

Final Report on Lessons Learned

Department of Defense Task Force for Business and Stability Operations

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1. Introduction

In 2006, the Deputy Secretary of Defense created the Task Force for Business and Stability Operations to support military missions in Iraq. His memorandum of June 22, 2006, called for the Task Force to “ensure alignment to theater commanders’ goals for reconstruction and economic development.” On March 11, 2009, Secretary of Defense Robert Gates extended the life of the Task Force with his own memorandum, stating that the Task Force should “sustain economic revitalization activities ... to aid the Department’s on-going military operations and to fully leverage economic development as a strategic and operational tool.” Two months later, under U.S. Central Command (CENTCOM) funding, the Center for Strategic and International Studies (CSIS) was engaged by Washington Headquarters Services (WHS) to undertake an independent assessment of the Task Force’s work in Iraq to determine lessons learned and their applicability to other operating environments. This introduction summarizes the CSIS report.

Background

Iraq was in chaos in early 2006, with expanding violence and too few signs of hope. The level of violence had eliminated many traditional economic development activities, as the United Nations (UN) and other non-governmental organizations (NGOs) pulled out of Iraq and U.S. civilian-led initiatives were restricted by the violence level. Notwithstanding published National Security Presidential Directives, on the ground in Iraq it was unclear who had responsibility to develop and lead a new approach. Disagreements persisted between the Defense Department (DoD) and other federal entities, and they were not formally resolved. Military commanders felt that the economic mission was not keeping pace with the overall military mission, and they sought ways to enhance economic operations.

Paul Brinkley’s initial mission to Iraq was in his capacity as the Deputy Under Secretary of Defense (DUSD) to whom the Business Transformation Agency reported, with the goal of helping the DoD’s Joint Contracting Command provide better contract support for U.S. forces. At the request of Multi-National Corps-Iraq (MNC-I) commander Lieutenant General Peter Chiarelli, DUSD Brinkley expanded his focus, which led to the creation of the Task Force. Ultimately, the Task Force established a number of “lines of operation” in support of the overall mission in Iraq. This report explores their history and results.

This Report

CSIS was chartered to determine lessons learned, and this assessment was oriented to that end. The war in Iraq has been through many stages, and there is insufficient reliable data over time that CSIS could use for this study. Much of the report is based therefore on hundreds of interviews and discussions with participants and observers (U.S., Iraqi, and third party). These discussions were off the record and not for attribution, and while they provide support for most of our lessons learned, the report is entirely the product of the CSIS team.

CSIS found that, in order to assess lessons learned from the Task Force, it needed to look more broadly at the roles of the military, DoD, the rest of the U.S. government, and at the entirety of

economic activity in Iraq since before the invasion. The lessons learned in this report therefore have implications for the Task Force, DoD, and the U.S. government as a whole.

Economic Operations in Conflict Zones

Initial economic development in Iraq under the Coalition Provisional Authority (CPA) was based on the assumption that adequate security had already been established and would continue. That assumption proved to be short-lived. Economic policies changed dramatically as the interim Iraqi government took control from the CPA, and early efforts at reconstruction produced less lasting value than planned.

CSIS found that the early problems in Iraq had an additional, less visible cause. There is a substantial gap in U.S. government capability with regard to economic operations in conflict zones. That gap in capability is caused in part by resource shortfalls but also by significant and unresolved policy differences.

The gap is reflected in field operations, showing up clearly today in Afghanistan, where battlefield commanders can call on Commanders' Emergency Response Program (CERP) funds for initial actions but cannot plan for or predict longer term economic development actions. The gap is present at the host-nation level, where efforts to spark industrial revitalization and solicit private-sector involvement fall short. The gap is also reflected in U.S. federal budget resource allocations, where civilian agencies fall short of requirements and in some cases seem to deny that requirements exist. The gap is undefined, under-examined, and unlikely to fix itself.

There are a number of ongoing policy debates regarding the degree to which security must be established before economic operations may begin in a conflict zone, but experiences in Iraq have convinced the military that economic operations are now an integral part of establishing security, not something that follows it. CSIS reviewed both military doctrine and U.S. government implementation plans and found that they do not contain sufficient detail to guide field actions or training. Conflicting ideas about whether, how, or to what degree to conduct development in a conflict zone further contribute to vague or incomplete doctrine. All of these conditions have an impact on mission success.

