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Team·Leads¶

Iraq Military Subgroup White Paper

Shawn Brimley, Colin Kahl, and MG Geoff Lambert (Ret.)

Executive Summary

U.S. forces are beginning a transition from the lead in combat and counterinsurgency to an indirect approach (achieving ends through, with, and by Iraqi forces). The current Joint Campaign Plan describes this transition as a shift to “overwatch.” As U.S. and Iraqi officials negotiate a strategic framework agreement specifying the role and duration of the U.S. presence in Iraq, we offer several observations on how this transition could occur without the need for combat brigades as such.

To date, much of the training and advising mission has been performed by about six thousand U.S. and coalition personnel organized into over 450 “transition teams” (TTs), designed to mentor Iraq’s security forces. As of July 2008, U.S. and coalition forces operate 185 Military Transition Teams (MiTTs), 41 National Police Transition Teams (NPTTs), 27 Border Transition Teams (BTTs), and 216 Police Transition Teams (PTTs) – with shortages in each category. The size and composition of these teams vary widely, but they are generally small teams (usually 11 members). The small size complicates force protection requirements, as teams are often dependent on larger units for mobility and security, which many officers believe hampers their effectiveness. Some have argued in favor of doubling or tripling the size of these teams, but even these so-called “super-sized” TTs would be dependent on larger U.S. units for support.

Another emerging model calls for replacing U.S. combat brigades departing from fairly stable areas of Iraq with a battalion-sized “Transition Task Forces” to embed with, operate alongside, and advise an ISF division. A TTF would likely include around 900 troops and would consist of four elements [see **Appendix** for diagrams]:

- Several combat arms companies (infantry, armor, or artillery) that would provide training, mentoring, and support to brigades in an Iraqi Army division. These companies would also act as quick reaction forces if required;
- A company-sized unit that would serve as the node for U.S. “critical enabler” support such as command and control, logistical support, coordination for air and fire support, and intelligence, surveillance, and reconnaissance to Iraqi forces;
- A company-sized forward support unit that would provide logistical support for the TTF; and

- A company-sized headquarters unit that would serve the traditional HQ function embedded with the ISF division HQ.

As combat brigades redeploy, a combination of the smaller TTs, special forces, and larger TTFs could be used to some degree throughout Iraq, depending on security conditions and the specific region-specific needs. But in the most volatile areas of Iraq, we feel the TTF approach is perhaps the best model to consider for the near to medium-term need to transition to an indirect approach with a residual U.S. force that is sustainable, capable of maintaining security gains, and can defend itself. This is also the model likely to be favored by General Odierno, who recently told reporters: “You can’t just have advisers. . . . You can’t just have transition teams. We have to have enough force to know we can protect ourselves...That’s my responsibility.”

An initial residual posture might consist principally of battalion-sized TTFs deployed alongside most ISF divisions, perhaps demanding about 25 TTFs (or their equivalent in smaller TTs), totaling about 20,000–25,000 troops. Additional units will be needed to secure the U.S. Embassy, Camp Victory, and other bases, and provide quick reaction forces. Continuing counter-terrorism missions will require fielding special operations forces and other assets in a new configuration because of Iraqi limits on U.S. counter-terrorism activities. There may be some requirement for air assets, but some can be provided at regional facilities “over the horizon.”

In sum, an initial transition posture *might* require 35,000 troops organized into TTFs/TTs, QRFs, SOF, force protection, and air. Additional enablers and support units may increase the total number of U.S troops for some period of time.

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Bottom-Line

Security conditions in Iraq are sufficient to enable a phased transition of U.S. forces from a posture of leading combat operations to one focused on partnering, advising, and mentoring Iraq's security forces. Such a transition is being planned by U.S. commanders in Iraq, and is broadly compatible with the candidate's position. As combat brigades are redeployed, a residual force capable of carrying out the more limited set of missions outlined by the candidate—counterterrorism, protection for U.S. personnel and facilities, and training and support the Iraqi security forces—would likely include: (1) a robust counterterrorism strike force composed primarily of special operations forces; (2) U.S. training centers; (3) a mix of small Military, National Police, Police, and Border Transition Teams (MiTTs, NPTTs, PTTs, and BTTs) and larger battalion-sized "Transition Task Forces" (TTFs) that mentor and provide critical enablers for Iraqi units; (4) quick reaction forces (QRFs), which may or may not be organic to the transition team elements, in Iraq or the region; (5) air and intelligence, surveillance, and reconnaissance assets based in Iraq or the region; and (6) force protection for the U.S. Embassy and other facilities. Upon completion of the phased redeployment of combat brigades outlined by the candidate, American forces would no longer lead combat or counterinsurgency missions, and the residual force would not include combat brigades as such.

Overview of Dynamics in Iraq

Violence in Iraq is at the lowest level since early 2004. U.S. commanders and intelligence analysts consider Al Qaeda in Iraq (AQI) and Muqtada al-Sadr's Jaish al-Mahdi (JAM) militia to be severely degraded as strategic threats to the Iraqi government.

While violence is low, the fundamental grievances that have driven violence in Iraq are still simmering. Tension between Arabs and Kurds in Iraq's northern areas is increasing; thousands of Sunni security volunteers (known as "Sons of Iraq" or SOIs) are not being sufficiently integrated into the ISF; many Iraqis continue to cite Iranian-backed "Special Groups" as a long-term threat; and intra-Sunni and intra-Shia tensions abound.

At the same time, many U.S. commanders and diplomats consider Maliki and his close advisors to be overconfident in the ability of the ISF to maintain security in the absence of U.S. military advisors and critical enablers they provide (air support, intelligence, surveillance, reconnaissance).

Such overconfidence has complicated negotiations over the future of the U.S.–Iraq relationship.

These challenges require careful deliberation when executing a phased redeployment of combat brigades and, most especially, a political and diplomatic strategy aimed at fostering genuine political accommodation. (Other white papers will address these latter issues.)

Overview of U.S. Posture in Iraq

There are currently about 140,000 U.S. troops in Iraq, including 15 brigade-sized combat units (there were 130,000 troops before the surge). The U.S. military presence has decreased from 20 to 15 brigades since fall 2007, with no negative impact on violence levels. Indeed, the security environment has improved since the spring of 2008 even as the remaining surge troops have come home. This reduction proceeded on a pace of nearly 0.65 brigades per month. Given the low levels of violence in Iraq, it is possible that an additional 2 brigades will be withdrawn by the end of the Bush administration, although the withdrawal of Georgian forces and the delay in provincial elections may prevent Generals Petraeus or Odierno from taking this step.

U.S. forces in Iraq are organized regionally, with large Division-sized elements in the north, west, center, and center-south of the country; a smaller British contingent “owns” the battlespace in the far south. There are currently three major military headquarters: Multi-National Force-Iraq (responsible for overall military strategy), Multi-National Corps-Iraq (responsible for overseeing day-to-day military operations), and Multi-National Security Transition Command-Iraq (responsible for all training and equipping the Iraqi Security Forces).

In addition to battalion and brigade-sized units that operate alongside larger Iraqi units, there are approximately six thousand U.S. and coalition personnel organized into over 450 “transition teams” (TTs), designed to mentor Iraq’s military, border, national police, and police forces at each echelon of command. There are shortages of TTs of each type, and shortages of Border Transition Teams are most acute.

The Current Framework: *Leading-Partnering-Overwatch*

U.S. military officials in Baghdad use the concepts of *leading*, *partnering*, and *overwatch* to describe the ongoing transition from a lead role in combat and counterinsurgency toward an indirect approach. U.S. forces are currently said to be in a *partnering* posture throughout most of the country, with some U.S. forces still *leading* combat operations, particularly in the north. Some U.S. commanders refer to the notion of “one-up partnership,” in which American units are partnered with Iraqi units at a higher echelon (e.g., a U.S. battalion is partnered with an Iraqi Army brigade).

The current Joint Campaign Plan (JCP) envisions completing the shift from U.S. forces *leading* combat operations into a *partner and overwatch* posture by the summer of 2009. At some point after the Iraqi national elections in the latter half of 2009, the JCP calls for a complete transition to

overwatch. (Note: we prefer the term “indirect approach,” to emphasize the importance of achieving effects through, with, and by Iraqi forces). U.S. force levels are likely to decline across this period. As U.S. troops transition to an indirect approach, some are likely to remain embedded with Iraqi security forces to provide “critical enablers” (e.g., air and fire support; combat advisors; logistics; and intelligence, surveillance, and reconnaissance), while others fall back and serve as quick reaction forces and counter-terrorism forces.

The candidate’s position regarding America’s future posture in Iraq overlaps rather well with what General David Petraeus and military planners call “overwatch” (and we call the “indirect approach”): a posture that takes U.S. forces out of the lead in combat and counterinsurgency missions and instead emphasizes advising, training, and supporting Iraqi Security Forces while helping to guard against external foes and continuing the fight against AQI. In fact, *the candidate may want to consider adopting this framework and vocabulary when speaking about Iraq*. In addition to being an effective lens through which to view a way forward and out of Iraq, using it will serve the dual purpose of demonstrating that he is listening to U.S. commanders while subtly drawing attention to the fact that his plan is compatible with the military’s vision of a much-reduced future presence.

Models for Transitioning to an Indirect Approach

The mechanics of the transition to an indirect approach, the specific details of how U.S. forces will operate while in such a posture, and the length of time needed to remain in such a position are still being debated within military circles. In some ways this is entirely new ground for the American military. However, as violence has ebbed over the last year, three different though largely complementary models for how U.S. forces can transition into an indirect approach have emerged.

The first model would focus on fielding and sustaining a large number of embedded transition teams as the core pillar of an indirect approach. As of July 2008, U.S. and coalition forces operate 185 Military Transition Teams (MiTTs), 41 National Police Transition Teams (NPTTs), 27 Border Transition Teams (BTTs), and 216 Police Transition Teams (PTTs). The size and composition of these teams vary widely throughout the country, but in general they are small teams (usually 11 members), that are either *internally* sourced from brigades currently on the ground in Iraq, or *externally* sourced from a U.S. Army advisory training program at Fort Riley, Kansas. In general, the small size of these teams complicates force protection requirements, and teams are often dependent on larger units for mobility and security, which many officers believe hampers their

effectiveness. Many analysts and a Congressional report have criticized the military for not devoting adequate attention and resources to the training and sustainment of U.S. advisory teams.

