreaking. You can see what is needed and it is extremely hard to bring into being. Thus, that answer of 50 years, when Douglass North—he wasn't kidding. But back up for a minute. Look at what was going on in Europe just after World War II. Germany was a disaster. I mean, Graham Greene wrote wonderful novels about how corrupt things were in those times. That was the third man, Orson Wells selling tainted penicillin, you know, laming children so he could live well, the sort of symbol at the time. You know, it takes a long time.

And I realize the question you have been asking at the hearing today is, is there a sign of hope. I would suggest there is in the following sense. Under Saddam Hussein there was no hope; it was built into the system in ways where, as long as he and his circle were there, nothing could change. Now there is some hope and there are some signs that I think matter. That Al Mada list I mentioned earlier, a Baghdad newspaper at least could print a list of the corrupt people; they can discuss it to a degree they could not.

Chairman WAXMAN. I am going to ask you to hold that and recognize Mr. Van Hollen. He may be pursuing the same lines of questions.

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Mr. DAVIS. Mr. Chairman, let me just thank our witness. I am going to leave, but thank you for being patient and thank you for adding your observations.

Ms. ROSETT. Oh, thank you.

Chairman WAXMAN. Mr. Van Hollen, do you have questions of the witness?

Mr. VAN HOLLEN. I just want to thank the witness. I caught some of your testimony actually on the internal monitors, as you started off your testimony. I think we can all agree this is not a partisan issue in terms of the desire to fight corruption, that Republicans and Democrats alike would like to join in that effort. And having been a journalist, I would assume that you think that publicizing or exposing corruption is one way to fight it. Wouldn't you agree?

Ms. ROSETT. It is a pretty good way, yes.

Mr. VAN HOLLEN. I mean, we have a saying around that sunlight is often the best disinfectant, meaning if you allow the public to watch what is going on——

Ms. ROSETT. I usually call it daylight, but I like that, yes.

Mr. VAN HOLLEN. Daylight, OK. But, I mean, you would agree with that general proposition, would you not?

Ms. ROSETT. Yes, I would.

Mr. VAN HOLLEN. So I find it very curious that the State Department has taken the position that even talking about corruption in Iraq in open is somehow a bad thing, because you would think one of the best tools we could use to try and clean it up and make sure that funds were better used would be to expose the problem in public. Wouldn't you agree?

Ms. ROSETT. I would. I think they are making a mistake. Could I back up, though, and just say one thing I think is terribly important to put in context, and it is that they should have been doing it for years. Again, it is what I was saying before. This thing has deep roots, long legs, and has morphed as it has gone along. I am not convinced, from the tangible signs one can see, that there is more corruption in Iraq than there was, say, during the final years under Saddam, because I think you need to ask the further question corruption of what kind. What is it buying, what is it doing?

Mr. VAN HOLLEN. If I could just——

Ms. ROSETT. But basically what I am saying is, oh, yes, I think they should have exposed the documentation they had on corruption under the U.N. Oil for Food Program. I think they should have spilled out documents as soon as they went into Baghdad and began finding them. And, yes, I do think they should be producing more today.

Mr. VAN HOLLEN. Right. I mean, obviously, the regime of Saddam Hussein was a terrible regime. It was a regime we did criticize openly in many, many different ways, for lots of their actions, but——

Ms. ROSETT. No, no, you have no idea. The frustrations that you have been experiencing I found in trying to get documentation.

Mr. VAN HOLLEN. I understand. But we did invade Iraq with the government of Saddam Hussein and now, of course, we are there. We had the interim government and we had the coalition authority, and the fact of the matter is we are now, wouldn't you agree,

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in a much better position, if we chose to, to affect the problem of corruption in Iraq than we were under the regime of Saddam Hussein? You would agree with that, would you not?

Ms. ROSETT. Yes.

Mr. VAN HOLLEN. OK. So I guess the question is why we have spent such a measly amount of money in terms of fighting corruption.

