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US Policy in Iraq:

A “Realist” Approach to its Challenges and Opportunities

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Dealing with a Legacy of Inevitable Crisis.....	2
Dealing with Massive US Mismanagement.....	2
US Reporting in the Form of Half Truths, Propaganda, and Self Delusions	3
The Need to Focus on Short-Term Aid to Iraq	4
Giving the Iraqi interim government popular legitimacy, and ensuring that an elected government is created.....	5
The Challenges that Must Be Met	5
The Two Key Challenges for Future Action	6
Opportunities and Recommendations in Creating A Legitimate Government and Effective Governance	7
Strengthening Iraqi Military and Security Forces and Giving Them Their Proper Role in Security and Counterinsurgency Missions	8
The Limits to the Data Available on Progress in Training and Equipping Iraqi Security Forces	9
Manpower and Training Status.....	13
Regular Military Forces.....	16
Security Forces and Police	16
Equipment Holdings.....	16
Regular Military Forces.....	18
Security Forces and Police	18
Opportunities and Recommendations in the Security Area.....	18
Restructuring US and Foreign Economic Aid so that Iraqi Planning, Administration, and Activity Can? Rebuild and Reform the Iraqi economy	20
The Overall Size of the Aid Effort	21
Progress in Implementing the FY2004 US Aid Effort.....	21
A Desperate Need for Better Iraqi Budget Planning and Transparency	22
Opportunities and Recommendations for Improving Economic Aid.....	24
Other Issues for Mid and Long-Term Action	26
What Do “Mid-Term” and “Long-Term” Actually Mean in Terms of US Aid and Policy?.....	26
Opportunities and Recommendations for Outside Aid and Assistance by The UN, NGOs, and the International Community	27
Do Not Plan For an Exit Strategy but Understand that There Will Still be a Need to Think About the Unthinkable	29
Accept the Real-World Challenges and Live with Them.....	30

The US and its allies cannot turn away from Iraq as long as there are any credible opportunities to help it become a stable country and move towards democracy. The fate of nearly 26 million people is at stake, as is the US strategic and moral position in the region. Iraq's future is also a critical issue that affects the future of the wider Middle East, the struggle against violent Islamic extremism, and the need for the US to develop new capabilities for counterterrorism. While Iraq is also a problem for Europe, Asia, the Arab world and Iran; it is also clear that the only powers that will provide major military support and assistance are Britain and the US, and that they will dominate any real world efforts to provide economic assistance and support.

At the same time, it is equally clear that Iraq involves an extraordinarily challenging combination of nation building and warfighting, and that there is little prospect for peace and stability in Iraq before late 2005, if then. The US has also lost any opportunities it ever had – if it had them at all – to remake Iraq, or to shape Iraq's mid and long-term future in ways that do not have the full support of the Iraqi people.

The challenge for all of the parties concerned with Iraq at this point—and especially the US—is how to best apply the art of the *practical and the possible* to Iraq's present security, political, and economic problems, and how to do so with deadlines measured largely in a few months and no later than some point in 2006.

DEALING WITH A LEGACY OF INEVITABLE CRISIS

It is difficult to put Iraq's problems in perspective. Many are the legacy of its formation as a state, and most are the legacy of Saddam Hussein. The US and British invasion may have exposed the deep political and ethnic fracture lines in Iraq, and the depth of its economic and infrastructure problems. The invasion did not, however, create them; and Saddam Hussein's regime had made them steadily worse for nearly three decades.

Iraq was ruled by a ruthless dictatorship that favored a small portion of its Sunni Arab minority, and often viciously suppressed its Shi'ite majority and its Kurds, Turkoman, and other minorities. Iraq's economy had declined steadily from the early days of the Iran-Iraq War, and its infrastructure had suffered from massive underinvestment and mismanagement from 1982 onwards. Iraq's economy had become horribly outdated and inefficient, and its infrastructure had many elements sized around a time when Iraq was a nation of 16 million people, rather than more than 25 million as is the case today. Like the former Yugoslavia, Iraq was an inevitable crisis waiting to happen. Whether this crisis will be better or worse for the US and British invasion is still an open question.

DEALING WITH MASSIVE US MISMANAGEMENT

At the same time, the US did much to make things worse. It did not prepare for stability operations before the war, did not carry them out as needed during the war, and had to improvise both nation building and counterinsurgency operations once the war was over. The US interagency process collapsed under the weakest and most ineffective National Security Council in post-war American history, and a small group of neoconservative ideologues in the Department of Defence shaped a war without any realistic understanding or plans for shaping a peace.

The US had to create the CPA after the fall of Saddam, and then did so in ways where it was staffed largely by short-term personnel chosen largely along ideological lines, and/or recruited without any regard to area expertise or practical expertise in their own field. The US military were unprepared for occupation duty, national building activities, and counterinsurgency. Both the Department of Defence and USAID staffs of the State Department dealing with political and economic aid lacked expertise and often boasted elementary competence. They at best have some experience in project aid; they had no experience, however, in dealing with the planning, analysis, program development, contracting, and management burdens of a large country – particularly one as different from the US as Iraq.

While there are few close US parallels between Iraq and Vietnam, the CPA and Executive Branch did repeat one critical failing of US operations in Vietnam. Rather than develop honest appraisals of the problems the US faced, and of its success in key areas like counterinsurgency, creating effective security forces, and effective economic aid programs, the US government essentially lied to itself and to the American people. It created a false climate of expectations by grossly understating the challenges it faced, the nature of the counterinsurgency threat, and the cost and time necessary to deal with these problems. The end result has often been to disappoint both the American and Iraqi people, and give many the impression that “mission difficult” is “mission impossible.”

US REPORTING IN THE FORM OF HALF TRUTHS, PROPAGANDA, AND SELF DELUSIONS

As the following analysis documents all too clearly, the US did a poor job of reporting on its political, security, and economic efforts while it still exercised authority through the Coalition Provisional Authority (CPA) until 28 June 2004. Much of what it did report consisted of propaganda-like metrics and lists of minor “successes” without regard to overall requirements or Iraqi perceptions and the security situation. Much of the aid effort was reported on in terms of measures of what US plans called for rather than what actually happened. The US measured the planned level of expenditure, project starts, or meaningful figures like peace electric generating capacity rather than what was actually accomplished, what was effective, and how the result affected “hearts and minds.” No public effort was ever made to poll or measure Iraqi satisfaction or perceptions.

As is described in this analysis, the CPA and other US reporting were often highly misleading in what was said about progress in creating effective security forces, and concealed major failures in terms of setting useful goals, providing effective training, and providing even minimal facilities and equipment.

The data were equally bad in terms of economic recovery and development, and the use of aid. Many statements and claims did not track with the figures provided, and many of the measures chosen were chosen to provide a misleading measure of success. The reporting by USAID in the State Department set particularly low standards, bordering on pure propaganda claims of success. For example, USAID’s report “A Year in Iraq: Restoring Services” – which is supposed to analyze the success of the US aid effort during the period from March 2003 to March 2004 – is little more than 25 pages of glossy, self-congratulatory rubbish. It provides no indication of how requirements were set and met, the problems that emerged, and the level of effort still required.

There was, however, some useful reporting by the CPA during its tenure in Iraq, and particularly in its final status reports and work by its Inspector General. The GAO and other sources provided further data, and there has been excellent media reporting in a number of areas. This analysis draws on such reporting, and covers the data provided by such reports through early August 2004.

It is too soon to determine whether the State Department will provide better reporting, and reporting of the kind that deserves the trust of the American and Iraqi people. Honest communication will be critical to building that trust, however, and so far the State Department has not provided any new reporting on its website since the new US Embassy took over on 29 June 2004. The old CPA reporting is still provided to some media, but one of the most critical tests that the State Department and the Embassy face is to go from a CPA focus on “propaganda” to a post-CPA focus on “truth” and not a focus on the kind of “silence” that approaches “cover up.”

THE NEED TO FOCUS ON SHORT-TERM AID TO IRAQ

This is the last thing the US and Iraq need. There is a desperate need for timely and realistic solutions to short-term problems. The situation in Iraq has moved beyond US ability to apply creative new policy solutions to Iraq, and has reached the point where the US must now do its best to help the Iraqis play out their game in *their way* with the greatest possible chance of success. It has also moved beyond neo-conservative, neo-liberal, NATO, or UN solutions. Whatever might have been, success now depends on helping the Iraqis play out the scenario for a council, constitution, and elections as best they can.

There is no time to concentrate on the art of what should have been or to theorize about the art of what should occur in another future contingency. This situation in Iraq is one where short-term solutions and immediate action are required if Iraqis, the US, and other nations are to ever have the opportunity to deal with longer-term issues on any basis other than insurgency and a failed state. Furthermore, it is clear that if the opportunity does arise for dealing with such longer-term issues, all the critical decisions will be taken by whichever Iraqis emerge in power over the next few months and years and not by the US or other outsiders.

Any successful policy for US, coalition, and international action must accept the fact that it is the Iraqis who must play out the game in Iraq and make the critical decisions. What is left for outsiders is the issue of how best to help them.

The most important practical issues for immediate action in proving such help are:¹

- *How best to help give the Iraqi interim government popular legitimacy, and ensure that an elected government is created?*
- *How best to strengthen the Iraqi military and security forces and give them an increasing role in the security and counterinsurgency missions as soon as possible?*
- *How to restructure US and other economic aid so that Iraqi planning, administration, and activity that are involved in shaping the use of aid funds and reforming the Iraqi economy?*

GIVING THE IRAQI INTERIM GOVERNMENT POPULAR LEGITIMACY, AND ENSURING THAT AN ELECTED GOVERNMENT IS CREATED

The CPA has left Iraq with an extraordinarily demanding political calendar that has already proven impossible to meet. (May want to add another sentence)

Governance-Transition

Phase I (Interim Government)

2004

1 June	Iraqi Interim Government (IIG) Announced and Governing Council dissolved
4 June	Election Commission established
28 June	Transfer sovereignty from CPA to IIG
July	National Conference convenes and selects Interim National Council
October	Iraqi Census to develop election rolls

2005

31 January	Elections for the National Assembly complete:
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Phase II (Elected Government)

Early 2005	Iraqi Transitional Government takes power
15 August	National Assembly completes draft of permanent constitution
15 October	Referendum for permanent constitution
15 December	Elections for government completed
31 December	Elected government assumes office

THE CHALLENGES THAT MUST BE MET

A national conference was scheduled for July 2004 to select Interim National Council with largely undefined powers and functions. This conference was to have 1,000 members and select a 100 person interim legislature. In practice, it has already had to be delayed by weeks, and has exposed the fact that insufficient security exists to ensure it can select members from areas throughout the country, that many key Sunni factions are unwilling to participate, that Kurdish and Arab tensions are growing, and that Shi'ite radicals like Al Sadr are unwilling to participate.

These tensions are likely to be the prelude to more serious problems. According to the present plan, Iraq must move from a largely apolitical, CPA selected interim government to a functional democratic structure in just about six months. Political leaders and parties must emerge between July and 31 January 2005, when an election is to be held for the National Assembly.

A “transitional government” with undefined new political structures and functions must then replace the new “interim government” that took office on 28 June 2004 in “early 2005.” The “transitional government” must complete the draft of a permanent constitution on 15 August 2005, and a national debate must follow on such constitutional issues as federalism and the role of religion that leads to a constitutional referendum on 15 October 2005.

Elections for a full democratic government must create the third new Iraqi government in less than two years on 15 December 2005, and the new “permanent” elected government

must take office on 31 December 2005. This schedule may well prove impossible, and it seems almost certain that much of it must be attempted in a wartime environment in which elections and the political process cannot meet Western standards and the operating government's legitimacy will be under constant insurgent challenge.