The second approach would be to build on the current advisory team model by doubling or more the size of each team, creating “Super MiTTs.” This would provide transition teams the ability to move more frequently and provide much of their own security. Particularly as the number of larger U.S. combat brigades declines, the importance of organic force protection and mobility for front-line advisory teams will increase. Super-sized advisory teams could be task organized for specific missions, having the flexibility to sustain a higher tempo of operations. However, these teams would still be quite dependent on nearby units for air support and sustainment.

The above models are generally not very popular among most American commanders in Iraq—at least not as stand-alone options—principally because their small size requires substantial combat and service-support assets. General Odierno made his views clear in a recent interview: “You can’t just have advisers. . . . You can’t just have transition teams. You can’t just have people to help. You have to have people to protect them. That’s my responsibility. We have to have enough force to know we can protect ourselves.”

Unlike the above models, which would require rather extensive assistance from remaining U.S. combat and support units, a third model is emerging from some U.S. brigade commanders currently in Iraq. This approach calls for replacing U.S. brigades departing from fairly stable areas of Iraq with a battalion-sized “Transition Task Forces” to operate alongside and advise an ISF division. A TTF would consist of four elements [see **Appendix** for diagrams]:

- Several combat arms companies (infantry, armor, or artillery) that would provide training and support to brigades in an Iraqi Army division. These companies would also act as quick reaction forces if required;
- A company-sized unit that would serve as the node for U.S. enabler support such as command and control, logistical support, intelligence, surveillance, and reconnaissance;
- A company-sized forward support unit that would provide support for the TTF; and
- A company-sized headquarters unit that would serve the traditional HQ function in addition to expanded intelligence, translation, and UAV assets.

All three models will likely be used to some degree throughout Iraq, depending on security conditions and the specific region-specific needs. But in the most volatile areas of Iraq, we feel the TTF approach described above is perhaps the best model to consider for the near to medium-term need to transition to an indirect approach with a residual U.S. force that is sustainable, capable of

maintaining security gains, and can defend itself (see Appendix for a notional TTF diagram, based on one received by the authors in Iraq). It is also worth noting that the U.S. "Iraq Assistance Group" under MNC-I is currently surveying all U.S. brigade commanders in Iraq for various models for this transition. This process is likely to generate several templates from which future U.S. commanders can draw and implement in their area of operations.

Finally, it is important to consider that as Iraqi Security Forces become more competent in basic military and security functions, the value of American "advising" as such recedes, but the support U.S. transition forces can provide in terms of close air support, intelligence, surveillance, reconnaissance, and logistical support will likely remain for some years to come. Recent operations in Basra and Sadr City have reinforced the importance of U.S. enablers to the outcome of Iraqi-lead military operations. In some ways, the term "advising" has been inadequate as a descriptor of what U.S. forces will actually be doing as we shift to an indirect approach. Therefore, as the ISF evolve beyond the need for U.S. combat advising as such, *we recommend using the phrase "transition teams" in lieu of "advisory teams."*

Phased Transition to a Sustainable Indirect Approach

Given current trends, it is not only possible to conceive of a continuing reduction of U.S. troops occurring between 2009 and 2010 – the U.S. military is actively planning for it. Moreover, the impending Strategic Framework Agreement and its attached Status of Forces Agreement/Memorandum of Understanding, seems likely to establish the goal of completing the redeployment of U.S. "combat" forces sometime in the 2010–2011 timeframe.

The details regarding the redeployment of specific military units, as well as when and where specific transitions to an indirect approach will take place, should be the result of close consultation with military commanders. However, we believe the planning being done by U.S. military commanders on the ground in Iraq is, in general, compatible (or can be made compatible) with the candidate's stated intent regarding overall strategy and residual missions in Iraq. U.S. commanders are actively planning for scenarios in which the units replacing brigade combat teams (BCTs) will be much smaller and oriented toward a training and support mission rather than a combat mission. In some cases the shift to a dramatically smaller posture in Iraq is proceeding at the present time. For example, the 3rd brigade of the 101st Airborne division, currently stationed in Mahmudiyah to the south of Baghdad (in the former "Triangle of Death"), plans to decrease the number of U.S.-manned patrol bases in its area of operations from 21 to 2 between August and November of 2008. Current plans are to replace this combat brigade with a single U.S. battalion,

acting as a TTF of the type described above. This particular U.S. unit has benefitted from a very capable Iraqi Army division (the 17th Division) led by an effective Iraqi flag officer. *The candidate will not need to force the U.S. military into an indirect/overwatch posture. Instead, the candidate can leverage planning for the transition already underway.*

Clearly, U.S. forces will transition to an indirect approach at different times and in different ways depending on the security situation in particular areas of Iraq. These transitions are also largely dependent on the capability of the ISF units located in each area. In the south, the transition to an indirect model has already largely occurred, with relatively few coalition units. Circumstances in western Iraq (Anbar) are likely to permit a similarly small footprint starting in 2009. And, in the northern portion of Iraq controlled by the Kurdistan Regional Government, there continues to be no need for large-scale coalition military presence.

The security situation in northwestern Iraq, however, is still highly dangerous as AQI has managed to persist in areas suffering from persistent Arab-Kurdish tension. And, in and around Baghdad, where fragile ceasefires between Sunni and Shia combatants require careful monitoring, security gains may remain fragile for quite some time. These more volatile areas will likely be the last areas commanders recommend removing BCTs, and are likely to require more robust residual forces—perhaps along the TTF model—for some time to come.

As tactical units shift toward the indirect approach, many U.S. officers recommend consolidating the three large headquarters into a single entity. This would reduce by several thousand people (the equivalent of perhaps 1-2 brigades) the size of headquarters staff and associated support elements.

We believe that current security conditions in Iraq will enable several brigades to leave Iraq in 2009. The next Commander-in-Chief will likely inherit 13-15 BCTs in Iraq and a total of 130,000-140,000 troops. Given current trends we think it is reasonable to consider a drawdown to 8-10 BCTs by the end of 2009. Between the end of 2007 and August 2008, five brigade combat teams were removed from Iraq with no perceptible impact on the improving security conditions. We think it is reasonable to consider a similarly paced reduction in 2009.

The candidate's position calls for all BCTs to be out of Iraq by mid-2010. As the candidate notes, it is possible to remove 1-2 BCTs a month, but there is no requirement that the reduction be perfectly linear, and military commanders are likely to recommend tying the specific pace to critical events on the ground. It may prove desirable, for example, to only step down to 8-10 BCTs by late 2009 to ensure adequate force levels for the Iraqi national elections, and then accelerate

the redeployment and complete transition to an indirect approach throughout the country thereafter. This non-linear approach to redeployment would still free up sufficient forces for Afghanistan and other contingencies while meeting the candidates general pledge to redeploy combat forces over the course of 16 months in consultation with our military commanders and cognizant of conditions on the ground.

The Size of the Residual Force

The largest outstanding question concerns the nature and size of any post-redeployment residual presence. While the detailed force-planning required to consider what a sustainable residual U.S. force might look like is well beyond the scope of this memo (and should not be done without detailed input from military leaders and planners) we think the following logic gives a very general sense of the type of force that might be required.

A residual U.S. posture that is focused on providing support to the Iraqi Security Forces might first consist of U.S. battalion-sized TTFs deployed alongside most Iraqi Army divisions and several other division-sized elements of the Iraqi National Police, Police, and Border Forces. Together this might demand about 25 TTFs (or their equivalent in smaller transition teams), which would roughly approximate the strength of six Brigade Combat Teams, or about 20,000-25,000 U.S. troops. Additional units will be required to provide security to the U.S. Embassy complex in Baghdad, Camp Victory, and other key facilities, and serve as quick reaction forces. Continuing counter-terrorism missions will also require fielding special operations forces and other essential assets. There may be some requirement for air assets in Iraq, but most can be provided at facilities "over the horizon" (e.g., Qatar). All told, an initial transition posture *might* require 35,000 troops organized into TTFs/TTs, QRFs, SOF, force protection, and air. A ratio of 1:1 is generally used as a rule of thumb to determine the support troops required (the Congressional Budget Office has used this ratio previously). Therefore, with additional enablers and support units, approximately 70,000 total U.S troops may be required for some period of time. Such a residual force could be reached by the end of 2010, and perhaps sooner based on conditions. This would represent a 90,000 troop decrease from the height of the surge.

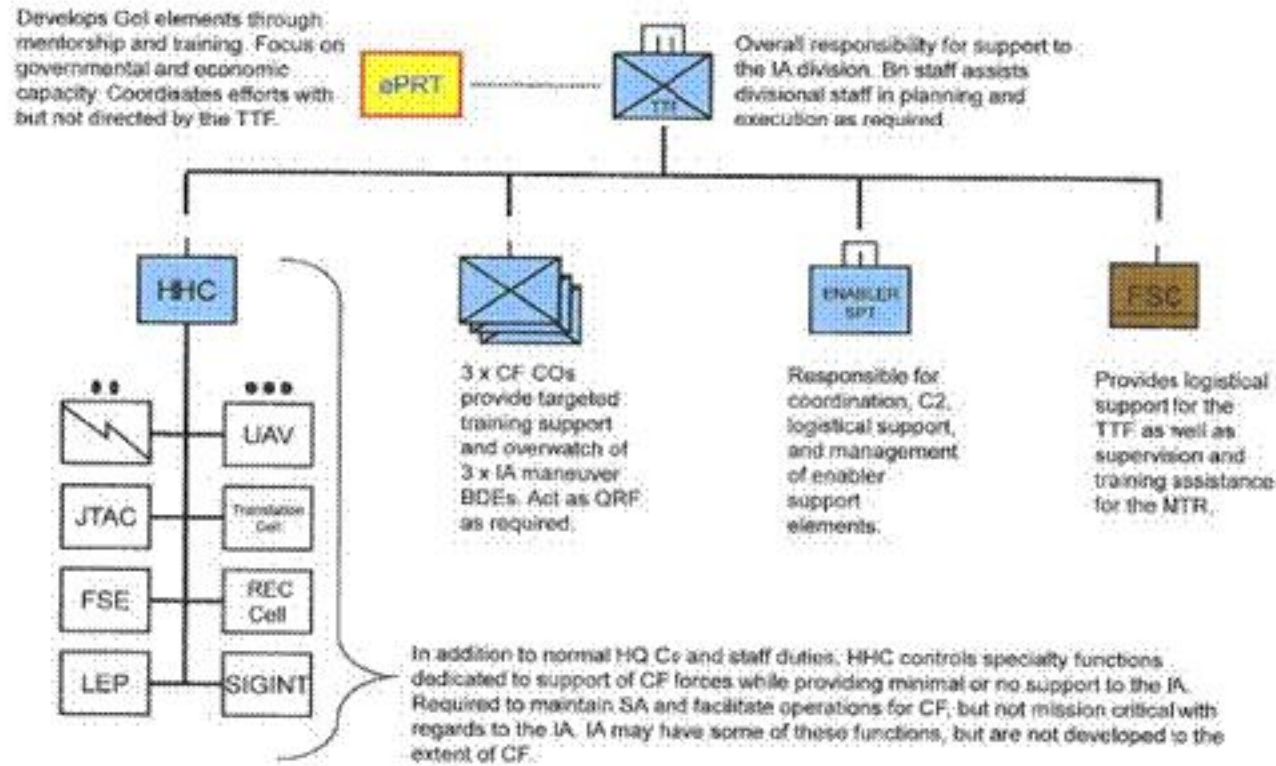
Also, as noted above, the ongoing negotiations between the United States and Iraq over the nature of the future bilateral relationship are still ongoing. It is likely that any agreement will include language regarding the goal removing U.S. combat forces over time. Recent reports indicate that the Iraqis would prefer language regarding a withdrawal of U.S. troops from Iraqi cities by the summer of 2009, and at total redeployment of combat forces and shift to a support

role in the 2010–2011 timeframe. In other words, it is likely that any agreement will contain language that is broadly compatible with the candidate's position and the military's plans to transition to an indirect/overwatch model.