Unresolved Policy Issues

The gap results in part from unresolved policy issues that have been bypassed in the course of Iraq operations. These issues need to be addressed if the lessons learned from Iraq are to be applied successfully to Afghanistan. Chief among these policy issues is the relationship between employment and reducing the propensity to violence. What seems intuitively obvious to the military – that increasing employment will reduce violence – is not embraced by everyone in the diplomatic and development arms of the U.S. government or in the academic community. CSIS was specifically told by senior U.S. government officials with experience in Iraq and by some academics that there was no relationship between creating jobs and reducing violence. While analytically this may be debatable, CSIS believes the policy should be clear on this: all U.S. government elements should be told to act as if sensible job creation does contribute to reduced

violence. In Iraq, the U.S. military has acted this way since before the Task Force was created; in Afghanistan, it expects to do the same.

A second key policy issue still awaiting resolution is how to transition approximately 1,200 initiatives run by Multi-National Security Transition Command-Iraq (MNSTC-I) as DoD complies with the Strategic Framework Agreement with Iraq. There are no visible standards for assessing the priority or schedule of project transition, the government of Iraq is not ready to assume responsibility for many of the most important projects, and the State Department in Baghdad is returning to “normal operations,” of which these projects are not a part. It seems likely to CSIS that too many of these projects will wither away, with unforeseen but potentially significant consequences.

A third policy issue is that there has been no coordinated way to integrate the private sector (whether U.S. or foreign) into economic operations in conflict zones. Both the government of Iraq and the Task Force have sought to attract foreign direct investment since 2006. As with the other policy issues, CSIS was unable to find this issue being addressed in an organized manner within the U.S. government. Instead, the Task Force, with support from the U.S. military, has worked with the government of Iraq to engage directly with the private sector at several levels, with some success.

Overall Lessons Learned from Iraq

The overall lessons learned from Iraq therefore include the following:

- There is a gap between initial stabilization and longer-term economic development. That gap exists in the field, in U.S. government capability, and in doctrine and theory.
 - Military commanders believe economic operations are an integral part of successful counterinsurgency and of efforts to establish security and governance. However, details are absent in doctrine, policy, programs, and planning, at both the interagency level and even within DoD. As a result, the U.S. military fills the gap with its own efforts, because it believes the gap must be addressed. The Task Force is one such effort. The strong support of the military for the Task Force is evidence of the fact that the gap is a daily reality in the lives of battlefield commanders.
 - The Task Force addresses more than just the gap, however. It supports both initial stabilization and lays the groundwork for longer-term development.
 - In Washington, D.C., DoD should lead by example through integrating more widely its views about the relationship between economic conditions and security into doctrine and operations, while simultaneously pushing the debate at interagency levels.
- Transition planning in Iraq was not incorporated into economic operations from the beginning. As a result, the current transition planning process risks considerable disruption.
- The engagement in Iraq of domestic and foreign private entities as part of economic operations was not comprehensive or part of a clear plan to establish security. Private

direct foreign investment should be actively sought and not be a post-security afterthought.

Each of these lessons has applicability to other areas, including Afghanistan. The degree of applicability varies to the extent there is a significant U.S. military presence.

Task Force Lessons Learned from Iraq

Task Force lessons learned from Iraq include the following:

- The Task Force has added value and met its charter by supporting “theater commanders’ goals for reconstruction and economic development.”
- Before undertaking economic operations in support of additional expeditionary operations, the Task Force should conduct an up-front, comprehensive, and on-the-ground assessment, identify and prioritize opportunities, set measures of success, and determine needed resources.
 - Task Force successes in Iraq could be the starting point for future lines of operation that may flow from such an assessment.
- Agility, flexibility, access, and mobility from DoD are key elements of success that should be preserved.
- Successful economic operations will need better communication and coordination within the U.S. government and across the multilateral and NGO communities.

All these lessons apply to other areas, particularly Afghanistan, and CSIS believes the Task Force is already incorporating them as it examines potential operations beyond Iraq.

Resources, Organization, and Leadership

Based on this assessment, CSIS concludes that the non-defense part of the federal government is not yet prepared to play a stronger role in economic operations in a conflict zone. DoD therefore is left with little choice but to provide its own support for economic operations. However, CSIS also concludes that even after the rest of the government has increased its capabilities, DoD will still play a key role because it has the assets, the mobility, and the motivation.

