

Bush Giving Up on Reconstructing Iraq

By Sherwood Ross

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Washington, DC - Four months after US forces rolled into Baghdad, President George Bush declared his goal would be nothing less than to convert Iraq's infrastructure into "the best in the region" - yet US contractors today are readying to depart the country, leaving that goal unattained.

Since President Bush's comment of August 8, 2003, some \$50 billion has been spent to create what the US Army calls a record of "historic and magnificent accomplishments," rebuilding a nation neglected by Saddam Hussein and shattered by war.

"Iraq's reconstruction is the largest and most complex reconstruction project ever undertaken in a single country," the Army added, comparing its scale to the US "Marshall Plan" that helped restore post-World War II Western Europe to economic self-sufficiency.

Critics, however, have termed the reconstruction effort everything from only a modest success at best to "one of the greatest colonial rip-offs in history."

Unquestionably, the undertaking is among the grandest of such endeavors ever, with 11,000 construction or renewal projects attempted by various Pentagon and civilian agencies, according to Army information.

A signal of the US intent to dramatically scale down its involvement was the government's request for just \$770 million for reconstruction funds for fiscal 2007, a figure cut to \$200 million by the House.

Yet, by most estimates, Iraq is suffering from a major "reconstruction gap," with much work left undone. And estimates to finish the job range from \$20 to \$50 billion.

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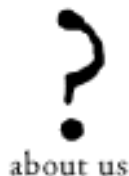
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In some ways, it is surprising that any rebuilding was able to get done at all. "Never before has so vast a reconstruction program been attempted in the face of enemy fire or managed in the shadow of geopolitics, where infrastructure itself became a battleground," reported Glenn Zorpette in the February 2006 issue of "Spectrum," published by the International Society of Electrical and Electronics engineers. Indeed: the number of contractors slain attempting to do their job has been put at about 500.



"Insurgents were blowing up electrical transmission towers at an average rate of two a day this past August, and Iraqi workers and foreign contractors were risking their lives to put them back up," Zorpette noted. "Funds that were intended to support the reconstruction effort were used to keep people safe from kidnappings and attacks," the Army said. "Work has been curtailed in some cases and not started in others to make funds available for additional security." According to the Pentagon's estimate, insurgents have reduced reconstruction progress by about 11 percent.

What's more, areas of Iraq unscarred by Coalition bombing or street fighting were demolished by waves of looters. A "Report on Iraq Reconstruction" issued last month by the Pentagon let this ugly truth slip out: "Looting was on such a massive scale after the fighting that whole buildings were dismantled piece by piece with all of the machinery, copper wire, and other fittings stripped and removed."

In that report, Assistant Army Secretary Claude Bolton wrote, "we mark the milestone accomplishment of having contractually obligated 100% of Iraq reconstruction project funds entrusted to DOD ..."

The report professed US senior advisors arriving in Iraq "were shocked by the state of disrepair of the infrastructure - not from the bombing damage during the war, but from the nearly 30 years of neglect under Saddam Hussein's rule." (Got that? The bombing damage was only incidental.)

"Power plants had not been maintained, roads and bridges were in poor condition, many schools were dilapidated, and potable water was scarce," the Army said.

US officials promised to provide a steady supply of 6,000 megawatts of electricity and to boost oil production to 2.5 million barrels per day within months after occupying Iraq. Electrical flow was seen as particularly vital. A survey of Iraqis by the International Republican Institute of Washington, DC, indicates electrical output is their number one priority, and it's one the US has spent about \$4 billion to improve, with mixed results.

According to the Army, it wasn't until this summer that the level of

electrical production surpassed pre-war power generation capability. The Army said electrical output of 3,300 megawatts of electricity "immediately after the war" has been increased by 1,420 megawatts of capacity since then.

That, however, is not the way Congressman Henry Waxman of California, the ranking Democrat on the House Committee on Government Reform, sees it. Despite spending \$4 billion on electricity generation, the administration is 2,000 megawatts short of reaching its goal for peak output, and generation "is actually below pre-war levels," he says.

According to the Associated Press, "fewer than half the electricity and oil projects planned have been completed, scores of other projects were cancelled, and in Baghdad people spend most of their day without electricity and spend hours in line for gasoline and other scarce fuels." As recently as August, the Pentagon said, Baghdad had electricity for 6.3 hours per day, compared with the national average of 11 hours.

"Rotating blackouts are still a way of life in Iraq's electrical sector, but now they're not done for Baghdad's benefit," the IEEE's Zorpette said. "The city still gets about half of its power from the north and south, but these days city residents get anywhere from 6 to 9 hours of electricity a day, compared with about 15 hours for people living in Basra."

He attributes the shortfall to an insurgency that has made "destroying electrical infrastructure a centerpiece of its bid to destroy the country's fledgling democracy"; too few electric meters and low fees; personnel problems, including "thousands of fictitious employees" among the 48,000 payrollers; lack of maintenance skills; and a mismatch between generators and the proper fuel needed to run them. Some engineers are critical of the Occupation for not installing steam-thermal plants.