CONCLUDING NOTE: Detailed force planning by military officers with access to classified information will be required before the candidate or his advisors speak publicly regarding the potential size or detailed composition of any U.S. residual force in Iraq. This memo is intended only to illustrate the type of thinking that is and will be required concerning the way forward in Iraq and the importance of the impending and inevitable transitions.

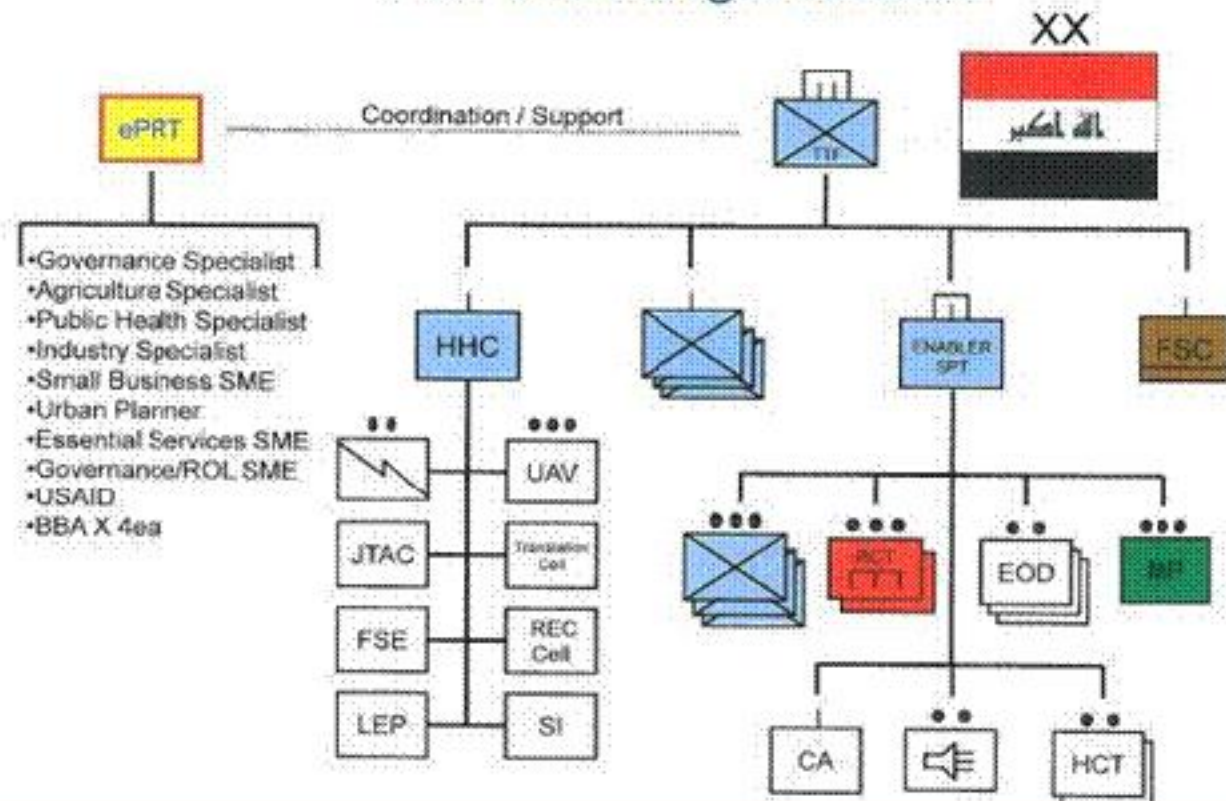
APPENDIX: Model of a U.S. Transition Task Force

TTF Primary Responsibilities



The diagrams below, given to us by a U.S.

TTF Task Organization



Iraq Politics and Governance White Paper

Larry Diamond and Sam Parker (sub-group leads), Chris Homan, Colin Kahl, Marc Lynch, Jeremy Pam, and David Tafuri

Executive Summary

Iraq is more stable and less plagued by terrorism and violence than it has been for the last two to three years. Deaths of US troops are down to some of their lowest levels since the U.S. invasion of Iraq in March 2003, and Iraqi military and civilian casualties are also way down. Many neighborhoods in Baghdad and elsewhere show signs of a “return to normalcy,” as people move around and conduct their business with much less fear.

However, Iraq’s progress toward “stabilization”—or “victory” in the view of Bush Administration loyalists and cheerleaders—is extremely fragile and to a considerable extent illusory. Many factors have contributed to the declining levels of violence and fear, including the turn against Al Qaeda by Sunni Arab Iraqis; the shift in U.S. military strategy to engage former Sunni resistance forces and pursue a more classic counter-insurgency posture to secure local communities; the tactical decision of Muqtada al-Sadr to order his forces not to fight the Iraqi government or American forces; the completion of “ethnic cleansing” in many Iraqi urban neighborhoods; and the growing Congressional pressure since the 2006 U.S. elections for a timetable for American military withdrawal (which has compelled Iraqi political and military leaders to begin to assume more responsibility for the country’s future).

But what is missing from this list is substantial progress toward “political reconciliation” – which was the entire point of the military surge. Still completely or substantially unresolved are the principal political conflicts that have deeply divided Iraq along sectarian, ethnic and political lines, including:

- The renewal of government and inclusion of underrepresented communities via fair and representative provincial elections, which should have taken place in 2007 and continue to be pushed back;
- The integration into official state structures of Sunni Arab political and security forces—former Baathist officials, the Awakening Councils, and the “Sons of Iraq”—that have played a key role in rolling back Al Qaeda but remain on the margins of political life at the center in Iraq.
- The federal structure of the country, especially the status of Kirkuk; and

- Rules for control of the oil sector and the long-term distribution of its revenue.

Iraq cannot achieve sustainable stability until it resolves these issues and generates more effective and legitimate government. This requires as well the renewal of the national government in fair and credible parliamentary elections by the end of 2009, and the more effective delivery of services (including the more expeditious expenditure of mounting oil revenues) by Iraq's provincial and national governments.

There is a serious possibility, if not probability, that Iraq will backslide into extensive violence in 2009 if significant progress is not made on these major lines of political division and alienation. The challenge in resolving these issues is related to the fragile democracy in which basic governing institutions and a culture of political accommodation both remain weak.

An important positive element in the current situation is that the political game is now widely regarded in Iraq as the most important one. This may not last, but for the time being virtually every Iraqi political constituency (save for Al Qaeda in Iraq and the other most diehard jihadis) that formerly opposed the new political order now wants to be a part of it. This includes not only the Sunni Arab *Awakening* and "*Sons of Iraq*" forces, both tribal and ex-insurgent, but the followers of Muqtada al-Sadr and other tribal and nationalist elements that initially stood apart from the political process. The recent blunting of violent sentiments among many if not most opposition Sunni and Shia nationalists makes it safer (in every sense) for the U.S. to strongly emphasize the channeling of communal competition (both among and within the main groups) into the political process. The positive side of this is the possibility of fashioning a much more inclusive political arena, in which power and resources are shared among all significant Iraqi constituencies by rules that all can live with. The negative side is that the dominant political forces in Iraq today—Islamic Supreme Council of Iraq (ISCI), Da'wa, the two Kurdish parties, and to a lesser extent the Iraqi Islamic Party—do not want to share power with these emergent groups, and will not do so meaningfully without external pressure. Iraq's history of zero-sum politics and nascent democratic culture only add to these challenges.

The challenges ahead fall into two broad categories: the political challenges of promoting power sharing and reconciliation, and the governance challenges of strengthening the capacity, accountability, legitimacy, and responsiveness of the Iraqi state. A number of issues of constitutional structure, still unresolved, fall somewhere in between these two. Improvements in governance can only come gradually with political will on the part of Iraqi leaders, as well as support from the United States and others in the international community, *conditioned* on that

political will.

Power sharing must extend well beyond the mere passage of legislation to meet “benchmarks.” Groups that have been on the margins of the new Iraq must be given access to resources and positions of authority in the government and the security forces.

Adding to the complexity of the situation is the gradual decline in American leverage. Since 2005, much potential American leverage has been squandered by an administration in Washington that has issued a blank check of unconditional support to Iraq’s ruling political forces. But the scope for American leverage has also been gradually diminishing as Iraqi government revenue and military capacity have improved, giving Prime Minister Maliki and his advisors an inflated sense of their independent ability to secure the country. The inevitable drawdown of U.S. forces in 2009 will further diminish the ability of the United States to influence events on the ground. And the completion of a Status of Forces Agreement (SOFA) may further constrain what U.S. forces can do.

Yet diminishing leverage is not the same thing as no leverage. The fact that even Maliki has requested U.S. troops to remain in Iraq through the end of 2011 suggests a recognition that the Iraqi government depends on some degree of U.S. support for at least three more years. This gives the next administration leverage if it is used judiciously. This leverage must be applied very early in the life of a new U.S. Administration, while substantial American resources remain on the ground, as part of a new American policy of strategic conditionality.

