

**Opening Statement of Chairman Joseph Lieberman
Homeland Security and Governmental Affairs Committee Hearing
Deconstructing Reconstruction: Problems, Challenges, and the Way Forward in
Iraq and Afghanistan
Washington, DC
March 21, 2007**

Good morning. In today's hearing we will focus on a challenge that is critical to our ultimate success in Iraq, Afghanistan and the larger war on terror – helping those nations rebuild so they can fully and finally break free from tyrannical legacies of Saddam Hussein and the Taliban.

If we want these nations to become free and prosperous societies that will be our allies in the war on terror, rather than dictatorships that offer havens for those who would plot to attack us, we must help them build the infrastructure upon which prosperity and freedom depends – schools, roads, power projects, water and sewer, health care and communications systems. And we must help them strengthen democratic foundations that are necessary for long-term prosperity.

Americans may be divided over the handling of the war but we are not divided in our hope that the Iraqi and Afghan people will soon enter the community of peaceful, stable, democratic nations.

But widely reported instances of waste and fraud in our economic aid have left many Americans wondering whether we are able to deliver the needed reconstruction effectively. They rightly ask what we have gotten out of the \$38 billion spent in Iraq on reconstruction, and the \$4.3 billion we have spent in Afghanistan. They wonder whether contractors are held accountable when they overcharge or defraud our government. They ask whether independent contractors are spending the money we give them efficiently and ethically.

With today's hearing – “Deconstructing Reconstruction: Problems, Challenges, and the Way Forward in Iraq and Afghanistan” we will look at what's working, so we can build on our successes, and what's gone wrong so we can fix it.

I want to thank our witnesses for joining us today: Stuart W. Bowen, Jr. Special Inspector General for Iraq Reconstruction – or SIGIR;

The Honorable David M. Satterfield, Senior Advisor to the Secretary of State and Coordinator for Iraq;

Major General Ronald L. Johnson, Deputy Commander, U.S. Army Corps of Engineers;

and Mark S. Ward, Senior Deputy Assistant Administrator for the Bureau of Asia and the Near East for the U.S. Agency for International Development.

We know that reconstruction in both of these countries is taking place in extremely difficult and dangerous circumstances. That is why the clear, hold, and build strategy by General Petraeus is so important. Each of the witnesses today, and the men and women who work for their organizations, have put themselves in harm's way to help the United States carry out its mission in Iraq and Afghanistan.

But even with these challenges, audits of reconstruction projects show that where projects were well-planned and well-supervised, the rate of success has been high.

Where we've seen failure is when the U.S. government failed to plan projects carefully and then failed to keep a close watch over contractors. And now we've seen billions of dollars wasted – a cost measured not just in dollars but in the undermining of the overall U.S. mission in these war-torn countries.

This is infuriating and heartbreaking both to the American taxpayers whose money we have spent and who want us to succeed and to the people of Iraq and to Afghanistan who desperately need us to succeed.

Some examples:

- In 2004, the U.S. government rushed into 12 large contracts worth billions of dollars to rebuild critical sectors of the Iraqi economy, like electricity, public works, water resources, transportation. The contractors**

were told to head to Iraq immediately. But when they got there, the government waited months to give the contractors specific projects, although their clocks were ticking away and the bills were piling up.

For example, Halliburton's subsidiary, KBR, arrived in Iraq in February 2004 to work on oil infrastructure projects and then sat around for the next nine months with little to do because no one had mapped out what projects KBR was supposed to do. During that time, the government paid KBR \$52.7 million for salaries, housing, food and other administrative costs.

- \$43.8 million was spent on a residential camp for a police training academy in Baghdad that has stood empty for months. This spending included \$4.2 million on work that was never authorized by the U.S. government, including an Olympic-sized swimming pool. As of the SIGIR's last report on this project January, this facility was still sitting empty.

- **The SIGIR has found that the Department of State, under its contract with DynCorps for the training of Iraqi security forces, spent \$36.4 million for weapons and equipment that cannot be fully accounted for.**
- **KBR burned through more than \$75 million in a matter of weeks on the crucial Al Fatah oil pipeline crossing under the Tigris River and accomplished nothing because the company ignored warnings that their engineering plan was fatally flawed and doomed to failure.**
- **Efforts to build Primary Healthcare Centers in Iraq have been beset by performance troubles. Last year, only 6 of 142 planned Primary Healthcare Centers had been completed in Iraq. The U.S. terminated the contract for the healthcare centers with the primary contractor, Parsons, and re-awarded the work to Iraqi firms. But only two more have been completed since that time.**

- **In Afghanistan in 2004, USAID canceled most of its contract with The Louis Berger Group for reconstruction of school and health facilities because the completion rate for the projects began to lag far behind schedule.**

Yet USAID has just entered into a \$1.4 billion contract – given to a joint enterprise led by Louis Berger – to undertake the full range of infrastructure projects, from roads to energy projects in Afghanistan. This seems astounding on its face, and today we must ask USAID whether we have any assurance that this mega contract will not suffer from the same cost overruns and delays.

I could go on. There are many other examples – the cost overruns at the Basrah Children’s Hospital, which are already \$100 million over the original \$50 million price tag – and still climbing – and the \$73 million Baghdad Police Academy with such poor plumbing sewage is leaking through the ceilings.

These things cannot be allowed to continue and we look forward to hearing from Mr. Bowen and our other witnesses about what fundamental reforms we can make, not just to improve contractor performance in Iraq and Afghanistan, but across the whole range of these kinds of contracts.

The war against terror will not be won by military might alone. We must show the world that we are serious in our efforts to keep nations like Iraq and Afghanistan from slipping into chaos by helping them build a strong democratic foundation and a modern infrastructure that promotes the dreams of a prosperous future.

I agree with the SIGIR that the State and Defense Departments and USAID must work together much more effectively on post-conflict reconstruction and I will examine possible legislative fixes to achieve that goal.

I look forward to today's testimony so that we may find a better way forward.

I note that this is our Committee's second hearing on reconstruction, and today we will build on the hearing that Senator Collins chaired in August, at which Mr. Bowen presented his lessons learned findings on contracting.

And with that, I turn to Senator Collins for her opening statement.