Ms. ROSETT. Wait, no. Actually, no, wait. Can I back up? I think we would have been—no, I think it would have had, actually, an extremely salutary effect if we had been—we, who is we? If the U.S. State Department, if the U.S. Government had been—I am not with the government, I am a journalist—if the U.S. Government had been forthcoming at the time, had been open, had said here are the documents showing what is going on, who is doing these deals. I think that would have actually possibly even headed off this war, OK? That is how important I think it was. But I agree it should happen now.

I would link that to something very important. I think, as an argument for saying let's abandon Iraq, to me, it doesn't hold up because what is it we are trying to achieve there? You know, would it be, then, less corrupt if we left? I don't think so. I think, again, the Judge put it very well; I think predatory neighbors would move in and it would be hell, beyond anything they are seeing now. Should America care about that? That is a subject for another hearing, I think.

Mr. VAN HOLLEN. But you would agree, would you not, that the failure of the State Department to sort of publicly address this issue makes it easier for it to continue. In other words, if you were to shine a light on this problem and publicly address the problem, you are more likely to be able to solve and confront the problem, isn't that the case?

Ms. ROSETT. Yes, I agree. I can see a case for hiving off what is probably the 2 or 3 percent of whatever the actual documentation or evidence is that does in fact involve mortal danger to somebody. I am all for that. But the other 80 or 90 percent, yes, put it out there. I think—over and over again we see, with diplomatic institutions—I see this all the time. My main focus in recent years has been the United Nations, but the State Department is in some way akin to that kind of thing. We see the argument that we can't rock the boat; you mustn't shake people up; we don't want to disturb anything. Very often people are not fools. You know, Iraqis know if there is corruption. It has real effects. It is better to say here is the problem. And if that needs to be accompanied, for purposes of U.S. politics or security, by the argument that it is terribly important that we be able to sustain a government in Iraq one way or another, fine, but, yes, better to tell the truth.

Chairman WAXMAN. Is it safe to say that if the State Department won't talk in an open forum about corruption in Iraq, the people in Iraq are still going to know whether there is corruption in Iraq?

Ms. ROSETT. Of course. They will not know it in the same way.

Chairman WAXMAN. That was a rhetorical question.

Mr. VAN HOLLEN. Let me just close. I think that also raises the question about why they won't talk about it. People in Iraq know why they won't talk about it in an open forum here, I think, frank-

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ly, is an attempt to hide a very real problem going on in Iraq from the American people.

Thank you very much, Mr. Chairman.

Chairman WAXMAN. From the American people, not the Iraqi people.

Mr. Shays.

Mr. SHAYS. Thank you, Mr. Chairman. Thank you for having this hearing and thank you for the witnesses that you have asked to step forward.

One of the advantages of missing your testimony, which you summarized, is I actually read your whole testimony, and it is pretty stunning, because what you basically say is that Iraq has been a corrupt country for any number of years, but it had a unique kind of corruption because it was using the apparatus of government under Saddam to become even more corrupt——

Ms. ROSETT. That is right.

Mr. SHAYS [continuing]. And that the Oil for Food Program, which, by the way, our committee exposed, we led the charge on and you were a witness, and a wonderful witness, the Oil for Food Program institutionalized the corruption in a very public way within Iraq.

Where I might disagree with Mr. Van Hollen and my very distinguished and sincere chairman is that I believe that the Iraq government is thoroughly corrupt based on what it has been, and I believe in part it is corrupt because there are some in the government who, if they thought it would be a government that would last and so on, that they would be more willing to invest and say, OK, I will make money in the long run through a less corrupt way, but if they think that we are going to pull the rug out from under them, some are just going to cash in on a government they think is going to fall.

And I will say parenthetically one of the reasons why I think we need a time line to tell those who think we are going to pull the rug out from under them we are not, and to tell those who think we are going to stay forever that we are not going to stay forever in the way that we are now. That is an editorial comment.

What I would like you to comment on is just explain in your words how the Oil for Food Program has created almost a unique form of corruptness within a government.

Ms. ROSETT. Sure. What it did was where, as you heard the Judge say, Saddam had sort of taken all oil for himself and his sons and his immediate cronies, this made it an internationally approved system in which basically he was handed all rights to dispose of all the oil, to conclude all deals, and this was under U.N. sanctions. It was a truly poisonous mix, in other words. Iraq was enormously corrupt, from what one can read, before sanctions were imposed——

Mr. SHAYS. So what he did is he undersold his oil and got kickbacks——

Ms. ROSETT. Yes.