The greatest near-term political challenge confronting the U.S. in Iraq is how to induce genuine power sharing in a context where the ruling parties do not want it and the leverage of the U.S. will be declining. For the last few years, the Bush Administration has encouraged such power sharing through political and diplomatic means, but it has failed to generate strong incentives for accommodation because American commitments have been open-ended. As the United States commits to a clear timetable for withdrawal of combat troops in a new Administration, Iraq’s disparate political forces will increasingly have to take responsibility—not only militarily, but politically—for the stabilization of their country. But conditioning residual support on political accommodation as U.S. forces draw down will also be essential to push Iraqi factions toward political accord.

Iraq Politics and Governance White Paper

Larry Diamond and Sam Parker (sub-group leads), Chris Homan, Colin Kahl, Marc Lynch, Jeremy Pam, and David Tafuri

General Principles to Guide the Campaign

Despite early missteps and a lack of planning by the Bush Administration, the United States has done most of what it can to give Iraqis the opportunity for peace and decent governance. After more than five years of extraordinary commitment of American military, financial, and administrative resources in Iraq, it is time for Iraq's social groups and political parties and leaders to assume the principal responsibility for the country's future. The reduction in violence as a result of the fortuitous conjuncture of many factors (see above) now opens the possibility for lasting stabilization of Iraq, improved governance, and effective reconstruction. The U.S. military has done an outstanding job of helping to create this opportunity, but Iraqis were in the lead in defeating Al Qaeda in Iraq and must increasingly take the lead in securing their country moving forward.

The United States cannot reconstruct Iraq politically or economically. Iraqis must do that. We cannot want a peaceful and developing Iraq more than Iraqis themselves do. We will continue to facilitate, mediate, advise and support, but in a context where American military and financial commitments are diminishing at an orderly pace, and where Iraqis are taking the difficult political steps necessary to stabilize their country. Increasingly, it is up to Iraqis to determine which future they want. We should continue to support a united Iraq. We should help it to build up its capacity to maintain order, defend the country, defeat terrorism, develop the economy, and build legitimate and representative structures of governance. But the American role must continue to shift to one of advice and support, and the scope and operational deployment of that support (especially the size of residual American military forces and their tactical use in support of ISF operations) must be made conditional on Iraq's political leaders exhibiting real political will to achieve accommodation.

There is still significant work to be done to encourage and facilitate political reconciliation in Iraq. Our military commanders on the ground have repeatedly emphasized this: that military progress is only one component and no military surge can bring lasting progress without parallel progress on diplomacy and governance as well. That has been lacking throughout the Bush Administration. Now, we need a vigorous diplomatic strategy in Iraq and in the region to search

for and try to generate the favorable conditions for long term political accommodation. Change is also needed in the way the United States engages political forces and leaders in Iraq. A broad failing of the Bush Administration's foreign policy (extending well beyond Iraq) has been its tendency to personalize relations with other countries and to support particular leaders rather than institutions and principles. The next American administration must stand first and foremost behind Iraq's democratic institutions and its people, while making clear that no set of individual leaders will have our undying support. To the extent that Iraq's leaders emerge from a legitimate and fair political process and seek broad political inclusion and economic development, we should support them.

General Principles to Guide Policy

The minimum goal of United States policy in the next Administration should be a united Iraq that can govern itself, sustain itself, and defend itself, while maintaining peace internally and with its neighbors. The United States should also continue to help Iraq to build effective and democratic institutions of governance that can protect human rights and produce fair and broad-based economic development. Even after U.S. combat troops are withdrawn from Iraq, the U.S. should continue to assist state and civil society institutions in Iraq to develop these capacities.

However, after more than five years of extraordinary commitment of American military, financial, and administrative resources in Iraq, the next American administration must make clear to the government and people of Iraq that America is committed to the stabilization of their country lying essentially in their own hands. If Iraq is to achieve sustainable security, development, and decent governance, Iraqis must forge the compromises and build the institutions that make this possible.

Working with a broader set of active partners in the international community, including the United Nations, the European Union, and the neighboring states, the United States can and should help. It should be the policy of the U.S. to:

- Support Iraqi efforts to move forward with provincial and national elections as soon as possible.
- Support Iraqi and international efforts to ensure that elections are fair, transparent, representative, and reasonably free of intimidation, fraud, and violence.
- Support Iraqi efforts at political reconciliation, including a meaningful role for all Iraqis in national political life and state institutions.
- Support Iraqi efforts at constitutional reform that will enjoy a wide societal consensus.
- Support international efforts for a peaceful resolution of the Kirkuk question, and oppose

any attempts to impose a unilateral solution.

- Support international efforts to help Iraq strengthen its basic governing institutions and democratic processes.
- Support Iraqi Security Forces with training and capacity building aimed at professionalization and commitment to the rule of law.

Iraq, which is running a sizeable budget surplus, must however take the lead in funding its own reconstruction (a separate white paper examines this issue in detail).

Priorities and Strategies for Improving Politics and Governance in Iraq

Power sharing issues are of immediate, critical concern to the US and should be the immediate, urgent focus of political development policy. Issues of state structure and capacity are less critical; they relate to long-term Iraqi stability and can therefore be deferred until the election of a more representative Iraqi government in new parliamentary elections at the national level. Fair and credible elections at both the provincial and national levels, however, constitute a crucial priority for the next year, on which many other priorities for the stabilization of Iraq depend.

There are several early power-sharing imperatives that must be addressed in order to achieve more sustainable stability in Iraq:

1. Renewing and legitimizing government through credible and fair elections at the provincial and national levels.
2. Avoiding the imposition by unilateral force or pressure of a final resolution of the status of Kirkuk.
3. Integrating or otherwise employing the roughly 100,000 predominantly Sunni Arab Sons of Iraq into the Iraqi military, police, and civilian state.
4. Implementing provisions for the reintegration of Sunni Arabs, including low and mid-level former Baathists, into government and the military, to some reasonable degree.
5. Meaningful implementation of amnesty provisions for former resistance forces.
6. Gradually welcoming back and reintegrating refugees from Iraq (especially those with needed professional and administrative skills) who were stakeholders of the previous regime.

The first two issues have recently become intertwined, as Kurdish political leaders have held up enabling legislation for provincial elections in order to press for a referendum on whether to incorporate Kirkuk into the Kurdistan Regional Government (KRG). Political progress and stability in Iraq urgently require separating these two issues, with provincial elections proceeding first

(including in Tamim Province, of which Kirkuk forms the main part). Iraq is not yet ready to resolve the explosive issue of the status of Kirkuk, and an early attempt to do so could lead to further violent eruption of tensions between Kurds and Arabs (as well as other ethnic minorities, such as the Turkmen). A referendum or other consensus-based power-sharing arrangement to determine the longer-term status of Kirkuk must take place in a more stable political environment. The U.S. will need to engage Kurdish leaders to persuade them of the need for flexibility and of continued vigorous American support for the development and security of the Kurdistan Region. Given the intensity of Kurdish feeling on this issue, a delicate mix of reassurance and leverage will need to be applied. At the same time, the U.S. must make clear that it will work with the United Nations Mission in Iraq (UNAMI) to explore the possibilities for a consensual resolution of the Kirkuk question. Diplomatic attention to this question must be a high priority of the next U.S. administration.

It is worth noting that most of the Iraqis affected by the last four imperatives are Sunni Arabs. There is also a need for reconciliation and inclusion among Iraqi Shia, but this goal should be advanced by fair and credible elections that bring under-represented Shia political forces more fully into legislative and executive roles at both the provincial and national levels. And finally, reconciliation must not only involve integration of Sunni Arab irregular forces into the Iraqi security forces, but also reduction of sectarian control over those forces (particularly the police).

A longer-term power-sharing imperative is constitutional reform (see below), but it is not likely to be achievable until a more representative government is elected.

Ensuring Fair and Credible Elections

One of the most painful and potentially explosive dilemmas in Iraq is that credible and substantially fair elections are necessary both to political reconciliation and to forging a more legitimate, effective and sustainable political order, but such elections threaten dominant political forces, which will try to delay them as long as possible and prevent them from being fair. Most of the provincial governments in Iraq are corrupt and held in low repute by their populations. In fully free and fair elections, ISCI and Da'wa would figure to lose control of at least many governments in the southern (predominantly Shia) provinces of Iraq. The two parties that jointly rule the Kurdistan Regional Government (KRG), the KDP and the PUK, also might suffer erosion of their joint political hegemony in the region. They are certainly likely to do so in parts of northern Iraq outside the KRG, where Sunni Arabs are currently underrepresented. Since these four parties control the governments and the police and the armed forces in their respective parts of Iraq (as well as in

mixed cities like Baghdad and Mosul), they are likely to use their power to intimidate opposition and rig elections. (They may also seek to use state power to aid their Sunni Arab ally, the Iraqi Islamic Party, which otherwise figures to lose significant electoral ground to Sunni Awakening groups). Even in the current security climate that is supposedly dramatically improved, political assassinations, intimidation, and arrests continue on a wide scale in the Shia south, as the ruling Shia parties seek to eliminate all potential rivals to their dominance.

This climate is not one that will permit elections to be fully free and fair, by international standards. Inevitably, there will be cheating, intimidation, and abuses. **U.S. policy must seek to ensure that electoral administration, with international assistance, at the center and in the provinces is as neutral as possible, and that international forces are as present as much as possible to deter and detect the most blatant abuses on election day and in the run-up to it.** The next Administration should mobilize as much political leverage as possible, both through its own conditionality and through the international community, to try to bring about the conditions for fair and representative elections. This includes unfettered domestic monitoring and international observation of the polling and vote counting. As in 2005, when the Iraqi Election Information Network (EIN) coordinated the training and deployment of more than 20,000 total Iraqi election monitors for the two national elections and the constitutional referendum, the U.S. and UN should again provide extensive assistance to Iraqi election monitors and insist that they be allowed to do their work. Both domestic monitoring and extensive international observation must take place at every stage of the electoral process, beginning with voter registration and compliance with the new electoral law. And the United States must make clear to the established parties in Iraq that organized efforts to victimize opposition groups and rig the vote will have serious negative consequences for future levels of American support.