Most of the generating units are combustion turbines that run best on natural gas, yet are being run on diesel fuel or crude oil left over after the more desirable fuel grades are removed in the refining process. What the Electricity Ministry gets is fuels "that few other utilities in the world would be willing to burn," Zorpette says. The better grades are exported to bring in desperately needed revenues.

Thus, diesel fuel, not produced in sufficient quantities in Iraq, is being trucked in from Turkey at great cost. By one estimate, \$20 billion is needed to satisfy power needs, particularly as Iraq is experiencing heavier-than-ever demand as employed Iraqis rush to buy appliances and newly minted entrepreneurs launch business ventures.

In sum, even though the Iraq Relief and Reconstruction Fund (IRRF) is scheduled to close at the end of this year, as of last April the special

inspector general for Iraq reconstruction found more than half of electrical projects were incomplete and delivery spotty.

The special inspector also found 75% of oil and gas projects were incomplete, even though the US, according to Waxman, had spent \$2 billion on them. Insurgents played a key role, but hundreds of Oil Ministry staffers have been fired for smuggling oil into the black market or out of the country.

Recent Iraqi statements that the oil industry has surpassed its pre-war production level of 2.6 million barrels per day have been met with skepticism. Last week, Waxman's office said production is "still below pre-war levels" and the new Army report puts production at just 2.2 million barrels per day.

The Army also says Coalition countries have brought potable water to 3.7 million Iraqis and sewage treatment to 5.1 million, at a cost of \$1.7 billion. It also claims IRRF has funded work for building 142 new clinics or health care centers, of which three have been completed and 66 are under construction.

It says it has also built 834 new schools, 342 police facilities and built 248 border forts.

Although President Bush said Iraq reconstruction would "pay for itself," the US has chipped in about \$22 billion, and if the results have fallen short it may be because a hefty chunk of the money was misspent, wasted, and stolen. Stuart Bowen, head of the Special Inspector General's Office, said the Coalition Provisional Authority (CPA) set up in May, 2003, "did not establish or implement sufficient managerial, financial and contractual controls to ensure funds were used in a transparent manner."

Bowen found nearly \$9 billion of the money CPA spent on reconstruction, before transferring authority to the new Iraq government in June, 2004, remains unaccounted for due to inefficiencies and bad management.

A long shadow of suspected mismanagement falls over Halliburton Corp., formerly headed by Vice President Richard Cheney, and which, by one estimate, got half the dollar value of all contracts awarded for reconstruction of Iraq.

Halliburton subsidiary Kellogg, Brown & Root (KBR) got a \$2 billion award for managing Iraq's oil fields without competitive bidding and over the objections of Bunnatine Greenhouse, chief of contract management for the Army Corps of Engineers.

"Not only was the sole-source effort illegally exclusionary to other

potential competitors," Greenhouse said, "an intolerable conflict of interest had been created by the government for KBR to be awarded any contract ... for the Iraq Campaign." For her candor, Greenhouse was demoted from her top job and made to sit in a back row cubicle where she was given no work.

Greenhouse's concerns were realized when Pentagon auditors concluded KBR had overcharged the military about \$250 million on a contract to deliver fuel and repair oil equipment. Peculiarly, the Pentagon reimbursed KBR's invoices for the work. "Halliburton gouged the taxpayer, government auditors caught the company red-handed, yet the Pentagon ignored the auditors and paid Halliburton hundreds of millions of dollars and a huge bonus," Waxman said.

From the standpoint of Major General William McCoy, the top Army engineer overseeing reconstruction, "My biggest disappointment has been the issues we're having to recover from with bad work by American contractors." One of these was a botched \$76 million KBR project to run a pipeline beneath the Tigris River that had to be given to another contractor. Another terminated project was a \$186 million, two-year Parsons Corp. effort to build 150 primary health care clinics. Only six were finished.

According to Waxman, US investigators are probing no fewer than 70 corruption scandals tied to Iraqi reconstruction. Anthony Cordesman, of the Center for Strategic and International Studies, has termed the US reconstruction effort a failure. "It has had some important individual successes, but it has wasted at least half" of the \$22 billion earmarked to secure and develop Iraq's economy, he told the Christian Science Monitor.

And in a statement last month to Integrated Regional Information Networks, Judge Radhi al-Radhi, head of Iraq's Commission on Public Integrity, said, "About \$4 billion has been pilfered from state coffers and no one is taking responsibility - but we are working hard to find those responsible." He went on to say "at least 25%" of the total \$45 billion from all sources invested in reconstruction "is missing without an explanation."

Just to rebuild Iraq's oil infrastructure to produce fuel and revenue will cost another \$20 billion, and as much or more will be needed to bring the electricity sector into the modern age. While estimates vary greatly over future costs to rehabilitate Iraq, there is growing body of opinion - based on the quality work performed by many Iraqi sub-contractors - that it would be best if Iraqis themselves managed and performed the work.

Nothing better illustrates the morally bankrupt condition of the Bush White House than its war on Iraq. When it comes to murder, President Bush is the stay-and-slay president. When it comes to humanitarian aid to restore a nation for whose destruction he is personally responsible and

where 650,000 human beings have perished, President Bush's policy is cut and run.

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