It now seems highly likely that much of the remaining schedule is too ambitious, that a major counterinsurgency war will still be taking place through at least late 2005, that Iraq is too divided to easily create new leaders and functioning political parties, and that most elections will provoke new tensions between Sunnis and Shi'ites (as well as within each group), and between Arabs and Kurds. No one can now predict Iraq's future leader(s), and the options may well be an unelected strong man, an elected strong man, or a weak and divided leadership – rather than effective governance.

These same problems will affect the entire process of central government, while ministries that were at best half equipped and manned on June 30th attempt to become effective structures. Similar problems will be even worse in most governorates and urban areas. Significant Sunni and Kurdish areas may be only loosely tied to the central government, and a number of major Sunni urban areas are likely to remain dominated by anti-government insurgents.

THE TWO KEY CHALLENGES FOR FUTURE ACTION

The real-world challenge is two-fold:

- First, it is how to best help the Iraqis create a government and constitution in the face of these problems that focuses on the obtainable, as distinguished from the desirable. The task is not to enforce "international standards," or seek to rush towards unobtainable mid and long-term goals. It is rather how to help the Iraqis define the art of the possible and help them make it happen.

Any success is almost certain to be more inclusive of Ba'ath, hard-line religious, and divisive ethnic/sectarian movements than the West would like. The calendar will probably slip, elections will have many faults, the constitution will be less than ideal, the security situation will improve far too slowly, and economic problems and tensions will remain a major – if not growing -- problem.

- Second, it is to help Iraqi ministries, governorates, and local governments develop the facilities, equipment, plans, and operating procedures necessary to carry out effective governance under wartime conditions or conditions where terrorist attacks and sabotage will be a fact of life through the end of 2006. This is very different from a normal aid process, and one that the UN, NGOs, and other non-coalition groups will find very difficult to support. The aid process must be an armed aid process. The insurgents have made it all too clear that neutrality is no protection.

Providing such aid is also very different from providing aid in democratization, human rights, and the rule of law – important as such aid will be. It requires the US to provide aid in communications, security measures like body armour and protected vehicles, and the basic equipment needed for governance from technical assistance down to furniture and computers.

Here it is important that the US understand that the vast majority of Iraqis will care far more about the quality of day-to-day government actions than most of the political process. The work of Government must be both visible to be legitimate, and must serve day-to-day needs for people to believe they have either physical or economic security. Democracy is not the core of effective governance; it is a luxury that effective governance makes possible.

OPPORTUNITIES AND RECOMMENDATIONS IN CREATING A LEGITIMATE GOVERNMENT AND EFFECTIVE GOVERNANCE

The US and international aid efforts need to be recast to reflect these realities, and this requires a systematic re-examination and restructuring of current aid plans in close partnership with the Iraqi interim government and with the officials in the governorates and local governments. This must take the form of specific ministry-by-ministry plans and programs, as well as specific plans to aid each governorate and local government. Such plans must focus on the short-term, be extremely flexible to the evolving security and political situation, and be driven by Iraqi perceptions of what is needed – not US or outside perceptions.

This may not require radical changes to the basic nature of the current plans to create an interim legislature, constitution, elected legislature, or elected executive. However, it does require far more concentration on the quality and effectiveness of governance at every level. There is also a clear need for some sense of urgency in the US aid effort.

The CPA requested \$451 million in FY2004 aid funds for democracy. While \$275 million had been obligated as of July 13, 2004, only \$8 million had actually been spent. The CPA requested \$259 million in FY2004 aid funds in the related area of education, refugees, human rights, and governance, but only \$98 million had been obligated and only \$9 million had been spent. The CPA requested \$1.038 billion in FY2004 aid funds in the related area of justice and public safety, but only \$300 million had been obligated and only \$14 million had been spent.²

Far more patience, time, and compromises will be needed than either the US or Europe had previously planned. In many cases, the end result will almost certainly fall short of ideal US, UN, or “international” standards. However, letting the good be the enemy of the acceptable would be the worst possible approach to dealing with the realities on the ground and may ultimately lead to paralysis, division, and the worst possible “exit strategy.”

There are other, more specific recommendations that should also be considered:

- Conduct a zero-based review of the current level of interagency and field coordination in these areas, and of the extent to which pre-war and CPA/CJTF-7 problems have actually been solved, tying such analysis to the study of how to ensure timely and effective contracting and flow of aid in a coordinated manner.
- Give special attention to the possible need for strengthening the USAID Office of Transition Initiatives (OTI) effort to help equip and facilitate government ministries and operations.
- Give similar special attention to the possible need for strengthening the National Endowment for Democracy effort to facilitate the emergence of political institutions. Ensure suitable coordination with the British Political Participation Fund in the Department for International Development.
- Restructuring aid in governance and democratization into joint civil-military field teams that can operate in high threat and insurgency environments. Far too often such assistance is delayed by a lack of security.
- Create ministry-by-ministry programs to ensure that the developing Iraqi government has the equipment, communications, and IT equipment each ministry needs.
- Adapt CERP-like aid programs to support immediate action in improving governance and democratization at the governorate and local level.

- Create a scholarship program in the US to both train and act as an incentive for effective governance.
- Examine ways to recast all aspects of the US aid program to encourage forms of "federalism" and structures within the governorates and local governments that will convince Arab Sunnis, Kurds, and other minorities that the evolving constitution and government will protect them and serve their interests.
- Give progress in governance transparency at the Ministerial, governorate, and local level. Report progress in improving capability, and in improving pluralism and human rights. Provide detailed positive messages to offset the steady reporting of casualties and insurgent attacks.
- Plan for what may well be delayed and partial elections, and the need to make progress in an environment of continuing insecurity. Work with the UN now to "internationalize" the process as much as possible as soon as possible, avoid surprise delays, and set standards that reflect the problems in the security situation.
- Examine options for bringing teams to assist Ministries from the UN and Islamic countries to reduce the image of a post-occupation government tied to US and British aid.

STRENGTHENING IRAQI MILITARY AND SECURITY FORCES AND GIVING THEM THEIR PROPER ROLE IN SECURITY AND COUNTERINSURGENCY MISSIONS

Survey after survey has shown that the Iraqi people give their highest priority to two developments. The first is day-to-day security for themselves and their families. The second is to reduce or eliminate the presence of coalition military forces (now the Multinational Force or MNF), and particularly that of the US. It has been clear since the first few weeks following Saddam's fall in April 2003 that from the start.

As the following table shows, the raw manpower numbers for Iraq's security forces are impressive. However, the US has left Iraq with a poor legacy in terms of security, and one that almost certainly will leave Iraq involved in a major counterinsurgency battle well into 2005, and possibly for several years thereafter.

One can easily argue the decision to disband the Iraqi military forces in May 2003. The Iraqi military had, however, largely disintegrated by mid-April 2003. Most of the regular forces dependent on conscripts had collapsed because of mass desertions; the heavier units in the regular army were largely ineffective and suffered from both desertions and massive looting. The Republican Guard and Special Republican Guard units have been defeated in the field and were too political to preserve.

The fact remains, however, that the US-led coalition cannot be excused for its failure to reconstitute effective security forces and police, for trying to restrict the development of Iraqi armed forces to a token force to defend Iraq's borders against external aggression, or for ignoring the repeated warnings from US military advisory teams about problems with the flow of equipment and in creating the necessary facilities. The US failed to treat the Iraqis as partners in the counterinsurgency effort for nearly a year, and did not attempt to seriously train and equip Iraqi forces for proactive security and counterinsurgency missions until April 2004 – nearly a year after the fall of Saddam Hussein and two-thirds of a year after a major insurgency problem began to emerge.

The US Congress must accept some blame for failing to create procedures that allow time-critical expenditures on security aid, and the CPA and CJTF-7 failed dismally to execute their plans in the security sector. As officers like Major General Charles H. Swannack, the commander of the 82nd Airborne, have pointed out in interviews however, the CPA sometimes did as much to make it difficult to use US aid funds to training and equip Iraqi security forces as did the Congress, and commanders sometimes had to use CERP aid when they should have had all the funds they needed.³

Until April 2004, US plans failed to recognize the need to treat the Iraqis as full partners in achieving security in Iraq, and to make meaningful efforts to train and equip them effectively to perform counterinsurgency missions and warfare. For nearly a year, the US acted as if the insurgency was not nationalist in character, was driven by former regime loyalists and foreign volunteers, and was small and unpopular. It emphasized the foreign threat increasingly after January 2004, although Swannack noted that only 50 men out of the 3,800 the 82nd Airborne apprehended in the Sunni triangle area were foreign. For nearly a year, the US acted as if the threat would go away once the US and the rest of the MNF defeated it and that it could be dealt with without serious aid to Iraq.

The US wasted a precious year hoping its own forces could defeat a threat that it treated as the product of a small number of former regime loyalists (FRLs) and foreign volunteers, and felt it could solve without creating effective Iraqi forces. For nearly a year, the US acted as if the insurgency was not nationalist in character, and was small and unpopular, and would go away once the US and the rest of the MNF defeated it without serious Iraqi aid.

In many ways, the Administration's senior spokesmen still seem to live in a fantasyland in terms of its public announcements, talking about an insurgent force of 5,000 – when both Iraqi intelligence and US intelligence in Iraq quote figures ranging from 15,000 to 35,000. It still exaggerates the foreign threat and role of Al Qaida, in spite of the fact only a small fraction of detainees and those killed are foreign and Zarqawi's ties to Al Qaida seem limited to loose affiliation. For example, only 50 men out of the 3,800 the 82nd Airborne apprehended in the Sunni triangle area were foreign.

THE LIMITS TO THE DATA AVAILABLE ON PROGRESS IN TRAINING AND EQUIPPING IRAQI SECURITY FORCES

The US has provided little meaningful data on the nature of its efforts to train and equip Iraq forces. The Department of Defense did, however, provide data on the development of Iraqi military and security forces as of July 13, 2004. These data provide information on the progress in equipping Iraqi forces the first time, and break out their manpower totals into the new categories of Iraqi military and security forces created after the end of the CPA.

These data both confirm long standing problems in the effort to train and equip the Iraqi security forces, and provide details on critical problems in the security program that have never before been made public. They document an inexcusable level of failure on the part of the US, and particularly the CPA and Department of Defense, in developing effective Iraqi capabilities to establish security in Iraq.

The new data the Department of Defense released on July 13th do, however, have serious weaknesses. They omit critical details on the nature of the training Iraqis receive for the first time, and provide no data on the portion that actually went through academy and proper military training. They provide less data on the flow of US aid to the Iraqi army and security forces, and they use unrealistic and outdated requirements and metrics for measuring how the equipment effort actually meets Iraqi requirements.

The new reporting system adopted after the end of the CPA also disguises serious problems in the security and aid efforts that were revealed in previous reporting. The new reporting no longer distinguishes construction and non-construction expenditures by category, and no longer reports the number of serious incidents occurring by day and week.

Security

<u>Iraqi Security Forces</u>	<u>Operating</u>	<u>Required</u>
Police	88.4K	94.4K
Dept. of Border Enforcement	18.2K	20.4K
Facilities Protection Service	74.0K	74.0K
Iraqi Army	11.2K	35.2K
Iraqi National Guard	37.4K	41.1K
Iraqi Air Force	0.2K	0.5K
Coastal Defense Force	0.3K	0.4K
Total	*229.7K	266.0K

Number required and total on duty reflects best available data in the wake of recent combat operations. Re-assessment and updates are continuing.