One reason to conduct provincial elections as soon as possible in 2009 is to have as many international troops on the ground as possible when they take place to deter and contain terrorism, violence, and fraud. The United States must also work closely with the UN to ensure that Iraqi electoral administration has the technical and administrative support it needs to conduct credible and fair elections. If provincial elections cannot be organized until well into 2009, the U.S. should work with the international community to encourage simultaneous national elections for a new parliament (some months earlier than would otherwise occur). Simultaneous elections would maximize the effective use of available administrative and security forces. The U.S. should also work with the UN, other international advisors, and political forces in Iraq to facilitate adoption of

an electoral system that will encourage voter choice and avoid further polarizing sectarian and ethnic divisions (e.g., proportional representation based on provincial, not national, lists, and ideally open lists to facilitate voter choice).

Reintegration of Awakening/Sons of Iraq and other recently marginalized Sunni Arab forces

Integrating Awakening/Sons of Iraq forces into the security architecture of the Iraqi state (the army, the police, and other armed forces) and finding state or other adequate employment for those fighters not absorbed into the official security sector is also an important and sensitive issue. At the individual level, Iraqis who have obtained guns, status, and income will not give up their guns, or commit them to the authority of the state, unless they receive comparable status and income. At the group level, communities that have mobilized themselves to defeat and expel the most destructive terrorists in Iraq (AQI and other diehard jihadis) will not demobilize and commit to the new political order unless they are confident that they will be secure from potentially hostile groups and fairly treated in the distribution of power and resources. The United States must pressure the Maliki government to accommodate these forces and avoid provocative crackdowns (such as recent campaigns of arrest in Diyala province and the Baghdad suburb of Abu Ghraib). Making credible elections a top priority will also help ensure real power sharing actually takes place, because the forces behind the Awakening would likely have a seat at the table and it will presumably be less of an uphill battle to get them integrated into the ISF. Moreover, the risk of Iraq backsliding into violence will be reduced as long as under-represented groups can foresee their eventual political inclusion, in the form of elections, on the not-too-distant horizon.

While fair and credible elections are the top priority and demobilization and integration of the Awakening forces the next, the remaining three imperatives of power-sharing noted above go hand in hand with both. (Ultimately, so does the imperative of constitutional reform as well; see below). Meaningful implementation of amnesty would give groups marginalized by the Iraqi government—mostly Sunnis, but also a fair number of Sadrists—confidence that they belong to the new political order and will not be permanently excluded. Meaningful implementation of De-Ba'thification reform (including its provisions for reintegration of former Baathists)—to the extent that it is still possible—would give the more elite former-regime stakeholders in the opposition a sense of buy-in and agency. Facilitation of the return of middle-class refugees would do the same. (Also important is the distribution and expenditure of central government revenue in ways that have a visible developmental impact in currently less represented areas, such as the

Sunni Arab communities). However, these issues are not as urgent or as critical as elections and Awakening/Sons of Iraq integration, so they should remain in the second tier of policy goals for the near term.

The core political strategic principle is this: **If Iraq is to be stabilized, the base of the regime must be broadened to bring in all major population groups and the vast majority of Iraqi society under a common government that each group accepts as legitimate (even if reluctantly).** During the early months of 2009, effective leverage must be brought to bear on the Maliki government to press for progress on political power-sharing, particularly with regard to fair elections and Sons of Iraq integration. Leverage should include clear signals of strategic conditionality from the president and establish the conditions under which U.S. military forces (including troop, air, and intelligence support) will and will not be used toward tactical objectives of the Maliki government. Neighboring Arab states might also be asked to coordinate in the exertion of diplomatic leverage.

To facilitate and encourage broad political accommodation, a regional diplomatic strategy should be initiated as an early priority of the new Administration (a separate white paper explores this issue in greater depth). The United States should work with the United Nations, EU, and other international players to pursue a comprehensive diplomatic strategy to change the character of engagement by Iraq's neighbors in Iraq and to identify parameters for constructive external support for a more inclusive and sustainable political accommodation among the Iraqi parties. A concerted effort to achieve anything like a comprehensive political deal on the major constitutional and legal aspects of power-sharing (see below) will probably need to await the renewal of Iraqi government in provincial and national elections, but diplomatic consultations can begin in 2009, even as elections are being prepared.

Achieving real power-sharing will be a challenging, uncertain, and messy process, requiring an artful mix of mediation and pressure by the U.S. and other international and regional actors. However, power sharing has a much better chance than any other strategy of producing a state that is stable, functioning, and eventually capable of weaning itself from dependence on the United States and resisting undue influence by Iran.

If we fail to seize this opportunity for power sharing, we may be forced to settle for an authoritarian regime with a narrow social and political base and little internal legitimacy, depending on state repression and/or massive US assistance to stay in power. It would be a regime with a more diverse ruling class than in neighboring Arab states, held together mainly by a

common interest in sharing Iraq's growing oil revenues. But that would be an inherently fragile form of stability, heavily reliant on Iranian support, and constantly at risk of descending into renewed chaos, violence, or at the extreme, civil war. In fact, the failure to forge effective power sharing during the critical year of 2009 could lead to a rapid downward spiral in the security situation as American troops withdraw in large numbers, in the absence of any agreed-upon rules or basis of mutual security among the contending forces.

The new U.S. administration will therefore have to hit the ground running in pursuit of the above power-sharing priorities, because the window of opportunity and our window of influence to achieve such accommodation will likely begin to close over the next six to twelve months. First, the Awakening Councils, the Sadrists, and other forces now outside the formal system will not stay quiet forever. If they believe they are going to be permanently excluded from sharing the country's wealth and power, they will likely turn back toward violent resistance, especially as American troops begin to draw down. Second, the ruling parties in Iraq may become strong enough (with our help) to cow these other groups into submission and establish hegemony in their various provinces and regions. If the second dynamic wins out, the result will be the authoritarian alternative outlined above; if the first dynamic prevails, the result will be civil war. (A range of in-between outcomes is also possible, of course.)

Constitutional Structure

The United States should continue to support a united Iraq, with a democratic constitutional order that provides for the peaceful resolution of differences. The new Administration should not take a position on the status of Kirkuk, save to insist that its status be resolved peacefully through the political process with UN mediation. Neither should it take a position on what is the "right" formula for control of oil in Iraq. Rather, again, the United States should favor the resolution of this issue at the national level through political accommodation and opposes unilateral action by any political force in Iraq to impose decisions on the system as a whole. At the same time, the U.S. should encourage a solution where all revenues from oil contracts, regardless of the region or province of origin, will be shared nationally by a mutually agreed upon formula.

More specifically, the three key issues of state or constitutional structure touch upon the most sensitive questions about the very identity of the Iraqi state, and the desire of the Kurdish people for a high degree of regional autonomy within it.

Constitutional reform

The 2005 constitution-drafting process was dominated by the two principal Kurdish parties (KDP

and PUK) and the two most powerful Shia parties, ISCI (then SCIRI, which at the time harbored radically federalist ambitions of its own), and to a lesser extent Da'wa. The result was a state with the potential for an extremely decentralized structure and the risk of long-term instability. This structure was rejected by nearly all other political groups, which were marginalized or absent from the drafting process. The Constitutional Review Commission (CRC) was months delayed in beginning its work, and its recommendations did not get at the most fundamental issues, though they did move in a more centralist direction. The report won broad Sunni-Shia acceptance but was killed by the two Kurdish parties. Since then, constitutional reform has laid dormant. Fortunately, the drive to create another powerful regional government from among the nine southern provinces has abated, but the constitutional potential for moving to such a radically decentralized system remains. A federal system with meaningful fiscal decentralization to the provinces enhances the political stability and development potential of Iraq, but eviscerating the power and authority of the central government does not.

Kirkuk

Article 140 called for a referendum by the end of 2007 to determine the status of Kirkuk and its possible absorption into the Kurdistan Region. By agreement of all major factions, a decision on the future of Kirkuk was put off indefinitely. Current US policy is to defer this issue to the UN, which appears committed to (1) delaying resolution of the issue until the political climate is more suitable for accommodation and (2) resolving the issue by some means other than Article 140. The UN is due to make recommendations in October. Kirkuk, though it is depicted by as an “ethnic cauldron” and lying on “ethnic fault lines,” in fact has a much simpler political dichotomy: the Kurds, who seek to incorporate Kirkuk into the KRG stand at odds with all the other groups (including Christians, Turkomen and Shia and Sunni Arab) who strongly oppose Kurdish aspirations to incorporate Kirkuk into the Kurdistan Region. Resolution of this issue will probably need to wait until a more broadly representative government is chosen in new national elections and then constitutional reform is achieved. Until then, provincial elections should proceed in Tamim Province and international actors should encourage power sharing and discourage violence and intimidation.

Oil legislation

There is broad Sunni-Shia agreement in principle for central management and contract-granting by the central Ministry of Oil (MOO) and the continued central distribution of revenue through the federal budget. The Kurds have yielded on most of their initial demands but are holding out on

Longer-term Issues of Political Development

Over the long-term, the United States should continue to help Iraq develop capable, transparent, and democratic institutions of governance. Continuing efforts should be made to support Iraq's institutions and processes of democratic governance, including the following:

- Neutral administration of free, fair, and representative elections.
- Political parties capable of determining and representing popular interests
- Elected legislatures at the local, provincial, and national levels that are growing in professional capacity and responsive to the concerns of their constituencies
- Courts that are fair, professional and independent.
- Mechanisms to check the abuse of power and expose and punish corruption.
- Central government ministries and agencies (including police) with the capacity to deliver services effectively and respond to citizen concerns.
- Civic education in the norms, values, and procedures of democracy.
- Civil society organizations that represent citizen interests and press for more responsive and transparent government.

In general, the key to sustainable governance reform will be Iraqi leadership of the reform effort. If we want the government of Iraq to improve governance in a sustainable way, we must accept Iraq's leading role in deciding on priorities. U.S. technical assistance can be helpful in many areas, but only where requested by relevant Iraqis and only in support of efforts owned by Iraqi institutions. Particular priority should be given to Iraqi requests for technical assistance in developing their administrative capacity for public financial management, so that ministries of the central government and the provinces can execute the budgeted policy commitments that have been undertaken by Iraq's political leaders.

Over the next several years, in cooperation with the UN and with other established democracies, the United States should provide democracy and governance assistance to agencies of the Iraqi government and nongovernmental actors that seek our help and demonstrate an ability to use it to build a fairer, more representative and more accountable political system in Iraq.