Mr. SHAYS [continuing]. And he overpaid for commodities and got kickbacks——

Ms. ROSETT. Yes.

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Mr. SHAYS [continuing]. And anyone who did business with him was doing business with the government, which they knew was corrupt.

Ms. ROSETT. Yes. And what happened was—you need to understand the U.N. Oil for Food Program. Let me just, in very brief——

Mr. SHAYS. No, you need to be short because I only have 3 minutes left here. So give us the short version.

Ms. ROSETT. OK. Basically, any money he could skim out of these oil flows, which were meant to buy relief for people in Iraq, was his to do whatever he wanted with, and this produced enormous incentives to, in every way possible, set up clandestine channels, front companies. This created a pool of talent the same way in Afghanistan.

Mr. SHAYS. So he couldn't do it by himself; he had to engage his citizens in this effort.

Ms. ROSETT. He had an entire bureaucracy, and that was this Iraqi who was brought over as a witness for the prosecution——

Mr. SHAYS. So rather than teaching a government to be honest, he was basically, you were getting an education under his government how to work of the state and be corrupt.

Ms. ROSETT. That is exactly right.

Mr. SHAYS. OK. So I am at this point. I go to Iraq a lot and I meet a lot of people, some who I think are trying to make it a better place; some who I think are trying to make it a better place and skim money off of it. If in fact a particular leader or a number of leaders are corrupt, what is the value in the State Department, let's just say Maliki. What would be the value and how would it help us work with Maliki to say that he is in fact corrupt? How is that going to make our troops safer and how is that going to make us ultimately help change Iraq?

Ms. ROSETT. I am not sure that we need to pronounce him corrupt. I am speaking as a journalist here. I think that documentation speaks. I mean, it is not necessarily the job of the United States; it is the job of Iraqis.

Mr. SHAYS. Have you met anyone who thinks Iraq isn't corrupt?

Ms. ROSETT. No.

Mr. SHAYS. Everyone knows Iraq is corrupt, so we know it. So really the issue is what do we do to make it less corrupt. That should be our goal. I know it is the goal of the chairman. The question is how do we do that. Is exposing every leader that we think is corrupt going to make it less corrupt is my question.

Ms. ROSETT. I don't——

Mr. SHAYS. Bottom line is we don't know.

Ms. ROSETT. Yes. You know what I think? I think that it does matter to actually see when, the danger here is that you can start selectively targeting people, who do you want to pick off——

Mr. SHAYS. OK, let me——

Ms. ROSETT. I think it is not necessarily—I am not going to make policy——

Mr. SHAYS. OK, here is the answer that I would have given, and tell me how you react.

And thank you, Mr. Chairman, for letting me run over here.

What it seems to me is when we see a corrupt act, when we see a payoff, when we see this, we expose the act and then let people

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go to see who performed the act. And it would seem to me that should be our emphasis, where do we identify a specific action of corruption.

And I do agree, Mr. Chairman, with this point. I totally agree with it. If we have a witness that says Mr. Maliki or someone else—and he was under oath, I believe?

Chairman WAXMAN. Yes, all witnesses before the committee are.

Mr. SHAYS. Is under oath, is saying to us that a specific person basically told me if I did this my life would be in danger. Now, if he is saying that someone else is going to make your life in danger, that is one thing, but if he is saying I am going to make sure your life is in danger, I think that needs to be exposed. I do totally agree with that.

Chairman WAXMAN. Would the gentleman yield to me?

Mr. SHAYS. Absolutely.

Chairman WAXMAN. I asked Judge Radhi do you think that Prime Minister Maliki is corrupt, and he said to me I am a judge, I can't make a decision on a point like that; I can't say that. But he said what I do know is that he stopped investigations of corruption of some of his relatives.

Mr. SHAYS. And if I could, and that, I think, is the key point. It is kind of what I am learning from this. The way he said it is the way I think we ultimately get at it, because he is basically stating fact and action, to which we then can respond——

Ms. ROSETT. Which is the basis of law, actually, which I think ultimately is what is needed here, is what Iraq is desperately missing.