*Includes 13.3K in training and 55.3 untrained police
As of 9 July 2004

FAR TOO LITTLE AND TOO LATE IN GETTING THE AID MONEY TO THE IRAQIS

There are, however, enough data to show that CPA, CJTF-7, Department of Defence and Congress failed dismally to execute their plans in the security sector, and that these plans failed to call for treating the Iraqis as full partners in achieving security in Iraq, and for training and equipping them effectively to perform counterinsurgency missions and warfare.

- CPA reporting as of June 29, 2004 shows that obligations for non-construction security procurement were about 25% of goal, and commitments were around 50%. The figures for construction tasks were far more favorable and almost totally misleading. They indicated that the \$749 million was obligated and \$1,003 million was committed, to meet a goal for 1 July 2004 of \$749 million.
- The CPA status report issued on 6 July 2004 shows that obligations for non-construction security procurement were about 30% of goal on 30 June 2004, and commitments were around 60%. The figures for construction tasks were far more favorable, but almost totally misleading. They indicated that the \$825 million was obligated as of 30 June 2004, and \$985 million was committed, to meet a goal for 1 July 2004 of only \$749 million. Yet, virtually every report on Iraqi security efforts indicates that facilities remain grossly inadequate.

- The status reports provided on progress as of July 13th were less detailed than previous statements, but they show that the CPA 2207 Report called for \$3.243 billion in FY2004 aid funds for construction and non-construction projects for security and law enforcement. While \$1.507 billion of this total had been obligated, and only \$220 million had actually been spent. The CPA 2207 Report called for \$1.038 billion in FY2004 aid funds for justice and public safety, but only \$300 million had been obligated and only \$14 million had been spent.
- The CPA went out of business just as the first battalion of the Iraq National Task Force division began to deploy to Baghdad, and as the new Iraqi government overrode its plans to leave the Iraq Civil Defense Corps as a largely passive defense force and converted it to a National Guard. (may want to break down in 2 sentences) The Iraqi police are just beginning to acquire serious counterinsurgency capabilities in the form of nine public order battalions and two counterinsurgency battalions as part of an Iraqi Police Service (IPS) civil intervention force.
- As of 18 June 2004, US reporting showed a net average increase in the number of significant insurgent attacks using improvised explosive devices, vehicle-borne IEDs, mortars, rocket propelled grenades, and improvised rockets over the period since September 2003.
- As of 26 June 2004, the US reporting summarized in the final CPA status report showed a net average increase in the number of significant insurgent attacks using improvised explosive devices, vehicle-borne IEDs, mortars, rocket propelled grenades, and improvised rockets over the period since September 2003. They were averaging over 40 per day and the total number of incidents of all kinds was far higher.⁴ The US had reported the capture or killing of many Iraqi foreign and domestic insurgents, but no decline in the total number of active insurgents since its first meaningful estimates in July 2003. It could not characterize the leadership or membership of either domestic or foreign insurgent groups with any precision, or the level of actual Al Qaida central influence and control.
- As of July 30, 2004, the central Iraqi police office dealing with the key problem of kidnapping still had almost no office equipment, no phone of its own, no air conditioning, no computers, and a small fraction of an authorized staff far too small to do the job. There were 42 officers assigned to a task that the head of the section estimated required 1,000.⁵
- The Interim Government was still experiencing critical loyalty and performance problems in critical areas like Baquba in late July. Some reports indicated the top four security officers in the new government security forces had to be removed during fighting with insurgents during this time.
- In early August 2004, defections were reported to remain a major problem, and the police and security forces were reported to be including 30,000 more names on their roles than they could actually account for. The British officer in charge of assistance to the new police force, Brigadier Andrew McKay, referred to the fact that many police left without sending in resignations or having their departure reported as “ghosts.”⁶

As a result, it will be late 2004 at the earliest before the new Iraqi government can take on its share of the counterinsurgency missions, and probably early to mid-2005. The failure to make a serious effort to create effective Iraqi police, security, and military forces is also a key reason that Iraqis have seen US and British forces as hostile occupiers, rather than partners, in every public opinion poll conducted since September.

It is also important to understand just how dependent Iraq is on such aid. Its total defense budget for 2004 is only \$101 million, and its justice budget only \$151 million. There is, however, an unexplained category called “additional security projects” that was raised from \$500 million to \$1 billion in March 2004.⁷

THE MILITIA AND DISARMAMENT ISSUES

There has been far more talk about disarming Iraqi civilians than substantive action. There have been some weapons recoveries, but they have been limited and fallen far behind the goals originally set. For example, the CPA set a ceiling of \$1.5 million for a MANPADS weapons buyback program using funds seized from the Iraqi government, but only found it useful to comment \$610,000, and had only expended \$320,000 at the time it ceased to exist.⁸ The pattern of attacks as of early August 2004 indicated the program had had little or no impact.

In early June 2004, the CPA claimed it had reached agreement with nine parties to disband their militias. This agreement covered about 100,000 former resistance fighters, and the CPA estimated that about 90% of these individuals would complete the transition and reintegration process by January 2005, and that all would complete the process by October 2005.

The CPA estimated that about 60% of these militia members would transition into Iraqi security services—such as the Iraqi Armed Forces, Iraqi Police Service, or the Internal Security Forces of the Kurdistan Regional Government. The CPA went out of business without agreement on many elements of the broader transition and reintegration process.

No agreement was reached, however, on which entity—the Iraqi security forces or the multinational force—was responsible for taking action against illegal militias, and many of the programs that were supposed to provide services for militia members participating in the program were not operational. It was also not clear that key militias like the 55,000 man peshmerga Kurdish militias and Badr forces would really be disbanded, as distinguished from being renamed, or that smaller militias would not simply reemerge as personal protection forces.⁹

As a result, the militias continue to be a serious problem. Talk about disarming them may prove to be no more than an administrative fiction until the Kurdish, Shi'ite, and Sunni groups involved become convinced that the new government is legitimate, will serve their interests, and can provide true security. Even then, massive amounts of arms may be readily available, given the number of arms already disbursed among Iraq's population.

It is also clear that Sadr is now rebuilding his militia in Najaf and Sadr City.

THE HUMINT PROBLEM

These problems in creating effective Iraqi forces have also greatly complicated the problems the US has had in fighting a counterinsurgency campaign. The US has tried to carry out the impossible mission of developing effective human intelligence (HUMINT) on its own, rather than in full partnership with the Iraqis. One of the critical lessons of Vietnam was ignored. Rather than see the need for effective Iraqi intelligence collection and analysis -- and to rely on Iraqis for the lack of area and language skills and understanding of local political and tactical conditions -- the US tried to create a network of informers and local contacts and carry out analysis on its own. The US simply does not have the capability in terms of expertise and access to suddenly improvise a largely autonomous HUMINT effort as a substitute for partnership with an intelligence organization run by local allies.

PROGRESS COULD BE REAL IF ADEQUATE AID WERE (HAD BEEN) PROVIDED

Serious training in urban warfare and efforts to provide proper equipment—including reconnaissance assets and other special equipment—do now seem to be underway. For example, the CPA reported as it went out of business that it had decided to give the new Iraqi air force two Seeker reconnaissance aircraft to conduct surveillance of the borders and oil facilities and was rushing procurement of 14 more.

There also is enough progress to show how productive the aid effort could still be if it was rushed forward, and the US treated the Iraqis as partners in reality and not simply in name:

- The Iraqi government announced a new law allowing it to impose emergency security measures to combat terrorism
- The initial battalion of the Iraq Intervention Force (IIF) deployed into Baghdad at the end of June.
- The IIF is being established, trained and equipped for urban counterinsurgency operations
- All three battalions of the first IIF brigade will be ready by the end of July.
- At the end of June, 41 of 45 battalions of the Iraqi National Guard (formerly the Iraqi Civil Defense Corp) were manned above 75 percent strength.
- Currently conducting joint patrols throughout Iraq with Coalition and Iraqi Police forces
- Focus on equipping, training, and reconstituting the force
- Efforts are underway to recruit six additional 400-man public order battalions as part of the Iraqi Police Service civil intervention force.
- With these additions, the Iraqi Police Service civil intervention force will total nine public order battalions and two counterinsurgency battalions.
- A total of 5,502 new IPS recruits have completed the eight-week training course.
- Five classes, or over 3,411 students, have graduated from the Jordan Academy
- Four classes, or 2,091 students, have graduated from the Baghdad Public Safety Academy
- Approximately 25,000 IPS personnel who served as police under the former regime have completed a three-week Transitional and Integration Program taught by the Coalition.
- IPS officers are also being taught basic criminal investigation, criminal intelligence, and dignitary protection by Coalition advisors.

Unfortunately, reporting issued by the Department of Defense as of 13 July 2004 confirms the fact that the actual flow of US aid to the Iraqi security effort remains slow and inadequate. As of 13 July, the US had only actually spent \$220 million out of the \$2,976 million apportioned under the FY2004 aid program of \$18.4 billion.

MANPOWER AND TRAINING STATUS

The CPA never standardized its public reporting on the status of Iraqi training, although the data always implied a much higher level of training than actually took place. The training data on the Iraqi security forces were also altered in ways that disguises the level of training in most services in the CPA reporting issued from April 2004 onwards, by implying that training under the Ba'ath regime, or limited on the job training under the Transition Integration Program (TIP) was adequate.

TRAINING STATUS UNDER THE CPA

The final status reports by the CPA issues different types of training data in each report. The data issue on 25 June 2004 shows that only 5,857 out of 88,039 Iraqi police had serious academy training, although another 2,387 were in the training pipeline. The CPA report issued on 6 July 2004 did not provide the same detail on training data in previously reports, but did indicate that only 3,411 students had graduated from the Jordanian Academy and 1,674 students had graduated from the Baghdad Public Safety Academy. Even these students had courses lasting less than a fifth as long as similar training in the US and Europe. The figures for the Department of Border enforcement showed that 255 had postwar academy training out of a total of 18,248, plus 25 in training.

The CPA went out of business before the Civil Defense Corps was transformed into the National Guard, but its final reports stated that only 2,362 out of 39,128 men were “in training.”

The CPA’s final report on the status of the Iraqi Army for July 6 showed that 10,222 men were said to be in service, of which 2,316 were “in training.” The data for the Facilities Protection Service showed an active strength of 74,069. No data were provided on what portions were regarded as trained and only 77 were reported to be “in training.”

Most of this training was little more than at the token level, and a GAO investigation describes the end result as follows:

"State/INL provided the commanders with a temporary curriculum, the Transition Integration Program. The full curriculum is 108 hours long and provides basic police training in such subjects as basic human rights, firearms familiarization, patrol procedures, and search methods. According to a State Department official, the various major subordinate commanders had wide latitude in terms of training police and did not uniformly adopt the Transition Integration Program. They were free to establish their own curriculum and requirements for police, which varied in depth and scope. Training could last between 3 days and 3 weeks. According to a State/INL official, some commanders required trainees to undergo class and field training, while other commanders only required officers to wear a uniform. According to a multinational force interim assessment from May 2004, the Iraq Civil Defence Corps also lacked proper training. It stated that investment into training the Iraqi Civil Defence Corps units varied among the multinational divisions and that the units in the western and center-south major subordinate commands in particular were the least prepared for combat. Furthermore, the training was not sufficient for high-intensity tasks. One CPA official agreed with this, stating that the training for the Iraqi Civil Defence Corps did not prepare it to fight against well-armed insurgents with mortars and rocket-propelled grenades, for example. The assessment also noted that the Iraqi Civil Defence Corps units contained too many inexperienced officers and soldiers."