Iraq Economy White Paper

Jeremy Pam (sub-group lead), Mercedes Fitchett, Roger Myerson, and David Tafuri

Executive Summary

The soberingly mixed results of the extraordinarily funded and staffed U.S. efforts to assist in Iraq's reconstruction and economic development over the past five years make clear that more of the same is not the answer. A key policy mistake that has limited the effectiveness of our efforts and resulted in the waste of billions of dollars of U.S. taxpayer money has been too great an emphasis on U.S.-funded and formulated initiatives, and too little emphasis on initiatives that have been developed by and with local Iraqi officials and institutions. Because the latter are much more likely to be funded and sustained by local Iraqi budgets and Iraq has abundant resources to do so, we should accept that in most cases we will best contribute to Iraq's economic development by encouraging and supporting Iraqi development plans funded by Iraqi resources.

General Guidelines for U.S. Assistance

- The U.S. should support reconstruction projects or development programs in Iraq only if they have been requested by Iraqis and are accountable to Iraqis.
- One or two technical experts working directly within the requesting governmental entity will often be more effective than a large program working separately from it.
- Our priority should be helping Iraqis to strengthen their critical systems of governance, not making them learn to navigate our systems for delivering aid.
- Public financial management should be a central element of our assistance efforts, because it maintains the focus on helping Iraqis carry out policy commitments explicitly embraced by Iraq's executive and legislative branches in the budget, which stand a much greater chance of being sustained.
- The U.S. should encourage democratic pluralism by supporting initiatives from provincial governments and local organizations to help strengthen their governance capacity and show what local government can do for the people of Iraq.
- The U.S. should support institutions and programs that will strengthen Iraq's human capital and local expertise, including Iraqi institutions of higher education, exchange programs and efforts to encourage members of Iraq's professional class to repatriate.

Specific Policies for Economic Development

- The private sector is the key to sustainable employment growth and economic

development in Iraq; the U.S. should therefore encourage the creation of a more supportive environment for private sector activity.

- Because increased Iraqi public investment spending will significantly stimulate private sector job growth, we should continue and strengthen efforts to help Iraq improve budget execution by ministries and provinces.
- We should support efforts by the Iraqi government to rationalize Iraq's overly large bureaucracies at the center and insufficient governmental capacity in the provinces.
- Because domestic private investment is hindered by a banking sector that does not yet provide effective financial intermediation, the U.S. should provide programmatic support for Iraq's efforts to increase microenterprise and small and medium enterprise loans, restructure Iraq's state banks and assist Iraq's small but growing private banking sector.
- Because large scale international investment will likely await passage of a national hydrocarbon law, the U.S. should continue diplomatic efforts to encourage the relevant Iraqi political parties to reach agreement on a hydrocarbon law.
- We should support a locally sensitive approach to investment and development, recognizing that in areas like the Kurdish region the security situation is already quite favorable.

Iraq Economy White Paper

Jeremy Pam (sub-group lead), Mercedes Fitchett, Roger Myerson, and David Tafuri

Introduction

Having experienced thirty-five years of statist rule, war and international isolation under the Baath Party and Saddam Hussein, followed by five years of widespread violence and population displacement since the U.S. intervention in 2003, Iraq today faces considerable economic, reconstruction and development challenges. At the same time, the soberingly mixed results of the extraordinarily funded and staffed U.S. effort to assist Iraq over the past five years make clear that the time is long over when one might simply assume that more of the same from the United States will help Iraq effectively respond to these challenges. Furthermore, Iraq's vast and increasingly valuable oil resources put Iraq in a categorically stronger financial position compared with most other post-conflict countries. Consequently, the initial priority for an Obama administration in this policy area should be, first, to recognize why the effectiveness of past efforts has been so limited and, second, to focus our efforts on the areas where we can make a useful contribution. This paper is an attempt to address these questions and suggest a new way forward.

Why So Many U.S. Efforts Have Not Been Effective

There are, of course, many contributing factors that help explain why U.S. efforts to date have not produced what was initially hoped for (e.g., insufficient pre-war planning, bad early policy decisions, interagency disorganization). But we believe there is a broader dynamic that has limited our effectiveness in a more comprehensive way: too great an emphasis on U.S.-funded and formulated initiatives, and too little emphasis on initiatives developed by and with local Iraqi officials and institutions. Projects that were initiated without Iraqi input are much less likely to be funded and sustained by the local Iraqi budgets of the central ministries and provinces.

The contrast between initiatives that are essentially external in origin and funding to the relevant Iraqi governing entities (even if intended by the U.S. to meet a local need) and those that develop within and are bureaucratically embraced by local Iraqi entities is a central point. No matter how well-intentioned our administrators may be, American control inevitably directs our assistance projects to meet American standards and American goals, which may have little connection to Iraqi needs. American contractors may be highly motivated to maintain their professional reputations in America, but they are inevitably less concerned about Iraqi perceptions of the quality of their work. So as reconstruction and development projects have been shaped by American bureaucratic

imperatives and have been implemented without local political accountability, they have inevitably wasted large amounts of money with small benefit to the people of Iraq.^[1]

In short, U.S. reconstruction funds have been spent excessively and wastefully because we have been driven more by the U.S. government's desire to show a commitment to Iraq's reconstruction by spending large sums on foreign assistance – with understandable encouragement by the private sector beneficiaries of that spending – than by knowledge of Iraqi needs and how Iraqi institutions could be most effectively assisted to meet those needs in a sustainable way. All too often we have built the wrong things, in an overly costly and often shoddy manner, because we were in a rush to execute our own budgets and did not make enough effort to work with Iraqis.

The Key to Effective U.S. Assistance: Iraqi Initiative

In thinking about how America might be able to play a more constructive role in the reconstruction of Iraq today, we might well begin with a quote from the original 1947 speech in which George Marshall first proposed his plan for the reconstruction of Europe, only changing “Europe” to “Iraq” and “European” to “Iraqi”:

It would be neither fitting nor efficacious for our Government to undertake to draw up unilaterally a program designed to place [Iraq] on its feet economically. This is the business of the [Iraqis]. The initiative, I think, must come from [Iraq]. The role of this country should consist of friendly aid in the drafting of an [Iraqi] program and of later support of such a program so far as it may be practical for us to do so.

Since 2003, the Bush administration has spent vast sums in Iraq without remembering this core wisdom of the Marshall Plan: that all initiatives and plans must come from the local people whom we are trying to assist.

The key to sustainable Iraqi-financed reconstruction is Iraqi leadership of the reconstruction effort. If we want the government of Iraq to spend its own money and sustain initiatives launched, we must accept Iraq's leading role in deciding on projects and priorities.

General Guidelines for U.S. Assistance

1. Assistance projects should be requested by relevant Iraqis.

As a general rule, the U.S. should support reconstruction projects or development programs in Iraq only if they have been requested by Iraqis and are accountable to Iraqis. The U.S. Embassy in Baghdad could certify requests for assistance from Iraqi governmental entities at any level (national, regional, provincial, or local), as well as from nongovernmental organizations in Iraq. To maintain local accountability, the performance evaluation of any American efforts in Iraq should include input from their designated Iraqi clients.

2. One or two technical experts working directly within the requesting governmental entity will often be more effective than a large program working separately from it.

U.S. technical assistance can be helpful, but only where requested by relevant Iraqi officials and only in support of Iraqi initiatives. In many situations, the most effective way to provide assistance is to send individuals with technical expertise to serve as working members of the team in an Iraqi agency or organization. Incentives in Washington have too often favored expensive projects with large corporate contracts, even when we could have better helped Iraqis to do the job for themselves by simply sending a few American experts when and where they were requested by Iraqis.

3. Our priority should be helping Iraqis work their own systems of governance, not ours.

Our highest priority should be helping Iraqis to strengthen their critical systems of governance, not making them learn to navigate our systems for delivering aid. In making Iraqi governance structures work, Iraq can draw largely on the skills and talents of its own people, with American experts playing only a supporting role.

4. Public financial management should be a central element of our assistance efforts, because it maintains the focus on helping Iraqis execute Iraqi policy commitments.

Particular priority should be given to Iraqi requests for U.S. technical assistance in developing their administrative capacity for public financial management, so that central ministries and provinces can more successfully execute their budgets. In addition to helping Iraq make more use of its own financial resources generally, this allows us to concentrate our efforts on helping Iraqis carry out policy commitments explicitly embraced by Iraq's executive and legislative branches in the budget, which stand a much greater chance of being sustained.^[2]

5. Democratic pluralism should be encouraged by supporting initiatives from provincial governments and local organizations as well as from the ministries of the national government.

Iraq's federal structure provides the U.S. with the opportunity to embrace and encourage the principle of Iraqi leadership at multiple levels of government. American assistance at the local and provincial levels can help strengthen their governance capacity and show what local government can do for the people of Iraq. All assistance should be given transparently, so that the public can see where our support has been given and what their leaders have accomplished with it.

6. Programs to develop Iraq's human capital and local expertise over the medium-term should be supported and expanded.

The principal wealth of Iraq is not in oil but in the skills of its people. The U.S. should offer assistance to Iraqi institutions of higher education to improve their ability to train the next generation of Iraqi officials and experts and once again become a magnet to students throughout the Middle East. The U.S. should also generously support exchange programs (such as Prime Minister Maliki's Higher Education Initiative) to send Iraqi university and graduate students overseas for studies. Finally, if security conditions continue to improve and the Iraqi government puts in place resettlement mechanisms, the United States should work with the Iraqi government to encourage members of Iraq's professional class who have fled the country since 2003 to return.

Specific Policies for Economic Development

1. The private sector is the key to sustainable employment and growth.

Private enterprise is the key to productive and sustainable employment growth and medium- and long-term economic development in Iraq. The U.S. should encourage the creation of a more supportive environment for private sector activity, including the modernization of the commercial legal framework and greater predictability in the rule of law. The U.S. should also encourage the use of international business and investment technical assistance programs, including the World Bank's Doing Business initiative (international standards for making business climates more welcoming to local and foreign investors by reducing redtape), the World Bank Group's Business Development Services programs (training for entrepreneurs in basic business planning and practice) and initiatives to provide business training for women and support women-owned companies.

2. Increased Iraqi public investment spending will significantly stimulate private sector

job growth.

The substantial sums Iraq has budgeted for public investment (\$13 billion in the 2008 budget and an additional \$8 billion in the recently passed supplemental) should be a major source of sustainable private sector job creation -- if the budgets are executed. Consequently, one of the most important things Iraq can do to increase private sector employment is to improve public budget execution by both central ministries and provinces. Accordingly, providing technical assistance to Iraqi spending units in executing their budgets is one of the most useful, and cost-effective, forms of U.S. assistance.