Chairman WAXMAN. I think you both made very good points.

Do you want to summarize, Mr. Shays?

Mr. SHAYS. Well, just to thank you, Mr. Chairman, for having this hearing.

I thought your statement was excellent because the one thing it has done for me is it has made me realize that there have been corruptions in lots of governments, but what is unique about this is, under Saddam, he was actually teaching his citizens to be corrupt so that he could have the power he needed, and that was quite enlightening.

Ms. ROSETT. May I just share with you for a second a vision——

Chairman WAXMAN. Well, we have been here all day and we have a short business meeting we have to attend to.

Ms. ROSETT. Sure.

Chairman WAXMAN. So maybe you can get together with Mr. Shays after the official meeting.

Mr. SHAYS. But anything you want to put on the record in writing we could submit.

Chairman WAXMAN. Yes, we would certainly receive it.

Ms. ROSETT. This is one scene from a New York courtroom. It was simply the silver laptop. I wrote an article about it in the Wall Street Journal yesterday; you can read it. But the silver laptop on which the entire kickback data base for the Iraqi oil ministry under Oil for Food had been downloaded, this data base, and this Iraqi on the witness stand, brought in by Federal prosecutors to show the jury how it worked, typing in a name and up would come the whole list of itemized kickbacks and connected front companies.

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And I have followed these documents for years at this point. I have never understood quite that viscerally until I saw this, how thoroughly institutionalized it was. It was the way——

Chairman WAXMAN. You are talking about in the Oil for Food Program——

Ms. ROSETT. Yes.

Chairman WAXMAN [continuing]. Or today?

Ms. ROSETT. No. This was the Oil for Food Program. But this was——

Chairman WAXMAN. OK, well, I think people learned some lessons from that. Thank you very much.

Ms. ROSETT. Thank you.

Chairman WAXMAN. I appreciate that story.

That concludes our hearing for today, so we stand adjourned.

[Whereupon, at 3:55 p.m., the committee was adjourned.]

[The prepared statements of Hon. Patrick McHenry, Hon. Diane E. Watson, and Hon. Bill Sali follow:]

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PATRICK T. McHENRY
MEMBER OF CONGRESS
10TH DISTRICT, NORTH CAROLINA

224 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2576
FAX (202) 225-0316
www.house.gov/mchenry

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FINANCIAL SERVICES
OVERSIGHT AND
GOVERNMENT REFORM
BUDGET

Congress of the United States
House of Representatives
Washington, DC 20515–3310

October 2, 2007

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Opening Statement by Representative Patrick McHenry
Oversight and Government Reform Hearing

Mr. Chairman, while this committee is the main oversight and investigative committee in the House of Representatives, it is irresponsible of us to pursue and put on trial government officials and companies without all the facts. Those facts are being investigating surrounding the September 16th Blackwater incident in Baghdad – neither of which have been completed nor have released any facts.

Let me be clear – Blackwater has protected dozens, if not hundreds of Members of Congress in Afghanistan and Iraq – and done so without injury. I, along with other members of this committee, were protected by Blackwater during our time in Afganistan; I'm grateful for their protection.

I am here today to get the facts on the record in an effort to clear up the contradicting reports being produced in the media. Much is not clear. We have conflicting media reports written by reporters who were not present for the events. And we do not yet have an authoritative report from the Executive Branch based on eyewitness accounts.

Today, we should be reviewing the rules of the contracting process, investigating whether companies are following those rules, the legal ramifications and whether the system of contracting should be modified – these are the issues that we should be dealing with today.

Patience is a virtue when it comes to investigating something as serious as the loss of human life. With thousands of soldiers, diplomats, and contractors risking their lives in such a dangerous region of the world – we should exercise patience in this process and allow the ongoing investigations to come to a conclusion before we complicate the process with a knee jerk Congressional hearing.

Let's deal with solid facts; not simply allow trial lawyers and front page stories to dictate Congressional action. It's obvious, contracting is the liberal democrat cause du jour.