CRITICAL PROBLEMS IN THE NEW POST- CPA TRAINING DATA

These figures for “trained” manpower, and the GAO analysis, make an amazing contrast to the new data that the CPA provided on 13 July 2004, and which is shown in the table below. The totals issued as of 13 July suddenly began to count both manpower fully trained in academies or with full military training, and manpower in the rushed programs that can be a matter of days or a few weeks as being the same. ***The end result was a far less honest reporting system, and one that grossly exaggerated the actual level of training.***

The new figures for trained manpower also overstate the training levels for the police and for the border service (DBE), and ignore the fact that the facilities protection service-training program is virtually no training at all.

There is nothing unique about this tendency to issue exaggerated statistics by omitting meaningful categories and definitions, and using meaningless measures of success. From the start, the CPA was a model of obfuscation, omission, and false imagery in every aspect of its public status reports. For example, the more comprehensive training data on the Iraqi security forces issued by the CPA were deliberately confused by implying that training under the Ba'ath regime, or limited on the job training was adequate.

- As of 25 June 2004, the CPA reported that only 5,857 out of 88,039 Iraqi police had serious academy training, although another 2,387 were in the training pipeline. No figures were made available for how many could be said to have the necessary equipment, transportation, communications, and facilities. The figures for the Department of Border enforcement showed that 255 had postwar academy training out of a total of 18,248, plus 25 in training.
- Similarly, Brigadier Andrew Mackay, the British advisor to the Iraqi police, reported that only 87,000 men and women of 120,000 on the payroll could actually be accounted for. Only 6,000 police recruits out of the totals shown had police academy training as of early August 2004, with another 21,000 taking a "three week" course that was sometimes more than a week shorter. At least 60,000 men were serving in police related functions with no training.¹⁰
- Other data provided in a background brief to the press indicate that it will take until the end of 2004 to properly train 20,000 police.¹¹
- No figures were provided for trained manpower in the new National Guard, although 2,362 out of 39,128 were said to be "in training." The same was true for the Iraqi Army. A total of 10,222 men were said to be in service, of which 2,316 were "in training." The data for the Facilities Protection Service showed an active strength of 74,069. Once again, no data were provided on what portion was regarded as trained and only 77 were reported to be "in training."
- Previous reporting by the CPA shows that the July 13th totals for trained manpower are particularly absurd for the Iraqi National Guard, where most men shown as "trained" are actually figures for the token training program conducted for the Iraqi Civil Defense Corps – when the force had a different name, role and mission. Today, the total training program for most new recruits to the National Guard lasts all of two weeks, and the first week is largely orientation. There have also been serious problems in paying the National Guard, and skimming off part of their pay is common at the command level. Many of those who are paid get less than \$145 a month out of a pay scale that calls for a minimum of \$170.
- Training in urban warfare, providing reconnaissance assets and other special equipment, is only beginning, and the few meaningful details have been made public are not reassuring. For example, the CPA reported as it went out of business that it had decided to give the new Iraqi air force two Seeker reconnaissance aircraft to conduct surveillance of the borders and oil facilities and was rushing procurement of 14 more.
- Brigadier General James Schwitters, the US commander of the coalition training team assisting the army, stated in early August that only 3,000 of the men in the army could be regarded as trained.¹²

The fact that status reports do even more to disguise the level of true progress is simply unacceptable. No single mission is more important than security, and public opinion polls consistently show that virtually all the Iraqi people that this mission to be carried out by Iraqi forces.

Service	<u>Manning</u>		Untrained	<u>Training</u>	
	Required	Actual		In Training	Trained
REGULAR MILITARY FORCES					
Army					
Conventional	27,000	7,909	0	6,073	1,836
National Guard	41,088	37,371	0	2,193	35,178
Iraqi Intervention Force	6,584	2,741	0	1,361	1,380
Iraqi Special Ops Forces	1,592	569	0	54	515
Air Force	502	146	0	30	116
Coastal Defense Force	409	307	0	120	187
Total	77,175	49,043	0	9,831	39,212
SECURITY FORCES AND POLICE					
Police					
Conventional & HQ	89,369	88,352	55,252	2,402	29,688
Civil Intervention Force	4,800	0	0	0	0
Emergency Response Unit	270	51	0	40	11
DBE	20,420	18,248	0	25	18,233
Facilities Protection Service	73,992	73,992	0	0	73,992
Total	188,851	180,643	55,262	3,467	121,914

EQUIPMENT HOLDINGS

From the start, the Department of Defense and CPA failed to provide any meaningful metric of actual progress in terms of successful aid efforts as perceived by the Iraqis, as distinguished from money spent, buildings contracted for, peak power generation capacities, etc. One of the most glaring failures was the failure to provide any data progress in equipping the Iraqi security forces and giving them proper facilities – a failure matched by what may well be the most incompetent and unforgivable level of success in the US aid effort.

The CPA's public status reports never reported on how many of Iraq's military and security services could be said to have the necessary equipment, transportation, communications, and facilities. However, it was clear from the start that equipment and facilities continued to be a critical problem.

EQUIPMENT STATUS UNDER THE CPA

A GAO study did find, however, that data from the CPA's Provost Marshall's Office showed that the Iraqi Police Service was operating with 41% of its required patrol vehicles, 63% of its required uniforms, 43% of its required pistols, 21% of its required hand radios, 7% of its required vehicle radios, and 9% of its required protective vests as late as 28 March 2004. It also found that equipment provisioning for Iraqi Civil Defense Corps was months behind schedule. According to a CPA official, no Iraqi Civil Defense Corps unit possessed body armor, and many were using Saddam-era helmets for protection.

According to a multinational force-planning document, as of 23 April 2004, units were still awaiting the delivery of uniforms, helmets, body armor, vehicles, radios, AK-47 rifles, RPK machine guns, ammunition, and night vision equipment while a CPA official claimed that most, if not all, of this equipment was currently flowing into the region. A multinational force assessment noted that Iraqis within the Iraqi Civil Defense Corps felt the multinational force never took them seriously, as exhibited by what they perceived as the broken promises and the lack of trust of the multinational force. This was true although none of these forces were then planned to be trained or equipped for offensive and active counterinsurgency missions.

This may help explain why the Department of Defense reported the following desertion and manning problems in the Iraqi Civil Defense Corps Desertion from 2-16 April: Northeastern Iraq, including the cities of Baquba and Tikrit - about 9,100 to about 6,100, or 30%; Baghdad and surrounding area-about 6,200 to about 3,200, or 49%; Central-southern Iraq, including Karbala, An Najaf, and Al Kut - about 3,500 to about 2,500, or 30%; Multinational Division-Center South Western Iraq, including Fallujah - about 5,600 to about 1,000, or 82%.

THE NEW POST-CPA EQUIPMENT EFFORT

It is striking that it has taken until 13 July 2004 to provide reporting on efforts to equip the Iraqi forces in anything approaching a systematic form, and that no mention is made of the need to virtually zero-base many aspects of a failed US aid effort this spring. The new reporting does not provide any insights into a facility problem that is still a critical weakness for virtually every element of the Iraqi security forces. The following figures do, however, provide the first unclassified reporting on the equipment aid effort.

They reveal massive shortfalls in weapons, vehicles, communications, and body armor. They show just how severe the shortfalls are in equipment and how slow the US has been in providing the necessary aid. ***Iraqi forces have about 40% of their minimum weapons needs, less than one-third of the minimum number of vehicles, about 25% of the necessary communications gear, and about 25% of the necessary body armor.***

- The regular military have about two-thirds of the minimum requirements for weapons, about half the necessary vehicles, 20% of the necessary body armor (much of it low-grade, used equipment, and crippling shortages in communications gear).
- No real plans exist for the equipment of the new Iraqi Intervention Force and Iraqi Special Operations Force.
- The air force and coastal defense force are now hollow forces with no real equipment plans, much less meaningful capability.
- The security forces and police have about 40% of their minimum weapons requirements, a third of their authorized vehicles. About 25% of the necessary body armor, and even worse and more crippling communications shortfalls than the Iraqi military.
- The new Civil Intervention Force and Emergency Response Unit, which are key elements in the counterinsurgency plans developed by Allawi, are hollow forces.

Bad as these figures are, they also have serious reporting problems that sharply understate the seriousness of the CPA and CJTF-7 failure to provide effective support to the Iraqi police, security forces, and military:

- They report on requirements in terms of the goals set by the CPA before the transfer of power, and not on the new requirements set since April 2004. As a result, they sharply exaggerate the adequacy of the equipment for every element, and especially the National Guard, Special Forces elements, and the police.
- The figures for weapons ignore the fact that current plans recognize the need for heavier weapons that are not yet part of the program.
- The figures for vehicles are based on badly outdated requirements, and ignore the need for armored/protected vehicles. The figures set for the Facilities Protection Service sharply understate actual need.
- The figures for communications are generally outdated, and do not reflect the understanding that much better systems are needed if the Iraqi forces are to play an active role in counterinsurgency. As a result, some holdings are reported as zero, although limited communications are in place. Nothing approaching adequate gear exists for the Special Forces.

Service	<u>Weapons</u>		<u>Vehicles</u>		<u>Communications</u>		<u>Body Armor</u>	
	Required	On-Hand	Required	On-Hand	Required	On-Hand	Required	On-Hand
REGULAR MILITARY FORCES								
Army								
Conventional	18,909	15,432	1,980	1,728	3,598	0	27,000	6,137
National Guard	42,576	36,055	1,311	392	6,963	0	41,088	8,495
Iraqi Intervention Force	8,850	3,300	583	152	1,798	594	6,584	2,741
Iraqi Special Ops Forces	1722	515	110	0	1,148	0	1,592	515
Air Force	383	0	34	4	21	0	502	0
Coastal Defense Force	486	12	30	52	156	1	409	0
Total	72,926	55,314	4,048	2,338	13,682	595	77,175	17,888
SECURITY FORCES AND POLICE								
Police								
Conventional & HQ	136,054	82,403	14,895	5,328	45,065	12,724	89,369	28,316
Civil Intervention Force	11,490	0	1,002	0	10,240	0	4,800	0
Emergency Response Unit	1,020	500	58	0	352	0	300	50
DBE		17,153	4,417	3,700	1,298	3,552	1,292	12,626
4,000								
Facilities Protection Service	73,992	49,500	7,396	155	45	1,155	0	8,350
Total	215,217	94,716	19,8109	6,671	60,364	14,016	115,445	32,366

OPPORTUNITIES AND RECOMMENDATIONS IN THE SECURITY AREA

No single mission is more important than security, and no Iraqi popular desire is clearer than that this mission be done by Iraqis. The US has been guilty of a gross military, administrative, and moral failure. It seems to be finally taking steps to correct these mistakes, but its past history shows that detailed progress reporting is essential, and that the US military has been reluctant at best to come to grips with the need for an effective effort.