3. Public sector employment should be rationalized.

The U.S. should support efforts by the Iraqi government to rationalize the public sector, which is generally characterized by inefficiently large bureaucracies at the center and insufficient bureaucratic capacity in the provinces.

4. Facilitating domestic investment requires both stopgap and structural financial reforms.

Domestic private investment is another substantial source of private sector job creation, although it is complicated by a banking sector that does not yet provide effective financial intermediation. To encourage the private investment necessary to establish and grow businesses, the U.S. should provide programmatic support for Iraq's stopgap efforts to increase loans available to microenterprises and Small and Medium Enterprises (SMEs), technical assistance in the restructuring of Iraq's state banks and technical assistance to Iraq's small but growing private banking sector. However, the U.S. should seek to avoid or minimize direct financial support of lending institutions in the interest of encouraging the development of a financial sector that is self-sustaining.^[3]

5. A major factor in international investment will be the passage of a hydrocarbon law.

International private investment is a final source of private sector jobs, particularly in Iraq's oil sector. While some tentative, minor agreements with international oil companies are currently under discussion, large scale investment will likely await passage of a national hydrocarbon law. The U.S. should continue diplomatic efforts to encourage the relevant Iraqi political parties to reach agreement on a hydrocarbon law and provide additional technical assistance if requested.

6. We should support a locally sensitive approach to investment and development, recognizing that in areas like the Kurdish region the security situation is already quite

favorable.

The U.S. should do everything we can to welcome investment in Iraq from many sources and to many destinations. Conditions in the Kurdish region may already merit a relaxation of our travel advisories there so that American companies can begin to explore the economic potential there.

Conclusion

We should continue to help Iraq so far as we can do so effectively and our help is needed. The recent increase in Iraq's own financial resources is welcome and we should strongly encourage Iraqi leadership of Iraq's reconstruction and development, including much more progress in spending Iraq's own resources. If we modestly accept that in most cases we will best contribute to Iraq's economic development by encouraging and supporting Iraqi plans, then the next administration can do more for Iraq at much less expense to the American taxpayers. This policy approach to our reconstruction efforts in Iraq will ultimately set into place the mutual trust and confidence for a strategic long-term U.S.-Iraq partnership.

Iraq Refugee White Paper

Marc Lynch (sub-group lead), Brian Katulis, and Sharon Waxman

Executive Summary

The Iraqi refugee crisis represents one of the least noticed but most fundamentally important aspects of the last five years of war. An estimated 5 million displaced Iraqis (nearly a fifth of the population of the country) have imposed serious burdens on neighboring countries and have radically transformed Iraq's socio-political composition. Any meaningful strategy for Iraqi political reconciliation and sustainable stability will need to take into account these challenges. Obama has taken this issue seriously, pledging to dedicate \$2 billion and to convene an international working group, while McCain has ignored the issue completely. Obama should take ownership of the refugee issue to demonstrate the positive differences between his more comprehensive political, regional, and humanitarian approach to Iraq and McCain's narrow military focus.

Key points

- Scope of the crisis: The Iraqi refugee issue is a security and political challenge, not just a humanitarian and moral one, which will shape the Middle East and Iraq for a generation. It should be made central both to regional diplomacy and to Iraqi domestic political and economic development.
- An important contrast: Obama has pledged to devote \$2 billion to efforts to aid Iraqi refugees, and understands the stakes. McCain has said virtually nothing about the refugee situation, and his website does not mention them at all. Obama should take ownership of this issue to demonstrate wider contrast.

Recommendations

- Create a position of White House coordinator for Iraqi refugee affairs with authority and responsibility for all aspects of the Iraqi refugee crisis.
- Continue to pledge \$2 billion to a humanitarian relief fund for Iraqi refugees, and use this as moral and diplomatic leverage to persuade other members of the international community to match this new commitment.
- Demonstrate American leadership in the resettlement of Iraqi refugees by building on recent policy changes easing the entry of Iraqis who had worked with the United States.
- Encourage the Iraqi Government to step up and provide significantly greater assistance to its citizens living abroad and displaced internally.

- Do not encourage returns to Iraq until the mechanisms have been put in place to ensure their safe and peaceful reintegration and the resolution of ensuing property disputes.
- Work with the governments of Jordan and Syria to regularize the status of Iraqis in those countries as part of a wider regional dialogue.

Iraq Refugee White Paper

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Overview of the Crisis

Although several hundred thousand refugees fled Iraq in the years before the war began in 2003, the overwhelming majority of the displacements have occurred since February 2006, when large-scale sectarian violence erupted in the aftermath of the al-Askariyah mosque bombing in Samarra. More than 2 million Iraqi refugees are currently outside the country and 2.8 million more are internally displaced persons inside Iraq. Jordan and Syria, who host an estimated 80 percent of the refugees, face a significant economic and social burden, political challenges deriving from memories of the long-festering Palestinian refugee problem, and security concerns rooted in the presence of hundreds of thousands of angry and idle young men. Both have significantly tightened access to their countries for refugees, as have several initially welcoming European host countries. Aid agencies report growing donor fatigue, driven by competing crises around the world as well as the perceived improvements in Iraq. The Government of Iraq has done little to help the refugees, and has in recent months focused upon urging refugees to return against the advice of most international agencies including the UN. In short, the Iraqi refugee crisis is a massive political, social, economic and security challenge which has remained largely invisible despite its potential to have massive, long-term negative effects upon Iraq and the Middle East.

The refugee issues has thus far been treated primarily as a humanitarian issue. While it is that, it is also deeply political and its resolution will involve some of the most contentious issues in regional diplomacy and Iraqi politics. The Kirkuk issue is at its root one of displacement, while the sectarian cleansing of Baghdad in 2006 reflected a conscious effort to transform the demography of the city for sectarian purposes. The large number of Sunni Arab refugees outside of the country has reduced that community's demographic weight, while the flight of middle class and professional Iraqis has deprived the country of some of the very people needed to rebuild the country. Current plans for the provincial elections disenfranchise refugees outside of the country, while the displaced face multiple challenges with voter registration and with the requirement that they vote in their place of origin rather than place of residence. Proposed solutions are equally political, with different constituencies supporting and opposing the return or the voting rights of the displaced and the refugees based on sectarian and political interests.

Comparing the Campaigns

Obama has highlighted the Iraqi refugee issue, and has pledged to commit \$2 billion to the problem and to form an international working group, while McCain has not mentioned Iraqi refugees at all and offers no plan.

Senator Obama

- The Plan for Iraq currently on the website says: “Barack Obama believes that America has both a moral obligation and a responsibility for security that demands we confront Iraq’s humanitarian crisis—more than five million Iraqis are refugees or are displaced inside their own country. Obama will form an international working group to address this crisis. He will provide at least \$2 billion to expand services to Iraqi refugees in neighboring countries, and ensure that Iraqis inside their own country can find sanctuary.”
- On World Refugee Day (June 20, 2008), Obama released this statement: “As Americans, we are especially mindful of our unique moral obligation to the more than four million Iraqis displaced by the war. These vulnerable Iraqis have witnessed the brutal destruction of their homes and communities by the conflict that has engulfed their country since the American invasion in 2003. They have endured the cold-blooded murder of their loved ones and their neighbors. Their humanitarian needs are immense, and America must boldly lead a stronger effort to assist them. Many brave Iraqis who have worked with the American military and government in Iraq now have the target of the assassin’s bullet on their back. They have supported our forces and our mission in Iraq, and they have saved many American lives. In the best tradition of America, I will continue to support the policies and the laws necessary to ensure that these courageous Iraqis will not be left behind.”
- Mariano-Florentino Cuellar, speaking as the campaign’s immigration policy task force chairman, told the Huffington Post in July that Obama “has tried to emphasize to the public that in addition to thinking about the impact of the war directly on American security interests, we have a responsibility to think about the humanitarian impact of the war.” The article continues: “Cuellar said that an Obama administration would be committed to trying to expedite the process of granting visas to Iraqis chosen for resettlement in the United States.” (Source: http://www.huffingtonpost.com/hanna-ingber-win/obama-mccain-skirt-iraqi_b_111710.html)

Senator McCain

- McCain has virtually ignored the Iraqi refugee issues.
- The Iraq page on his website does not mention refugees at all. For all of McCain's focus on fighting the war in Iraq, it is astounding that he has had absolutely nothing to say about the refugees or displaced or even acknowledged their great suffering. He has offered no plans for dealing with the crisis. (<http://www.johnmccain.com/Informing/Issues/fdeb03a7-30b0-4ece-8e34-4c7ea83f11d8.htm>)

Recommendations

1. Take ownership of the Iraqi refugee issue to demonstrate a sharp contrast with McCain.

The contrast between Obama's plan to devote \$2 billion and convene an international working group with McCain's silence on refugees offers an outstanding opportunity to demonstrate a vital contrast. Obama takes a wider, more comprehensive view of the Iraq problem than does McCain. He understands the regional dimension, the human costs of the war, and the political problems that go well beyond the military campaign. McCain's refusal to acknowledge the refugee crisis demonstrates the risks of his overly-militarized world view. His blind spot on refugees can be used to make a broader point about his inattention to the political dimension of counterinsurgency, to the human costs of war, and to the need for regional diplomacy.

2. Create a new position of White House coordinator for Iraqi refugee affairs with authority and responsibility for all aspects of the Iraqi refugee crisis.

America bears a unique moral responsibility for the Iraqi refugee crisis. Regrettably, America's response has been far too slow, inadequate and chaotic. No single individual in the U.S. Government is responsible for determining goals and coordinating the government effort (a forthcoming GAO investigation is expected to underscore the absence of government-wide coordination). The lack of a comprehensive, coherent approach to this issue has meant that goals are not consistent, the most urgent needs of Iraqi refugees remain unmet, America's scarce resources are not being maximized, and its image as a nation that cares about human suffering and accept its responsibilities to relieve it is being squandered. Leadership must start at the top, and America should have a White House coordinator to oversee our Iraqi refugee policy and ensure that it works efficiently and effectively. The needs are enormous, cut across a variety of agencies, and will persist for many years. Legislation to create a White House Coordinator is pending in Congress. It has been endorsed by the American Conservative Union and all the leading refugee advocacy organizations, while the Department of State argues that it is not necessary.