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[redacted]

From: [redacted] [mailto:[redacted]@state.gov]
Sent: Monday, September 24, 2007 6:55 PM
T : [redacted]; [redacted]
Subject: redlines

Dear[redacted]:

Here are the redlines from State:

-Broad statements/assessments which judge or characterize the quality of Iraqi governance or the ability/determination of the Iraqi government to deal with corruption, including allegations that investigations were thwarted/stifled for political reasons;

-Stat ments/allegations concerning actions by specific individuals, such as the Prime Minister or other GOI officials, or regarding investigations of such officials.

Apologies for the delay.

[redacted]

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Opening Statement
Congresswoman Diane E. Watson
Oversight & Government Reform
Hearing: "Assessing the State of Iraqi Corruption"
Thursday, October 4, 2007

Thank you Mr. Chairman for holding today's very important hearing that will focus on the state of corruption in the Iraqi government. Since the fall of Saddam Hussein's regime and the transfer of power from the Coalition Provisional Authority (CPA) to the Iraqi Government, corruption has run rampant in the new democratic state.

Currently, Iraq ranks third on the list of the world's most corrupt countries. A New York Times article on May 12, 2007 titled, "Billions in Oil Missing in Iraq" reported that between 100,000 and 300,000 barrels a day of Iraq's declared oil production over the

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past four years was unaccounted for and could have been siphoned off through corruption or theft. At the rate of $50 dollars a barrel the discrepancy was valued at $5 million to $15 million a day.

In 2004, the United States established the Commission on Public Integrity, the Iraqi Board of Supreme Audit, and individual inspector generals for each Iraqi government agency to assist the government to combat corruption.

A question that the panel and this committee might attempt to answer is how can the U.S. government prevent corruption in another sovereign nation when we cannot even keep our own house in order. For example, between October 2003 and June 2004 the

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C.P.A. delivered $8.8 billion to Iraqi ministries with no accountability. This action was in violation of C.P.A. Regulation Number 2, which required transparency in the spending of funds.

If we want the Iraqi government to maintain a high level of responsibility and take the necessary steps to alleviate corruption, I think it is crucial that the United States lead by example and show them a better way to conduct business in a transparent democratic system by simply following rules and regulations set forth by the law.

Mr. Chairman, I hope this committee can find the root of the problem and pull it out before more weeds

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spread and grow to become a much larger problem.

Thank you and I yield back the remainder of my time.

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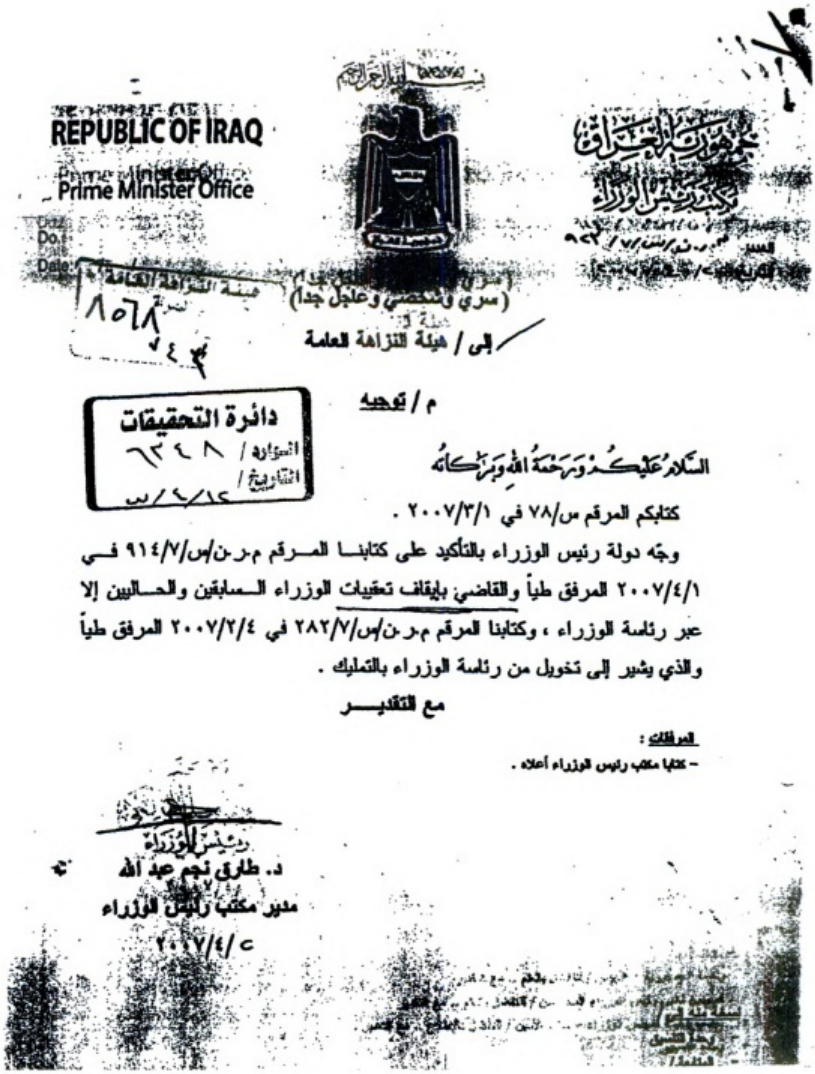