Within DoD, the Task Force since its inception has existed as an ad hoc organization, and it has been a key part of DoD capability. Military commanders feel very strongly that they need this capability. CSIS believes that even if the “civilian surge” in Afghanistan delivers what has been planned and promised, DoD will need some kind of economic-operations support for at least the next one to two years. The solution for the longer term (three-plus years) may be different, but it does not make sense to reorganize twice while at war. CSIS concludes that DoD today needs an organization like the Task Force. Given that, the best alternative for DoD is to retain and strengthen the Task Force. More than one general officer told CSIS that if the Task Force or a similar entity did not exist, they would have to create it.

In the near term, there are a number of issues to be considered, including whether to provide Task Force funding in the base budget funding or in the Overseas Contingency Operations

(OCO) account, whether to have the Task Force continue to report directly to the Secretary of Defense, and the proper level of staffing, both in-house and contractor support. The Task Force's internal organization has lagged its evolving workload and needs additional leadership to sustain operations beyond Iraq.

The Task Force organization needs to retain its essential attributes of entrepreneurial leadership, a broad mandate that enables flexibility in approach and operations, and responsiveness to military commanders in theater with trusted decision-makers in the field. Because CSIS concludes that DoD will need some economic operations capability during the longer term, the organization needs to be sustainable (beyond ad hoc), with mission-integrated back office support, funding flexibility, and discretion to respond to changing dynamics of economic operations in conflict zones (or as one general stated, "Do stuff").

Given that DoD needs to maintain existing capability while the rest of the government is developing its capabilities, and that DoD will need substantial capability even after that, CSIS recommends that the Secretary of Defense:

- Retain the Task Force's current structure, reporting directly to the Secretary of Defense, for Fiscal Years (FY) 2010 and 2011.
- Provide Task Force funding in the FY 2011 OCO account.
- Provide budget, personnel, and back office support from WHS.
- Re-issue the Secretary of Defense memorandum, updating the March 2009 memorandum, to reflect the above actions and to enable the Task Force to engage, upon proper invitation, in multiple areas.
- Analyze and develop longer-term options for organizing DoD economic operations in conflict environments.
- Use the criteria listed above to recruit and place leadership for the Task Force in DoD and in the field.

Concluding Points

The Task Force has demonstrated value to DoD field commanders and to the Iraqis. It serves a useful and key role as part of economic operations in conflict zones, and it helps fill the gap between initial stabilization and longer-term economic development. The Task Force operates behind the scenes in some cases, building host nation capability in procurement, attracting investment, and evolving state-owned enterprises away from a command economy status. For the near term, the Secretary of Defense should support what the military believes essential to mission success. CSIS concludes that the best way to provide that support is by keeping the Task Force in existence and providing the requisite budget, personnel, and back office support.

The Task Force is just one element that addresses a larger set of problems that have become evident in the six years of Operation Iraqi Freedom. There is a substantial gap in U.S. government capability with regard to economic operations. That gap in capability is caused in part by resource shortfalls but also by significant and unresolved policy differences, discussed in detail in this report. Further action to address these challenges is needed but beyond the scope of this assessment. This report points out ways to help define the problems and to begin to develop solutions.

2. The CSIS Lessons Learned Study

To help senior U.S. officials better understand the Task Force's impact in Iraq and evaluate how it could contribute to economic operations in other environments, on May 7, 2009, Washington Headquarters Services (WHS) engaged the Center for Strategic and International Studies (CSIS), with funding from U.S. Central Command (CENTCOM), to review the Task Force's history and activities in Iraq, to determine "lessons learned" based on that review, and to assess the applicability of those lessons to other regions and environments. This report is the last in a series of briefings and reports delivered to the Department of Defense (DoD).

Headquartered in Washington, D.C., CSIS is a bipartisan, nonprofit organization that conducts research and analysis and develops policy solutions for decisionmakers in government, international institutions, the private sector, and civil society. Since 1962, CSIS has grown to become one of the world's preeminent international policy institutions, with more than 220 full-time staff and a large network of affiliated scholars focused on defense and security, regional stability, and transnational challenges ranging from energy and climate to global development and economic integration. Although CSIS has been engaged by DoD, the conclusions and recommendations found in this report are the result of an independent analysis and are entirely the product of the CSIS team.