To be specific, the US needs to take the following steps:

- Accept the fact that success in Iraq is almost totally dependent on US ability to create effective Iraqi police, security, and counterinsurgency forces as soon as possible, and that this is the highest priority mission. US forces can win every clash and encounter and still decisively lose the war after the war.
- Provide public and honest weekly reporting. Force the issues so no one can delay or hide a future lack of progress. Prove to the Iraqi people, and the American people and Congress that there is real and not simply cosmetic success.
- Provide honest data on the Iraqi training effort that distinguishes serious training from token training.
- Provide similar data on facilities and equipment. Map the areas where such aid has been fully provided, and Iraqi forces have taken over the mission. Substitute frankness and transparency for propaganda.
- Force accountability on the system. Ruthlessly demand that all contract terms be met, make it clear that contract disputes will not be tolerated, and take the trouble to fire any US military and federal employees who delay contract and aid efforts.
- Accept the reality that the US cannot find proxies to do its work for it. NATO may provide token aid in training, but will not provide major aid or training on the required scale. Other countries may provide politically useful contingents, but all major action must be taken by US, British, and Iraqi forces.
- Keep reiterating that the US will set no deadlines or fixed limits on its military effort, and will support Iraq until it is ready to take over the mission and the insurgents are largely defeated.
- Accept the need for a true partnership with the Iraqis and for giving them the lead and ability to take command decisions at the national, regional, and local levels as soon as they are ready. Make nation building real.
- Create command, communications, and intelligence systems that can tie together the Iraqi, US, and British efforts; and that will give the new Iraqi government and forces the capability they need once the US leaves.
- Let the new Iraqi government be as inclusive as it chooses to be. Do not make another attempt to enforce the US view of political correctness on the leadership and manning of Iraqi forces as long as they perform their mission and serve a pluralistic and legitimate government.¹³
- Make it clear that the US and Britain will not maintain post insurgency bases in Iraq, and will stay only as long as the Iraqi government requests and needs their support.
- Build on the Saudi proposal to seek Islamic contingents to aid the Iraqi forces that are not from neighboring countries. This will not provide forces that can defeat the insurgents, but it will enhance the legitimacy of the new government, show Iraqis that the US is serious about not remaining an occupation force, reassure Iraq's Sunnis, and reassure Iraq's neighbors.
- Start talking honestly about the threat. Admit the scale of Iraqi Sunni insurgency efforts. Be honest about the scale and nature of the foreign threat, and the complex mix of groups involved, rather than placing too much emphasis on Al Qaeda. Provide objective reporting on the role of outside powers like Iran and Syria, without exaggeration.
- Stop provoking a pointless confrontation within NATO over levels of troops and training aid that the US simply will not get. Concentrate on the mission at hand.¹⁴

RESTRUCTURING US AND FOREIGN ECONOMIC AID SO THAT IRAQI PLANNING, ADMINISTRATION, AND ACTIVITY CAN? REBUILD AND REFORM THE IRAQI ECONOMY

It is impossible at this point to measure just how serious the problems are that the Iraqi ministries face in terms of governance. It is possible, however, to measure the fact that the CPA was a dismal failure in many areas, and left a legacy that must now be dealt with in the middle of a serious insurgent conflict.

Iraq's relief and reconstruction requirements are formidable. As the CPA notes, the UN and World Bank initially estimated the medium term cost of Iraq relief and reconstruction at \$56 billion and the CPO put it at \$50–100 billion. In practice, the real cost could easily be twice as much, given the impact of ongoing fighting. These estimates also do not include the cost of giving Iraq effective infrastructure, and putting it on the road to sound economic development.

Most of the money the CPA spent in 2003, and during 2004 until it disbanded, had to go to operating expenses and dealing with short problems and crises. For example, ORHA and the CPA had found roughly \$1.724 billion in "vested assets" or funds which belonged to the previous regime as of 20 June 2004, and which were vested by the President of the US in a special account in the US Treasury. The CPA never properly accounted for these funds, but its Inspector General estimated that the ORHA and CPA had committed and obligated \$1.686 billion as of 30 June 2004, and had disbursed \$1.672 billion. A little over \$1.1 billion of the total went to pay and stipends. \$103 million went to small emergency repairs and projects, and \$358 million went to ministry operations. Only about \$24 million went to more capital intensive and lasting expenses like fire stations, hospital generators, etc.¹⁵

Another \$927 million was seized from multiple Iraq sources from March 2003 to June 2004. Some \$90 million went to a fuel contract, \$258 million went to ministerial operations, \$31 million went to stipends, and \$320,000 went to weapons buyback. A substantial amount did, however, go to short-term aid. Some \$190 million went to Regional Directors and Commanders Emergency Response Fund (CERF/CERP) aid, and \$195 million to non-ministry repair, reconstruction, and humanitarian assistance. Unfortunately, no reliable way exists to determine where much of this money went in any detail.¹⁶

The CPA and the US have had one element of success in dealing with the Iraqi economy: basic financial services. Their efforts to deal with the rest of the Iraqi economy, including the oil sector and utilities, have otherwise ranged from token success to ineffective waste, and without leaving a legacy of effective planning.

No useful plans emerged for reform of the state industries, the agricultural sector, or compensating for the destruction of Iraq's military industries. Even with a one-time boost from an end to draconian tariffs and aid money, the one Iraqi survey (January 2004) of employment put unemployment and severe underemployment at over 50%.

THE OVERALL SIZE OF THE AID EFFORT

The GAO reports that as of the end of April 2004, the world had so far pledged about \$58 billion in grants, loans, assets, and revenues to the relief and reconstruction of Iraq. Of the funds available, the United States obligated about \$8 billion of the available \$24 billion in U.S. funds. The CPA obligated about \$15.5 billion of the nearly \$21 billion in available Iraqi funds.¹⁷

The Inspector General of the CPA reported on July 30, 2004 that as of the end of June 2004, approximately \$49.6 billion had been provided for Iraq relief and reconstruction from U.S. appropriated funds, Iraqi funds, and funds contributed by donor nations as of the end of June 2004. The sources of funds were:

- *U.S. appropriated funds:* \$24.0 billion, used primarily for Iraq reconstruction. These included \$2.4 billion in FY2003 funds for the Iraqi Relief and Reconstruction Fund (IRRF)-1 financed by P.L. 108-11; and \$18.4 billion in FY2004 funds for the Iraqi Relief and Reconstruction Fund (IRRF)-2, financed by P.L. 108-106.
- *Iraqi funds:* \$23.4 billion, used for the relief of the Iraqi people, reconstruction projects, and daily operations of the Iraqi ministries. Most of these funds go to the Iraqi annual budget.
- *Donor funds:* \$2.2 billion in contributions and firm commitments by donor countries and international organizations (\$849 million in humanitarian aid and \$1.4 billion of the \$13.5 billion pledged at the Madrid International Donors Conference for Iraq Reconstruction)

The Inspector General reported that \$33.3 billion had been obligated out of the \$49.6 billion as of 30 July 2004, and \$21.4 billion has been expended. This left an unobligated amount of \$16.3 billion (\$13.4 billion in U.S. funds, \$2.8 billion in Iraqi funds, and \$0.1 billion in donor aid). However, CPA reports also show that most of this money went to operating expenses, food, and short-term needs.

PROGRESS IN IMPLEMENTING THE FY2004 US AID EFFORT

The CPA went out of existence without making effective use of some \$18.4 billion in US aid for FY2004.¹⁸ Only \$400 million had actually been spent as of 30 June 2004, and \$458 million by late July 2004. The CPA had failed dismally to develop effective measures for determining the effectiveness of actual spending, and it had created a bureaucratic nightmare where it could apportion some \$11 billion of the money, commit \$9.5 billion, and obligate \$5.6 billion in ways where as much as half would go to security, overhead, and expenditures outside Iraq (GAO reporting indicated that contractor security spending ranged between 14 and 18% of total contract outlays).

CPA reporting as of 29 June 2004 shows that progress in construction and non-construction aid projects for key sectors like water, electricity, health and oil lagged far behind the goals set by the CPA for action as of 1 July 2004. A report in the New York Times noted that only 140 of 2,300 promised construction projects were underway when the CPA went out of business, and that this created fewer than 20,000 jobs, rather than the revised planned goal of 50,000, and this goal was only 20% of the goal of 250,000 that the CPA had originally set.¹⁹

Other reporting indicates that many of these “jobs” were non-jobs with no meaningful work activity, and that the CPA was often effectively paying Iraqi workers to stay home. In case after case, reconstruction faltered or did not occur. Claimed successes were

hollow shells, or subsidized activity. The state industries that dominate the Iraqi industrial economy and work force also normally operated at a small fraction of capacity.²⁰

Even food stocks averaged well under 50% of the CPA goal. In addition, the CPA developed effectiveness measures based on funds expended and projects “completed” without measures of their adequacy and effectiveness.

Many of the successes the CPA and USAID claimed in areas like health and education were actually dysfunctional, and many of its detailed claims of success bordered on the absurd. The CPA reported it had 4,607-peak deliverable megawatts worth of generation capability at the end of June to meet an arbitrary post-Saddam goal of 6,000 megawatts, but this reporting ignored massive distribution problems and the fact that peak megawatts could not be delivered throughout the day. The CPA also included 1,260 peak megawatts in its 4,607-megawatt total that were actually offline for scheduled and unscheduled maintenance.²¹ In contrast, the GAO reported that 7 of the 18 Iraqi governorates had 16 hours of power per day when the war began and only one Kurdish governorate had such power levels in June 2004.²²

It is hardly surprising that under these conditions, many Iraqis sought visas to leave the country, while few firms seriously considered investment and many foreign firms with existing contracts cut back on or cancelled their activity. A combination of failures in both the security and economic dimensions proved nearly crippling.²³

As for progress in US aid, the following table shows just how slow the pace of actual aid on the ground has been as of July 7th:

<u>Sector</u>	<u>2207 Request</u>	<u>Apportioned</u>	<u>Committed</u>	<u>Obligated</u>	<u>Actual Expenditure</u>
	\$M	\$M	\$M	\$M	\$M
Security & Law Enforcement	3,243	2,976	2,214	1,507	220
Electricity Sector	5,539	2,538	2,403	1,708	111
Oil Infrastructure	1,701	1,701	1,649	933	16
Justice, Public Safety & Civil Society Less Democracy	1,038	825	582	300	14
Democracy	451	451	415	270	8
Education, Refugees, Human Rights, Governance	259	259	229	98	9
Roads, Bridges, Construction	370	270	246	123	0
Health Care	793	512	484	123	0
Transportation & Telecoms	500	467	365	71	4
Water and Sanitation	4,148	816	804	451	0
Private Sector Development	184	136	100	42	16
Admin Expenses, (UAAID, CPA Successor	213	29	29	29	12
Total	18,429	10,980	9,520	5,815	410
<i>Construction</i>	<i>12,406</i>	<i>5,740</i>	<i>5,514</i>	<i>3,780</i>	-
<i>Non-Construction</i>	<i>5,582</i>	<i>4,789</i>	<i>3,591</i>	<i>1,765</i>	-

A NEED FOR BETTER IRAQI BUDGET PLANNING AND TRANSPARENCY

The CPA reporting on Iraq's budget for 2004 is a statistical and functional nightmare. Most expenditures cannot be linked to progress in aid or reconstruction—although it is clear that Iraq's Minister of Planning and Development Cooperation did independently develop such plans in many areas. As of the end of June 2004, the budget totalled \$22.4 billion for the year—about twice what the IEA estimates Iraq earned in oil export

revenues in 2002, and 40% higher than the rate of annual export earnings that Iraq had reached by mid-2004. In what is typical of the massive confusion surrounding current activities in Iraq, the CPA reported on 13 July 2004 that only \$2.5 billion of this total was to go for capital projects versus \$1.8 billion for salaries. Some \$14.8 billion was to go to "other operating expenditures," of which only \$1.8 billion seemed to be tied to short-term and emergency aid—about the same amount going to reparations and debt payments. It also took the CPA until 5 April 2004 to create an Iraqi Business Set Aside Program to reserve small contracts for Iraqi firms.²⁴

The CPA's Inspector General, however, provided another budget breakout on 30 July 2004 that indicated that \$3.2 billion of a total of the \$22.4 billion was to go for ministry capital projects and \$919 million to capital expenditures, versus \$797 million for salaries, and \$2.542 billion for "staff expenditures." Out of the entire total, some \$15 billion goes to "Finance," of which \$11.9 billion is lumped together under the unexplained heading "Transferred expenditures," while another \$1.178 billion went to foreign obligations, \$797 million to salaries and retirements, and \$183.6 million to unexplained "ministry capital projects." About the only reassuring aspect of this additional budget breakout is the fact that some capital expenditure was planned in high priority areas -- although no "crosswalk" is possible to see how they interact with aid. These include \$167 million for education, \$836 million for electricity, \$760 million for oil, \$135 million for communications, \$166 million for municipalities and public works, \$61 million for security and national defence, \$217 million for transport, and \$128 million for water resources. These programs total \$2.5 billion. (One real mystery is why the 2004 budget has \$51 million for planning, \$31 million of which is for capital projects.)²⁵

No coherent plan has yet been announced for rehabilitating and modernizing the petroleum sector, actual oil production still is not metered in any accurate way, and Iraqi domestic consumption has been severely distorted by maintaining Saddam-era energy prices (\$0.05 a gallon gasoline). The CPA went out of business having established a peak low for oil production: 1.092 MMBD for 18-24 June, and an average weekly rate of 1.8 MMBD for 19-30 June, versus a goal of 2.5 MMBD. This compared with a pre-war peak of 2.5 MMBD in March 2003, a post-war peak of 2.595 MMBD in April 2004, and a long-term target for December 2004 of 2.8-3.0 MMBD.