REPUBLIC OF IRAQ
Prime Minister
Prime Minister Office

جمهورية العراق
رئاسة مجلس الوزراء
مكتب رئيس الوزراء

(سري وشخصي وعاجل جداً)

إلى / هيئة النزاهة العامة

م / توجيه

دائرة التحقيقات
الصادرة / ٦٣٤٨
التاريخ / ٢٠٠٧/٤/١٨

السلام عليكم ورحمة الله وبركاته

كتابكم المرقم س/٧٨ في ٢٠٠٧/٣/١ .

وجّه دولة رئيس الوزراء بالتأكيد على كتابنا المرقم م.ر.ن/س/٩١٤/٧ في ٢٠٠٧/٤/١ المرفق طياً والقاضي بإيقاف تحقيات الوزراء السابقين والحاليين إلا عبر رئاسة الوزراء ، وكتابنا المرقم م.ر.ن/س/٢٨٢/٧ في ٢٠٠٧/٢/٤ المرفق طياً والذي يشير إلى تخويل من رئاسة الوزراء بالتمليك .

مع التقدير

المرفقات :
- كتابا مكتب رئيس الوزراء أعلاه .

رئيس الوزراء
د. طارق نجم عبد الله
مدير مكتب رئيس الوزراء
٢٠٠٧/٤/ c

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REPUBLIC OF IRAQ
PRIME MINISTER'S OFFICE

Ref.: m.r.n/s/7/923
Date: 04/02/2007

(Personal, Confidential and very Urgent)
To/The General Commission of Integrity

]Stamp of the General Commission of Integrity[
8568
743

Subject/Directive

]Stamp of the Investigations office[
Ref.: 6348
Date: 04/12/2007

Peace, mercy and blessings of Allah be upon you!

Your letter ref. no. s/78 dated 03/01/2007.
His Excellency, the Prime Minister, directed to emphasize our attached letter with ref. no. m.r.n./s/7/914 dated 04/01/2007, which directs to stop the pursuit of previous and current ministers, unless done through the Prime Minister's office, and our attached letter no. m.r.n./s/7/282 dated 02/04/2007, which refers to the authorization from the Prime Minister's office for ownership.

With appreciation

Attachments:
- The two above mentioned letters from the Prime Minister's Office

Signed by
Prime Minister Nori Kamil Al-Maliki's office
Dr. Tariq Najim Abdullah
Prime Minister's Office Manager
04/02/2007

A copy to/
- Organizing unit
- Follow up

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PENN STATE

REPUBLIC OF IRAQ
PRIME MINISTER'S OFFICE

Ref.: m.r.n/s/7/914
Date: 04/01/2007

(Personal, Confidential and very Urgent)
To/The General Commission of Integrity

8569
743 Subject/Referral

Peace, mercy and blessings of Allah be upon you!