The Coordinator would: (a) develop and implement U.S. policies and strategies to address the protection, resettlement, and assistance needs of Iraqi refugees and IDPs, and foster long-term solutions for improving the lives of Iraqi citizens who have been displaced; (b) coordinate all Federal Government functions to ensure that a cohesive, comprehensive policy is implemented to address the resettlement and humanitarian needs of Iraqi refugees and IDPs; (c) monitor the development and implementation of assistance strategies to countries in the Middle East hosting Iraqi refugees; (d) ensure that the President's budget requests to Congress are sufficient to meet the needs of Iraqi refugees and IDPs; and (e) serve as principal liaison with the Government of Iraq, the international community, the NGO humanitarian community, and organizations assisting Iraqi refugees and IDPs, in order to solicit and direct bilateral and multilateral contributions to address the humanitarian needs of Iraqi refugees in Syria, Jordan, and other nations in the Middle East and IDPs in Iraq.

3. Continue to pledge \$2 billion to a humanitarian relief fund for Iraqi refugees, and use this as moral and diplomatic leverage to persuade other members of the international community to match this new commitment.

This humanitarian crisis will continue to require substantial financial assistance for many years. The Obama Plan for Iraq already pledges to commit \$2 billion to expand services to Iraqi refugees in neighboring countries, and to convene an international working group to focus upon the regional problems. This should be tied in to a wider regional diplomatic strategy, using newly gained moral authority backed by the dedication of resources to encourage others to step up. When the UNHCR issues its consolidated appeal for the region in December, America should immediately pledge 50 percent and be prepared to ensure the entire pledge is funded if international donors fall short.

The Bush administration has requested insufficient funding for Iraqi refugees and internally displaced persons. In fiscal years 2005 and 2006, the administration requested no funding for Iraqi refugees, although Congress provided \$67 million and \$75 million, respectively. In fiscal year 2007, the administration requested \$90 million in supplemental appropriations, a level that was increased to \$224 million by Congress. In the current fiscal year, \$274 million has been provided, and additional funds were provided for refugees globally, some of which will be used for Iraqi refugees. In fiscal year 2008, our government has contributed \$208 million to international organizations to assist Iraqi refugees and displaced persons. Compared to other nations, our contributions are generous. But compared to the \$12 billion we are spending each month on the

military operation in Iraq, the contribution is dwarfed. On a bilateral basis, in the past two years, our government has provided \$285 million to the Government of Jordan specifically for Iraqi refugees. The fiscal year 2009 Federal budget request notes that “the administration will continue to review humanitarian assistance needs, including costs related to Iraqi displaced persons” but includes no funding for Iraqi refugees or internally displaced persons. This is still inadequate to the task, and divorced from a wider strategy.

4. Demonstrate American leadership in the resettlement of Iraqi refugees by building on recent policy changes easing the entry of Iraqis who had worked with the United States.

Greater American leadership on resettling Iraqi refugees would both meet our moral obligations and make it easier to persuade other countries to increase their commitment to resettle Iraqis.

After years of failure, the United States has finally begun to increase its efforts to admit Iraqis who had worked with the Coalition. The United States failed to meet its modest goal of 5,000 Iraqis for resettlement last year and resettled only 1,609 Iraqis in fiscal year 2007. The U.S. goal for resettling Iraqi refugees in fiscal year 2008 is 12,000. As of August 1, the United States had resettled 8,800 Iraqis. These numbers represent real progress on the resettlement side, but much remains to be done.

Consistent with the Iraqi Refugee Crisis Act (included in 2008 National Defense Authorization Act, P.L. 110-181), refugee processing in Baghdad began in May 2008. Four hundred refugee cases are currently ready to be processed in Baghdad. Also as part of the law, Congress authorized 5,000 special immigrant visas (SIVs) yearly for Iraqis and their families who have worked for the U.S. Government in Baghdad for a year (SIVs are not counted against the 12,000 refugee cap). To increase processing capacity, speed, and efficiency for refugees at risk in the future, the Department of Homeland Security should hire more adjudicators for the Refugee Corps and establish a permanent presence in the region to adjudicate cases on an ongoing basis. The US Government also needs to think far more creatively about alternative mechanisms, including videoconferencing, greater use of State Department consular officers, and processing Iraqis associated with the United States at a military base. Intensive pre-screening would be required to address security concerns, but there still may be cases denied. The new Baghdad processing program seeks to accomplish the same goal inside Iraq, and it must be adequately staffed and resourced. Each agency with a presence in Iraq should task an officer to collect data on its Iraqi workers, to be stored in classified database to facilitate resettlement. This is not solely a matter of charity or morality. Iraqis have critical language skills and knowledge that could be utilized by a

variety of U.S. agencies or contractors. The US should explore the benefits and risks of modifying existing hiring procedures and “scaling” security requirements, where appropriate, to take advantage of critical skills Iraqis have that could benefit our military, diplomatic, and intelligence community.

5. Encourage the Iraqi Government to step up and provide significantly greater assistance to its citizens living abroad and displaced internally.

The Government of Iraq has been shockingly indifferent to the struggles of its displaced citizens. The United States should pressure Iraq to use its wealth to alleviate the most pressing problems confronting the refugees in neighboring countries and the internally displaced. The Iraqi Government’s failure to respond decisively fuels a perception that it does not care about all of its citizens and is exacerbating ethnic and sectarian division. In April 2007, Iraq pledged \$25 million for refugees in Jordan and Syria, but it took one year for the government to provide the funds. Recently, the Government of Iraq committed \$195 million for refugee returns. Rather than focusing on returns, the effort should focus on addressing the humanitarian needs of Iraqi IDPs and refugees and establishing the mechanisms to deal with the anticipated challenges, including strengthening the capacity of the Public Distribution System of Food, creating mechanisms for receiving and temporarily hosting returnees, guaranteeing IDP and refugee voting rights, tracking the property rights of IDPs and establishing a system for the adjudication of property disputes.

6. Do not encourage returns to Iraq until the mechanisms have been put in place to ensure their safe and peaceful reintegration and the resolution of ensuing property disputes.

United States policy should seek to create conditions in Iraq that will ultimately allow refugees to return home, but should *not* encourage refugee returns *until* conditions permit safe returns on a voluntary basis. To the extent that McCain develops a refugee policy, it will probably emphasize refugee return as a validation of security improvements. Security conditions in Iraq have improved, but the gains are fragile, and assisted returns are premature. No mechanisms are currently in place to adjudicate property disputes or to assist with the challenges of returning to a deeply altered Iraq. Iraq’s Ministry of Displacement and Migration remains underfunded, ineffective and inadequate to the task – and has itself recently criticized the Iraqi government’s plans. The hasty return of large numbers of returnees – without security, housing, or employment – could have serious negative consequences.

7. Work with the governments of Jordan and Syria to regularize the status of Iraqis in

those countries as part of a wider regional dialogue.

The regularization of the status of Iraqis in Jordan and Syria (temporarily if necessary) should be made a first-order priority for American diplomats. As long as Iraqis live in fear of deportation and are prohibited from working in Jordan, they will remain in the shadows. It is unreasonable to expect Jordan and Syria to permanently integrate Iraqis into their societies, but their status needs to be regularized so they can generate some income.

Jordan: American leverage is strongest with the Jordanian Government because of the bilateral assistance we are providing to help refugees. To address this concern, language was included in the Iraq Supplemental directing the Secretary of State to consult with the Jordanian Government, the UN, and international organizations on (a) short- and medium-term options the United States and other countries and organizations can undertake to assist Iraqis in Jordan maintain their educational and vocational skills and earn income; and (b) the feasibility for the Government of Jordan to provide temporary residence status for some Iraqis. Consistent with Jordanian restrictions, the United States must provide assistance in a way that avoids creating parallel systems in Jordan, but we need to ensure that our resources are directly benefiting the Iraqis. Funding is not intended to provide a general subsidy for the Jordanian Government, and should be carefully monitored to ensure that it reaches the Iraqis for whom it is intended.

Syria: In Syria, American diplomats should be empowered to engage more vigorously with Syrian officials on Iraqi refugee, resettlement, and related issues. American diplomats in Syria currently have an extremely narrow mandate to engage on humanitarian issues, undermining the U.S. Government's ability to develop effective responses. Their mandate should be expanded. Skillful diplomacy must allow for continued pressure on Syria on the Middle East peace process and for its violations of Lebanese sovereignty and support for terrorism, while simultaneously allowing for a more robust engagement on the issue of Iraqi refugees. Bilateral American assistance to Syria is currently not an option. However, substantial assistance can and should continue to be provided to Iraqi refugees in Syria through the United Nations and the humanitarian assistance programs of nongovernmental organizations – and this could be a topic for discussion should Syria enter into a strategic dialogue with the United States.

[1] The Special Inspector General for Iraq Reconstruction (SIGIR) recently underscored this point in an audit

titled *Key Management Issues Identified in Audits of Iraq Reconstruction*: “SIGIR work shows that U.S. agencies often made many decisions about investments without ascertaining Iraqi needs or obtaining the views and buy-in of Iraqi officials. ... Collectively, these problems have placed the attainment of many U.S. reconstruction goals at risk. ... The failure to attain host government agreement on projects, and U.S. efforts to foster a functioning democracy, can lead to the waste of U.S. investments.” (July 27, 2008, 08-020). As an example of the consequences of this pattern, the fact that Iraq underspends in sustaining projects built and financed by the U.S. stems in many cases directly from the fact that the government of Iraq was not adequately consulted or informed about what we were building or providing “for them.” When made aware, Iraqi officials have often found that U.S. contributions failed to adequately consider Iraqi needs and capacity and accordingly been reluctant to take financial responsibility for U.S.-built “white elephants.”

[2] We commend the recently increased attention given to public financial management by the U.S. Mission and MNF-I in Baghdad. The State Department's response to the GAO's June 2008 progress report on Securing, Stabilizing and Rebuilding Iraq (p. 73) describes a new coordinating structure operationally chaired by Treasury that was recently established to this end: “As an example of efforts to improve Iraqi budget execution, the Government Assessment Team (GAT) Report recently proposed a way forward combining civilian and military resources in a newly-constituted group named the Public Financial Management Action Group (PFMAG). While leaving existing assistance and ministerial capacity groups in place, the PFMAG concept created a group focused on budget execution – with outreach into the major Government of Iraq (GOI) spending units, as well as access to budget advisors, who could be deployed to resolve both individual and institutional problems in budget execution.”

[3] USAID's programs to support Iraqi private banks have delivered dismal results; here, the DOD Task Force for Business Stability Operations – Iraq has filled an important role in working with the Iraqi private banks to invest in common infrastructure (core banking systems, etc.) to modernize their operations.