The CPA never developed effective measures for accounting for its expenditure of some \$15.5 billion of the roughly \$21 billion it inherited from the Ba'ath regime, and the UN oil for food program, or obtained from Iraqi oil sales: amounts in excess of \$10 billion including \$8.1 billion from the oil for food account.²⁶

In spite of massive fiscal abuses by the Ba'ath regime and under the UN oil for food program, the CPA did not comply with the requirement under UNSCR 1483 that it provide independent outside review. At the same time, it co-mingled Iraqi funds into US aid projects. Moreover, the CPA spent up to \$1 billion of Iraqi funds on undefined security projects, and did not even appoint an auditor until April 2004. It failed to cooperate with the UN appointed International Advisory and Monitoring Board (IAMB) and provided contradictory reports on oil export revenues with billions of dollars worth of differences. The CPA also never came to grips with the need to account for the fact some 10-25% of Iraq's refined product is smuggled abroad.²⁷

The CPA's auditor had some 27 criminal investigations of abuse of the US aid effort underway at the end of July 2004, and had this to say about the CPA's performance in his 30 July 2004 report:²⁸

- A CPA-IG audit found that the CPA Comptroller created policies and regulations that, although well intended, did not establish effective funds controls and accountability over \$600 million in DFI funds held as cash available for disbursement. This included \$200 million held by the Comptroller in Baghdad and over \$400 million with appointed agents. Although the CPA-IG did not identify any actual losses of cash, the \$600 million under the control of the Comptroller was susceptible to fraud, waste, and abuse.
- A CPA-IG audit of accountable property in Baghdad found that the management and record keeping for accountable property needed improvement. CPA auditors in Baghdad estimated that accountable property items valued at approximately \$11.1–26.2 million may have been unaccounted for at the time of the audit.
- The CPA-IG identified 178 major contracts awarded in 2003 and 2004, each valued at more than \$5 million. The CPA-IG verified contract data for 164 of the 178 contracts. Of the 178 contracts, 14 were not located during the review. Based on a review of the 164 major contracts, the percentage of total value of contracts awarded through full and open competition increased from 25% in 2003 to 99% in 2004, while those awarded on a sole source basis decreased from 66% to 1%.
- A CPA-IG investigation uncovered evidence of manipulation in the award of a security contract. The resulting CPA general counsel review led to the revocation of the \$7.2 million award, recovery of the \$2.3 million advance payment, and the removal of a senior advisor.
- In the course of an ongoing fraud investigation, the CPA-IG found weak contract monitoring, including numerous deficiencies in a contract for oil pipeline repair. The Program Management Office issued a deduction of more than \$3.3 million for improper charges because contractors were not in the field conducting the work specified in the contract.
- The ...CPA did not have an accurate count of civilian personnel assigned to the CPA operations in Baghdad. In March 2004, CPA officials believed that their rosters were 90-95% accurate. With an estimated population of 1,196 government and contractor personnel assigned to the CPA Baghdad, probably more than 100 people may not have been properly accounted for.

The end result is that the US has a clear obligation to not only provide Iraq with sustained help in moving towards effective governance, but to find some way to break out of the near-disaster of trying to have the US government and private sector plan and administer the aid program, and to put Iraqis firmly in charge of planning and administering aid—reserving the US role to making sure the projects are meaningful and well conceived, and are effectively implemented.

OPPORTUNITIES AND RECOMMENDATIONS FOR IMPROVING ECONOMIC AID

Given this background, the most obvious recommendation is one that Secretary Powell already gave high priority in July 2004.²⁹ The crawling pace of actual expenditures in the US aid program is a national disgrace, and a devastating indictment of everyone in policy level management and the career bureaucracy concerned with this effort. It is a strong argument for either a total shake up in USAID, or for abolishing it.

There are, however, many other key recommendations that the US should explore:

- The new US Embassy team in Baghdad is reported to be examining options for taking aid away from US planners and managers and allocating it directly to the Iraqi ministries, allowing Iraq to do its own planning and management, with the US exercising the power to review the way the money is spent and require suitable auditing and effectiveness reporting. Putting the Iraqis firmly

- in charge may lead to some mistakes and corruption, but it cannot help but be more effective than the work done by the CPA and USAID.³⁰
- Strengthening the capability of Iraqi ministries, governorates, and local governments to use aid both to meet immediate political needs and provide effective recovery and development has a very high priority. It is a key aspect of governance.
 - A zero-based review is needed of the problems that limit the operations of the US Project and Contract Office (PCO). Any necessary legislative and regulatory relief should be presented to Congress no later than this fall.
 - Transparency and more honest reporting are needed at every level. There needs to be a joint analysis of past and ongoing aid activity from all sources, and reporting on the Iraqi budget that shows where aid, export earnings, and other revenues are going. Operating expenditures need to be clearly distinguished from capital expenditures, and capital expenditures need to clearly highlight investments in recovery and development.
 - Aid planning and reporting should focus on actual expenditures in Iraq, versus total expenditures or obligations. Security and overhead expenditures should be distinguished from actual aid activity. All aid reporting should provide clear measures of effectiveness, and Iraqi satisfaction and perceptions should be monitored through polling and other methods. The distribution of aid activity, and the provision of key services, should be mapped in detail to show the effectiveness of programs in meeting the needs of given regions and ethnic/sectarian groups in Iraq.
 - The use of aid funds that can immediately be allocated to meet urgent needs, or to win support in political and counterinsurgency efforts, remains a key priority. Dollars are better than bullets, and funding a strong emergency aid and Commander's Emergency Relief Program (CERP) effort is critical. As the Iraqi security forces gather strength and effectiveness, and local governments become more effective, the US should allow them to carry out similar aid activity – again raising the visibility and “legitimacy” of the Iraqi government.
 - The US should phase out reliance on US contracts, contracting methods and officers, and US prime contractors as soon as possible. Some ties may still be needed to link US aid money to US firms or sources of supply, but much of the resentment and security problem comes from the fact that “occupiers” are running such programs, far too much money never gets to Iraq, and far too much of the money that does get to Iraq goes to foreign security forces.
 - The CPA failure to issue contracts to measure the problems in Iraq's oil reservoirs, and help Iraq develop effective recovery and development plans, is another major failure in the US effort. There is a clear need to fix the most urgent problems in the Iraqi oil sector, and to fund the repairs and security efforts that have reduced Iraqi exports from a post-Saddam peak of 1.8 MMBD to 1.3 MMBD, and far below Saddam era levels. Problems in Iraq's reservoirs need to be dealt with on a realistic basis.
 - A detailed review is needed of the Iraqi health and education programs – critical aspects of winning hearts, minds, and legitimacy – to see what is actually functioning and has the proper facilities and equipment versus the often meaningless data on project “completions” issued by the CPA and USAID.
 - A similar review of water and sewer data is needed, and realistic assessments are needed of requirements and what can be done to meet them. Project start and completion data are not an effective basis for planning.
 - The focus on electricity needs to shift from meaningless data on peak generating capacity in terms of theoretical capacity to actual distribution to meet need. The goal of 6,000 MW peak delivery capacity – which is little more than absurd in terms of Iraq needs and perceptions -- should be scrapped. A system that claims 4,627 MW peak delivery capacity when 1,199 MW peak delivery capacity of this total is offline for maintenance borders on the theatre of the absurd.

- A clear strategy for eliminating distorting subsidies is needed. Actions like continuing the sale of gasoline at prices fewer than 10 cents a gallon are seriously distorting the transportation sector and demand in unsustainable ways.
- An outside international body like the World Bank is needed to help Iraq plan the reform of its state industries and agricultural sector and provide a well defined and soundly costed plan for mid and long-term development and aid.
- Serious and honest efforts are needed to measure direct and disguised unemployment and determine what kinds of job creation programs are realistic. More dishonest reporting and ineffective programs are the last thing Iraq needs.
- Iraq needs help in developing special security forces that can ensure lines of communication present limited risk and which will protect foreign ventures and outside investment.

OTHER ISSUES FOR MID AND LONG-TERM ACTION

There are other issues with only marginally smaller priority that need both short and mid-term action:

- *How to lower the profile of what appears to be unilateral US military action in Iraqi eyes, while remaining effective.* How do we fight with the Iraqis, rather than for -- or in spite of -- them? The problem of creating effective military partnerships and interoperability in asymmetric wars is one the US will need to solve in far more cases than Iraq.
- *Finding ways to help the new Iraqi governments divide and include insurgent movements and elements.* The Iraqis seem to recognize that they need to divide and co-opt many insurgent elements rather than simply defeat them. The US and its allies need to face this reality as well.
- *Sustaining US and British support for the Iraqis over the next 6-18 months.* It is far easier to talk about end games, exit strategies, and transferring the burden of aid than to accept the fact that if short and mid-term success is possible at all, it is ultimately going to remain dependent on US and British aid for almost all of the core effort. This may well mean not only a prolonged troop presence, but also major further increases in aid.

WHAT DO “MID-TERM” AND “LONG-TERM” ACTUALLY MEAN IN TERMS OF US AID AND POLICY?

If the Iraqis do succeed in their short-term political and security missions, the US and its allies need to face the fact that the “aftermath” of the Iraq War may well require up to 10-15 more years of outside support and encouragement, and will almost certainly require substantial aid through 2010.

It is all too clear from what has been discovered under the US and British-led occupation, that Iraqi "oil wealth" will not be enough to finance Iraq's recovery and development in either the short or mid-term. The initial estimates of the IMF, World Bank, and CBO totalled \$50-100 billion, but time has shown that these figures are far too low to succeed. In fact, one of the most important tasks, even in the short-term, is to create a realistic assessment of just how bad Iraq's situation is, what it can do and finance on its own, and how much aid will be required. Ideally, this should be a joint Iraqi and World Bank effort. If the World Bank will not perform this task, the US must undertake it. In any case, the US must provide as much technical assistance as possible,

It seems nearly certain that such a planning effort will show that restructuring the command kleptocracy that existed under Saddam, and meeting the needs of the Iraqi people, will take at least a decade and be a truly monumental task.