It has been decided not to refer any of the following parties to the court until approval of His Excellency, the Prime Minister, is obtained:

1. Presidential office
2. Council of Ministers
3. Current and previous ministers

With appreciation

Signed by
Dr. Tariq Najim Abdullah
Prime Minister's Office Manager
04/01/2007

A copy to/
- Presidential office-Diwan/Please be informed ...With appreciation
- Both Prime Minister Deputies/Please be informed ...With appreciation
- Ministers' Cabinet Secretary General's Office/Please be informed...With appreciation
- Organizing unit
- Follow up
- Issued correspondence file

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REPUBLIC OF IRAQ

Prime Minister Office

جمهورية العراق

مكتب رئيس الوزراء

De

Date

(سري وشخصي وعاجل جدا)

إلى / هيئة النزاهة العامة

م / إحالة

السَّلامُ عَلَيكُمْ وَرَحمَةُ اللهِ وَبَرَكاتُه

تنسّب عدم إحالة إيّ من الجهات الآتية إلى المحكمة إلاّ بعد إستحصال موافقة دولة رئيس الوزراء :

١. رئاسة الجمهورية

٢. رئاسة الوزراء

٣. الوزراء الحاليين والسابقين

مع التقديـــر

د. طارق نجم عبد الله

مدير مكتب رئيس الوزراء

٢٠٠٧/٤/ ١

نسخة منه إلى /

- رئاسة الجمهورية – الديوان / للتفضل بالعلم . مع التقدير
- السيدين نائبي رئيس الوزراء المحترمين / للتفضل بالعلم .. مع التقدير
- الأمانة العامة لمجلس الوزراء – مكتب الأمين / للتفضل بالإطلاع .. مع التقدير .
- وحدة التنسيق

المتابعة.

- إضبارة الكتب الصادرة.

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Prime Minister Office

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في: ٢٠٠٧/٢/٧
الرقم: ٢٧٦
(سري و شخصي)

مكتب نائب رئيس الهيئة
الوارد
رقم ٦٨٦
تاريخ ٢٠٠٧/٢/٧

إلى / هيئة النزاهة العامة

م / تمليك

السلام عليكم ورحمة الله وبركاته

وجه دولة رئيس الوزراء بأنه لا اعتراض لدى رئاسة الوزراء على اجراءات تمليك الدور السكنية العائدة لشركة الموانيء العراقية و بضمنها الدار المسجلة بأسم السيد سلام عودة فالح / وزير النقل السابق واستناداً الى موافقة الامانة العامة لمجلس الوزراء بكتابها المرقم ق/٢/١/٢٥/١٣٧٩٦ في ٢٠٠٥/٩/٢٠ و الذي بموجبه جرت عمليات التمليك اصولياً.

مع التقدير

المرفقات /
- كتاب الامانة العامة لمجلس الوزراء أعلاه.
- محضر بيع (تمليك) الدار المرقمة ١٩٠ شارع المغاربين.

د. طارق نجم عبدالله
مدير مكتب رئيس الوزراء
٢٠٠٧/٢/ ٧

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Republic of Iraq
Office of the Prime Minister

[Official Emblem]

360

Number: *M. R. N / S / 7 / 282*
Date: 4 / 2 / 2007

[Stamp: Office of the Deputy Chairman of the Commission; Incoming; Number 686; Date 7/2/2007]

[Stamp: Commission of Public Integrity; (illegible) Iraq; (illegible) 226; (illegible) 7 2 7]

(Private and Confidential)

To: Commission of Public Integrity

Re: Transfer of Ownership

May the Peace, Mercy and Blessings of God be upon you.

His Excellency, the Prime Minister, has given the order that the Office of the Prime Minister has no objection to the procedures in place for the transfer of ownership of the residential housing owned by the Iraqi Ports Company, among which is the house registered in the name of Mr. Salam Audah Faleh, the former Minister of Transportation, on the basis of the acceptance of the General Secretariat of the Council of Ministers, as stated in its letter numbered *Qaf*2/1/25/13796 of 20/9/2005 and pursuant to which transfer of ownership operations were properly conducted.

Regards.

Enclosures:
- Aforementioned Letter of General Secretariat of the Council of Ministers
- Record of Sale (Transfer of Ownership) of house number 190 Ajnadin Street

Office of
Nouri Kamel Al-Maliki
Prime Minister

Dr. Tarek Nijm Abdallah
Director of the Office of the Prime Minister
4/2/2007

Our Office / Urgent
To be referred to the Basra Branch (private and confidential).
A copy thereof is to be kept with us along with the enclosures.
(signature)

CC to:
- Ministry of Transportation – Office of the Minister For your information. Regards.
- General Secretariat of the Council of Ministers – Office of the Secretary / Your above letter. Regards.
- Honorable Mr. Salam Audah Faleh/Former Minister of Transportation / For your information. Regards.
- Outgoing letters file.

To: Office of the Judge

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Statement of U.S. Rep. Bill Sali (R-ID)
Hearing on Assessing Corruption
In Iraq
House Committee on Oversight and Government Reform

Over the past several years, our nation has devoted billions of dollars to our military efforts in Iraq, in terms of the expenses of the war itself, in peacekeeping and security efforts, and also in the reconstruction of the Iraqi government.

Although critics of our efforts in Iraq like to downplay what we, in tandem with our Iraqi and Coalition partners, have achieved, much progress has been made.

As our colleague Brian Baird of Washington State wrote in late August, and I quote:

> "The situation has at long last begun to change substantially for the better. I believe Iraq could have a positive future. Our diplomatic and military leaders in Iraq, their current strategy, and most importantly, our troops and the Iraqi people themselves, deserve our continued support and more time to succeed."

I agree.

This Committee hearing, however, is focused on corruption within the Iraqi government itself.

Every new government will face serious roadblocks as it establishes itself, seeks to represent people from diverse backgrounds and antagonistic sects, and works for political compromise. The new government in Iraq is no exception.

It has been said that "to oppose corruption in government is the highest obligation of patriotism." It is troubling to all of us who value such patriotism that there is corruption in the new Iraqi government. Such corruption, however, is not something new in Iraq. Certainly corruption has been endemic in previous Iraqi governments, and is made more difficult to combat as military conflict continues and the nation's infrastructure is rebuilt and improved.

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We cannot compel the excision of corruption. We can, however, encourage the Iraqi people to take more complete ownership and responsibility for their government—to fight corruption and to govern, through their elected representatives, with integrity.

Our country's involvement in Iraq puts more than American dollars at stake. American lives are in daily jeopardy. It is nothing less than our solemn duty to conduct honest oversight on the spending of taxpayer money.

As we address these issues, it is imperative that we not undercut the very basis of our mission in Iraq. We cannot allow this discussion to devolve into partisan finger-pointing. We can not let this report blind us to greater progress being made in Iraq.

In this forum, we must not make the mistake of discussing or advocating a precipitous withdrawal of our troops that would inevitably create greater chaos—a veritable vacuum for the corruption we are concerned about.

So, let us proceed, not with a partisan agenda of criticism but rather with a commitment to public integrity, honest inquiry and genuine patriotism. In the words of Senator Joe Lieberman, who was the majority's nominee for Vice President in 2000, and I close with this quote:

> "There is no better strategic and moral alternative for America than standing with the moderate Iraqis until the country is stable and they can take over their security. Rather than engaging in hand-wringing, carping or calls for withdrawal, we must summon the vision, will and courage to take the difficult and decisive steps needed for success and, yes, victory in Iraq. That will greatly advance the cause of moderation and freedom throughout the Middle East and protect our security at home."

Thank you, Mr. Chairman.

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ASSESSING THE STATE OF IRAQI CORRUPTION

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

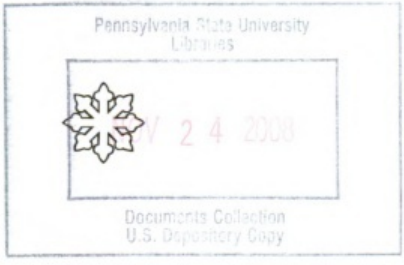
ONE HUNDRED TENTH CONGRESS

FIRST SESSION

OCTOBER 4, 2007

Serial No. 110–64

Printed for the use of the Committee on Oversight and Government Reform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