Iraq must make its own decisions about implementing any such plans, and will certainly have to finance much of its mid and long-term recovery and development. At the same time, the US and its allies must be ready to provide a responsive mix of aid efforts that also act as an incentive for longer-term Iraqi political, economic, and military evolution and stability over a period of 5-10 years. The key to effective influence over Iraq is also going to be to provide such positive incentives. Efforts to pressure or sanction a post Saddam Iraq can only be counter productive.

As part of its efforts, the US also needs to honestly examine why its pre-war, wartime, and post-war planning of the nation building have been so dismally unrealistic and incompetent. Much of the blame does lie with an ideological Department of Defence, a failed NSC and interagency process, and a US military that failed to see that the strategic value of securing and winning a peace was at least as important as winning a conventional war.

At the same time, the US also needs to rethink the role of the State Department and particularly USAID. The pre-war planning effort showed that the Department of State could coordinate an analysis of Iraq's problems with reasonable competence, but had almost no operational capability to develop effective plans for nation building and was unready to coordinate such activity with military security and counterinsurgency activity. The State Department simply was ill prepared for asymmetric warfare on the scale that took place in Iraq.

Moreover, all of the longstanding problems in USAID surfaced in familiar and costly ways. It remains a project-oriented group with limited internal capability, and one far better suited to simply transferring aid money or funding and managing showpiece projects. It has little capability to plan, program, and manage nation building; it is not even well equipped to contract out such work; and it has a bureaucratic ethos designed to "sell" projects rather than achieve substantive results. This simply is not an adequate US government approach to meeting the challenges of the modern world.

OPPORTUNITIES AND RECOMMENDATIONS FOR OUTSIDE AID AND ASSISTANCE BY THE UN, NGOS, AND THE INTERNATIONAL COMMUNITY

"Might have beens" and "should bes" are irrelevant in Iraq. The fact is that success or failure will now depend primarily on the Iraqis as supported by the US, Britain, and other members of the coalition and Multi-National Force (MNF). Policy must now focus on determining whether there are real-world missions for obtainable NATO, UN, and allied capabilities that can be provided on a timely basis vs. vacuous, empty rhetorical concepts.

- *NATO can only have a token and unimportant role.* Talking about training and other aid for cosmetic political purposes in creating the façade of more unity in the alliance does nothing for Iraq and little, if anything for NATO. Iraq needs serious training and equipment efforts, not more diverse training methods tied to countries with different languages, tactical methods, and often, different political objectives.

The US and Britain are not going to find NATO to be a viable answer to their problems in Iraq, or to providing more than symbolic aid – if that. NATO has already shown the acute limits to its power projection capabilities in Afghanistan – a mission that supposedly does have the full support of the alliance. Pushing France and Germany to do more in Iraq will simply provoke more tensions and at most get token levels of aid. Moreover, the idea that a NATO flag will somehow defuse the anger of Iraqis at “occupation” or be less of a target for insurgents is a fantasy.

Any non-Islamic presence will present problems and any Western presence will be seen as only marginally less of an occupying force than the US and UK. The insurgents are following an increasingly general model of attacking any country or NGO in an effort to drive them out that was first developed in Lebanon and Somalia, and then first became chronic in Afghanistan. Small NATO contingents are ideal targets for trying to manipulate hostile public opinion in the country involved.

- *The strengths and limits of the UN.* It is already apparent that the skills of individual UN civil servants can be of vast importance in brokering Iraq’s evolution towards federalism, a more democratic government, and progress in other aspects of its political development. The US should seek to persuade the UN to return a strong mission to Iraq and help it find ways to provide the necessary security. This will be essential in far more cases than Iraq. The days in which neutrality offered the UN protection in most crises are over. The UN is now simply one more target, and must adapt to this fact if it is to play an important role in high threat/high violence areas.

At the same time, the value of the skills of the UN staff should not disguise how limited the role of the UN has to be in a crisis unless the Security Council and most of the General Assembly fully support an operation. Iraq will never have such support until a new Iraqi government has both emerged as “legitimate” in Iraqi eyes and has effectively won the counterinsurgency and counterterrorism battles to the point where member countries see a clear advantage in supporting it.

- *Finding ways to multilateralize the political and economic support effort without losing real world effectiveness or waiting on promises that are never kept.* Virtually every peacemaking operation in recent years has shown that many “international community” pledges to provide manpower and aid funds are not kept, and how little actual resources often flow to the recipient country. Real international cooperation can be vital. Token pledges serve no purpose, and tied aid, loans disguised as aid, efforts too small to have effective scale, and indeterminate pledges to off debt and reparations relief are simply dishonest exercises in political correctness. For example, out of some \$13.5 billion in aid pledges at the Madrid Donor’s Conference in October 2003, only the \$4 billion pledged by the US was actual grant aid rather than loans.

The real question is what role the World Bank and IMF can play, particularly the World Bank. Historically, the World Bank has not played the role of planning and analyzing the transition of a command economy to a modern economy, and certainly has never tried to “fix” an economy the size of Iraq’s under combat conditions. It has far more resources in terms of expertise than USAID, but many of the same basic limits in terms of the experience and quality of its personnel.

That said, no other international organization is better equipped to support the new Iraqi government, attract and manage the aid that is provided, and minimize the tendency of donor countries to try to use aid to win leverage and influence in Iraq.

- *The growing problem of NGOs.* Iraq is one more illustration of the growing problem NGOs face in a world where Islamic extremists see them as a cultural and ideological threat, and as an easy target to obtain high visibility in driving an NGO out of the country, using them as hostages, or killing for similar media exposure. While NGOs have often reacted by blaming the peacemaking or military forces for such attacks, they generally miss the point. They are not being attack because military action goes on in the areas where they operate, or because military forces perform aid missions, they are being attacked because they are foreign, non-Islamic, and desirable targets.

The idea of armed NGOs is almost a contradiction in terms, and trying to provide security to such groups is expensive and often pointless if the group leaves or narrows its activity. This means,

however, that NGOs cannot perform many of their traditional roles in insecure areas where Islamic extremists or other anti-Western extremists operate, and both governments and NGOs need to understand this.

- *The problem of Iraqi Debt and Reparations:* It is even more important for the US and Britain to support debt and reparations relief and forgiveness as the new Iraqi government struggles for legitimacy than it was under the CPA. Iraq simply will not be wealthy enough to meet its urgent needs and make major debt and reparations payments for most of the coming decade, and forgiving these burdens is far more important to Iraq than to the nations to which they are due.

The Iraqi people need to see that the government has “legitimacy” in attracting such forgiveness, and it is a way for the outside nations involved to provide aid that gives them favourable exposure in Iraq, while effectively “sacrificing” funds they almost certainly will never get in any case.

One technique would be to obtain forgiveness from the willing while there is still a crisis, and to defer payments to the nations that will not forgive. If a new Iraqi government and political system emerge, the non-forgiving nations will virtually be shamed and pressured into extending such forgiveness later in order to win influence and Iraq’s friendship. If the new government fails, they will not be repaid in any case. This is also one of the few areas where the US can constantly usefully embarrass its critics in Iraq, and keep up a constant series of highly public initiatives to push them towards full forgiveness.

- *The role of Islamic and Arab states:* As has been discussed earlier, the Saudi proposal for forces from Islamic and Arab states that do not border on Iraq has some risks, but can have major value in providing the new government with added legitimacy, and in defusing some of the Sunni Arab tensions with the new government. While the forces involved are likely to be small – and only make a marginal reduction in the need for Iraqi and coalition forces – they may be able to play a unique role in lowering the profile of US and British forces. Such a mission will also lay the groundwork for a broader aid effort, and potentially could be used to give a UN mission in Iraq more weight and meaning if they were deployed as part of a UN effort and not as direct support for the MNF.

DO NOT PLAN FOR AN EXIT STRATEGY BUT UNDERSTAND THAT THERE WILL STILL BE A NEED TO THINK ABOUT THE UNTHINKABLE

There still is a good chance for success in Iraq, and the odds of such success are at least even. The US does not need to plan for an exit strategy as long as there is a reasonable probability of success. Iraqi success should be strongly encouraged, the US should reward progress with the necessary aid, and maintain a troop presence until the Iraqi military and security forces are ready to take over the burden of maintaining security and counterinsurgency operations. If this is done, Iraq may well succeed in becoming a stable state along federal and pluralistic lines.

The US certainly should not set deadlines for a US troop presence, or ceilings on US aid. These are a dangerous signal to the insurgents, who will see such deadlines as a reason to keep fighting and as a key sign of American weakness and lack of resolve. They will make it even more difficult to attract and keep coalition and international support. They also are far more likely to make Iraqis think about protecting themselves and avoid the risks of supporting the interim government and nation building process. This is a war the US started, and a peace process that it badly bungled. Quite aside from power politics and strategy, it has a moral and ethical responsibility to the Iraqi people.

At the same time, the US, Europe, and their regional friends and allies do need to think and plan for the “unthinkable.” There is no need to plan an “exit strategy” in the event of success. What the US and its allies do need is a contingency plan for failure; for the

possibility that Iraqis may either demand an exit or the situation may become untenable in spite of US and allied efforts.

No one can guarantee success in Iraq; or that Iraq will not descend into civil war, come under a strongman, or split along ethnic or confessional lines. The US must be ready if the Iraqis fail to move forward and reach a necessary political consensus, divide or move towards civil war, or ask the US and its coalition allies to leave.

It is silly to deny the possibility this can happen, or to claim the US can never withdraw. Accordingly, the US should have a back up plan that includes major efforts to reassure the friendly Gulf states and other Arab allies, demonstrates that the US will maintain a major presence in the Gulf, contains any risk that civil conflict in Iraq will spill over into other countries, contains any Iranian actions, and deals with the inevitable Islamist claims of "victory." The US must also be ready to salvage events in Iraq as best the US and its allies can.

ACCEPT THE REAL-WORLD CHALLENGES AND LIVE WITH THEM

There is a time and place for rhetoric and comforting political illusions. Iraq is not that time and place. If anything, Iraq has provided shock therapy in illustrating the dangers of trying to impose ideology and theory on reality, the weaknesses of many key institutions, the limits to the so-called international community, and the sheer scale and complexity of nation building and security operations. In Washington, "optimist" is almost always a synonym for "jackass," in a world where simple, quick, cheap and easy solutions are inevitably doomed to failure.

The fact that major strategic interests are complex, time consuming, costly, difficult, and filled with risk does not mean, however, that they can or should be avoided. The US had the courage to understand this during the Cold War, and it needs to bring that same courage to bear in dealing with Iraq. Iraq and the US position in the Gulf and Middle East are too important to sacrifice as long as there are so many real world options and opportunities.

In different terms, the US also assumed Iraq as a moral and ethical burden when it chose to go to war. The fact that war, and the occupation that followed, were mismanaged, costly, and unpopular is not an excuse for retreat. The US and its allies also need to understand that whatever the difficulties may be today, they will be largely forgiven if Iraq ultimately succeeds and the US its allies and the world will have to live with the results for years if it fails. From a strategic viewpoint, Saddam's regime and threat is now totally irrelevant. It is winning the "war after the war," and the peace, that counts.

¹ Unless otherwise footnoted, All CPA data in the following section are taken from CPA, "Working Papers: Iraq Status," June 29, 2004, and from the "final" CPA reports "Working Papers: Iraq Status," July 6, 2004, and "Working Papers: Iraq Status," July 13, 2004.

² All data referring to July 13th are taken from the CPA report "Working Papers: Iraq Status," July 13, 2004. The actual final reporting data for the data shown may be earlier, often as of July 7, 2004.

³ Sharon Behn, "General Assails CPA Bureaucracy as Unresponsive," Washington Times, July 1, 2004, p. 12.

⁴ Yochi J. Dreazen, "For Many Iraqis, A New Daily Fear: Wave of Kidnapping," Wall Street Journal, July 22, 2004, p. 1.

⁵ Yochi J. Dreazen, "For Many Iraqis, A New Daily Fear: Wave of Kidnapping," Wall Street Journal, July 22, 2004, p. 1.

⁶ Doug Struck, "Iraqi Security Has Come Far, with Far to Go," Washington Post, August 1, 2004, p. A18.

⁷ CPA report "Working Papers: Iraq Status," July 13, 2004. p. 15. The budget data imply, but do not explicitly state, that such "projects" are actually operating expenses.

⁸ Office of the Inspector General, Coalition Provisional Authority, "July 30, 2004 Report to Congress," Appendix, Table E.1.

⁹ See John Daniszewski, "Kurds Wonder Where They Fit in the New Iraq," Los Angeles Times, July 27, 2004, p. A-1.

¹⁰ Doug Struck, "Iraqi Security Has Come Far, with Far to Go," Washington Post, August 1, 2004, p. A18.

¹¹ Carol J. Williams, "Iraqis More Eager to Help Police," Los Angeles Times, July 23, 2004.

¹² Doug Struck, "Iraqi Security Has Come Far, with Far to Go," Washington Post, August 1, 2004, p. A18.

¹³ This presents a problem in Iraq, especially given the opposition of political opportunists like Ahmad Chalibi. See Carol J. Williams, "Reversal of De-Baathification Proves Decisive," Los Angeles Times, July 29, 2004.

¹⁴ For a discussion of the futility of placing too much emphasis on NATO, see "NATO Fails to Agree on Iraq Training Mission," Washington Post, July 29, 2004, p. A-18.

¹⁵ Office of the Inspector General, Coalition Provisional Authority, "July 30, 2004 Report to Congress," Appendix, Table F.1.

¹⁶ Office of the Inspector General, Coalition Provisional Authority, "July 30, 2004 Report to Congress," Appendix, Table E.1

¹⁷ <http://www.gao.gov/docsearch/abstract.php?rptno=GAO-04-902R>.

¹⁸ Part of the reason was security. A GAO study found that, as the security situation worsened during 2003, the CPA abandoned plans to fully staff offices throughout Iraq to assist in Iraq's political transition and reconstruction and instead established a much smaller field presence. Further, the CPA established stringent security measures that U.S. government staff had to follow in traveling outside the Green Zone, the coalition's "safe area" in Baghdad, thereby making it difficult for them to move around the country. In late February 2004, the Department of Homeland Security decided to stop sending teams of customs investigators to assist CPA. They could no longer do their jobs because it had become too dangerous for them to move around the country. CPA officials also stated that they were concerned about the safety of their Iraqi employees, particularly their interpreters, as insurgents had increasingly targeted them for cooperating with the coalition."

¹⁹ James Glanz and Erik Eckholm, "Reality Intrudes on Promises in Rebuilding of Iraq," New York Times, June 30, 2004 and Bryan Bender, "Hiring of Iraqis, at 30,000, still short of US goal," International Herald Tribune, July 10-11, 2004, p. 3. Also see EPIC, "The Iraq Jobs Crisis," Issue Brief No. 1, June 2004, www.epic-usa.org.

²⁰ For typical reporting, see Doug Struck, "Engines of Industry Sputtering in Iraq," Washington Post, July 10, 2004, p. A14.

²¹ The GAO reported on June 29, 2004 that the CPA had set a goal of 6,000 megawatts of generating capacity by June 30, 2004, in anticipation of the higher demand for power during the summer months. As part of the overall effort to achieve this goal, the U.S. Army Corps of Engineers (Corps) undertook \$1.4 billion in work under the Restore Iraqi Electricity (RIE) program. As of late May 2004, the Corps still claimed that that 59 of the 66 RIE projects expected to help meet the goal would be completed by June 30. However, electrical service in the country as a whole has not shown a marked improvement over the immediate postwar levels of May 2003 and has worsened in some governorates. RIE contractors report numerous instances of project delays due to difficulties in getting employees and materials safely to project sites. Further, the security environment continues to affect the cost of rebuilding the power sector. <http://www.gao.gov/docsearch/abstract.php?rptno=GAO-04-902R>

²² GAO, "Rebuilding Iraq: Resources, Security, Governance, Essential Services, and Oversight Issues," GAO-04-902R, June 29, 2004.

²³ See Jackie Spinner, "Bribe Pushes Up the Cost of Gaining An Iraqi Passport," Washington Post, July 31, 2004, p. A17.

²⁴ For a fuller discussion, see GAO, "Rebuilding Iraq: Resources, Security, Governance, Essential Services, and Oversight Issues," GAO-04-902R, June 29, 2004. Also see James Cox, "The Iraqi Effort Judged Harshly," USA Today, June 30, 2004, p. 7B; and T. Christian Miller, "Coalition Faulted for Lax Controls," Los Angeles Times, June 30, 2004.

²⁵ See appendices to Office of the Inspector General, Coalition Provisional Authority, "July 30, 2004 Report to Congress."

²⁶ The GAO examination of this funding reported on June 29, 2004, describes the funding and expenditure situation as follows: On May 22, 2003, United Nations Security Council Resolution 1483 recognized the establishment of the Development Fund for Iraq (DFI) to provide a repository for Iraqi funds to support the reconstruction of Iraq. DFI funds consist of oil proceeds, U.N. Oil for Food program surplus funds, and returned Iraqi government and regime financial assets.

As of May 6, 2004, the DFI had received about \$18 billion in deposits largely from U.N. Oil for Food surplus funds and proceeds from the sale of Iraqi oil. The majority of funds disbursed from the DFI have supported the Iraqi budget

to cover Iraqi ministry operating expenses. The remaining DFI funds have been used for PRB-approved relief and reconstruction projects and programs.

The United Nations deposited \$8.1 billion in surplus funds from renegotiated Oil for Food contracts in a series of transfers from May 2003 to April 2004. Net oil revenues of \$8.8 billion from the sale of oil for export have been deposited since July 2003. Other sources of DFI funding have come from transferred Iraqi government financial assets. More than 10 countries and the Bank for International Settlements transferred several hundred to several hundred million dollars to the DFI.³ In addition to these sources, other deposits to the DFI have been made since late June 2003, including \$146 million from the World Food Program. The CPA allocated and disbursed DFI funds⁶ under three broad categories: Iraqi ministry operations and expenses, Program Review Board-approved projects, and regional programs. From September 2003 to May 6, 2004, \$7.5 billion was allocated from the DFI to support Iraqi ministry operations and expenses; of this amount, \$6.1 billion has been disbursed. The amount of the monthly budget disbursements varied from a low of \$433 million in October 2003 to nearly \$1.5 billion in March 2004. These monthly disbursements covered salaries, pensions, operating costs, some capital project requirements, and transferred expenditures, such as the provision of food and other goods through the public distribution system. From July 2003 to early May 2004, the CPA allocated about \$4.8 billion for relief and reconstruction projects and services, of which \$1.8 billion was The DFI operates as a series of bank accounts; disbursements are thus actually withdrawals or debits.

Some of the larger DFI allocations and disbursements made between July 2003 and May 6, 2004, include the following:

Humanitarian and human services

- \$1.86 billion was allocated for imports of liquid petroleum gas for domestic heating and cooking; about \$1.07 billion was disbursed.
- \$272 million was allocated for food procurement, transport, security, and production; about \$204 million was disbursed.
- \$22 million was allocated for agriculture; nearly \$12 million was disbursed. Essential services
- \$972 million was allocated for power infrastructure; about \$157 million was disbursed.
- \$437 million was allocated for oil infrastructure; about \$150 million was disbursed.
- \$30 million was allocated for transportation and telecommunications; about \$10 million was disbursed.

Security

- \$842 million was allocated in late April and early May 2004 to address increased security needs, including resources for the Iraq security forces; about \$2 million was disbursed.
- \$52 million was previously allocated for police and security equipment; \$20 million was disbursed.

Economic reconstruction

- \$197 million was allocated for the currency exchange; about \$180 million was disbursed.
- \$27 million was allocated for microloans and employment programs; about \$2 million was disbursed.

Governance

- \$21 million was allocated and disbursed for regional governance. Public buildings, miscellaneous ministry projects, and other reconstruction
- \$18 million was allocated for a Program Management Office/Iraqi Ministry of Planning and Development Cooperation business complex; about \$6 million was disbursed.
- \$9 million was allocated for legal fees and settlements; about \$3 million was disbursed.

According to the CPA, since May 6, 2004, the CPA Administrator approved additional PRB-recommended allocations totaling about \$1.5 billion for the essential services, humanitarian and human services, and economic reconstruction projects, and for other purposes. Essential services projects include \$460 million for the oil infrastructure and \$315 million for the electricity sector. Humanitarian and human services projects include \$200 million to maintain current levels of food procurement through 2004 and \$65 million for agriculture development. Economic reconstruction projects include \$65 million for vocational training and \$65 million to provide capital to critical state-owned enterprises. Examples of other allocations include \$180 million for the Iraq Property Claims Commission, \$125 million to protect the Iraqi budget from oil revenue volatility, and \$25 million for the Victims' Compensation Fund.

The Commanders' Emergency Response Program and the Rapid Regional Response Program have been allocated DFI funds for local humanitarian, essential services, economic, general construction, security, and governance projects, as discussed below.

- Under the Commanders' Emergency Response Program, the CPA allocated \$353 million through the multinational force⁸ to military division and brigade commanders; about \$214 million was disbursed.⁹ According to multinational force officials, commanders have completed more than 21,000 small high-impact projects at an average cost of about \$11,000. For example, as of May 8, 2004, multinational force officials reported that about \$45 million had been disbursed for more than 4,100 education projects.
- The activities of the Rapid Regional Response Program incorporate and expand upon previous authorities of the Construction Initiative and the Directors' Emergency Response Program. Under the program, about \$265 million in DFI funds¹⁰ was allocated to regions and governorates; about \$120 million was disbursed.

According to CPA, more than 2,100 regional projects designed to create jobs, support local industry, and respond to community needs have been initiated across the northern, Baghdad central, southern central, and southern regions.

In addition to DFI allocations, the Commanders' Emergency Response Program has received nearly \$179 million in seized assets and \$140 million in U.S. appropriated funds from Army Operations and Maintenance, for which transfer authority was provided in the fiscal year 2004 supplemental.

<http://www.gao.gov/docsearch/abstract.php?rptno=GAO-04-902R>.

²⁷ For more details, see Christian Aid, "Fueling Suspicion: The Coalition and Iraq's Oil Billions," June 28, 2004, and the reports of the GAO and the Inspector General of the CPA (http://www.cpa-ig.org/reports_congress.html), especially the report issued in July 2004 (http://www.cpa-ig.org/reports_congress.html.) Also see T. Christian Miller, "Iraq Funds Are Focus of 27 Criminal Inquires," Los Angeles Times, July 30, 2004, and Ariana Eunjung Cha, "Audit finds Other Abuses in Iraq Contract Awards," New York Times, July 20, 2004.

²⁸ Inspector General of the CPA report issued on July 30, 2004 (http://www.cpa-ig.org/reports_congress.html.)

²⁹ Robin Wright, "Iraq Won't Go Back to the Past," Washington Post, July 31, 2004, p. A17.

³⁰ Eric Eckholm, "US Seeks to Provide More Jobs and Speed Rebuilding in Iraq," New York Times, July 27, 2004.