Beginning on the date the engagement began, CSIS assembled an experienced team with a variety of backgrounds to conduct this assessment, which is a policy analysis, not an audit. CSIS has focused on reviewing the Task Force's activities in Iraq and on evaluating potential near-term (one to two years) contributions to U.S. commanders in the field. This assessment does not address the degree to which Task Force activities aligned with its organizational charter and regulations. Others, such as the Special Inspector General for Iraq Reconstruction (SIGIR), have undertaken and reported on such reviews. Instead, this report attempts to assess the resources and level of effort committed by the Task Force and, where possible, to validate that the activity and results represented by the Task Force did in fact take place. Independent validation of many aspects of Task Force activity is difficult; for example, CSIS was able to visit only a subset of the state-owned enterprises (SOEs) in Iraq that the Task Force reported restarting. For other Task Force activities, validation focused on interviews with key personnel and review of materials produced by the Task Force, its contractors, or those interviewed by CSIS.

Assessing results in a wartime environment is uniquely challenging, and evaluating Task Force success in supporting an ongoing military mission is somewhat subjective at best. As with many government efforts, it is much easier to focus on inputs rather than outputs, because the former can be more easily measured. Information on Task Force inputs – budgets, projects undertaken, investor visits, and so forth – has been relatively easy to assemble. However, CSIS identified few output metrics. In Iraq, the Task Force initially operated within the context of the 2007-08 "surge." The changing coalition strategy and the ongoing evolution of the Iraqi state and its government make it impossible to state with certainty the degree to which specific Task Force actions contributed to the nationwide fall in violence in 2007-08. CSIS can, however, describe with some degree of confidence what the Task Force did, highlight certain results of its activities, and summarize the extent to which outside organizations and individuals found Task Force efforts worthwhile.

Methodology

A substantial amount of the information for this assessment was collected through extensive interviews and discussions with current and former members of the Task Force, the U.S. military, and other parts of the U.S. government; the central, provincial, and regional Iraqi governments; and private companies, think tanks, international organizations, and academia. To encourage interviewees to speak freely, all interviews were conducted on a not-for-attribution basis. Interviewees identified herein gave CSIS permission to include their thoughts. **Appendix 3: Summary of Interviewees** provides further information on those interviewed. A number of interviews were conducted in Iraq by CSIS teams that visited the country in June 2009 and September-October 2009. Those teams, which spent a total of eight person-weeks in-country, also made site visits in order to evaluate some Task Force projects first-hand.

CSIS also reviewed extensive data provided by the Task Force, the U.S. government, Task Force contractors, interviewees, Iraqi sources, and, in the context of assessing the Task Force's applicability to other operating environments, Afghan sources and international organizations. Members of the CSIS team have analyzed studies, memoranda, transcripts, peer-reviewed articles, and books published as early as the 1950s and as recently as October 2009. In order to place Task Force actions and results in context, CSIS also examined the history of economic operations in Iraq since March 2003, including actions by DoD, other U. S. government agencies, the Iraqi government, and allies. CSIS also examined the policy and interagency frameworks for such activities.

Terms

The history and theory of economic stabilization and development is richly populated. However, the circumstances and experience of Iraq and Afghanistan have led to many terms whose uses are not always consistent. For clarity and for the purposes of this report, CSIS uses three key terms as follows:

- **Economic stabilization** denotes initial post-conflict (or intra-conflict) action intended to restart economic activity in a specific geographic area, though not necessarily to restore it to its pre-conflict level. Such activity is generally intended to inject cash into a local economy, to enable basic economic needs to be met, or to restore basic services. For example, people might be employed on a day-to-day basis to clear trash or rubble, in order to put money in their pockets so they can feed their families. Similarly, a damaged marketplace might be quickly and rudimentarily rebuilt, so buyers and sellers have a place to meet and conduct basic economic activity. Ideally, economic stabilization activities are consistent with a longer-term economic development program. However, they are generally not self-sustaining and are not necessarily preconditions for economic development. A rule of thumb might be that the benefits of such activity appear almost immediately, but if the activity ceases the benefits disappear quickly as well.
- **Economic development** denotes activity intended to create longer-term conditions for sustained economic growth. Such activity typically includes creation of physical and legal infrastructure and human capital. Examples of economic-development activities are

construction of power plants, creation of an adaptable commercial code and a corresponding legal system, and an educational system. A rule of thumb might be that though the activity is initiated today, most of the benefits typically appear some years in the future.

- **Economic operations** is used as an overarching term to include both stabilization and development activities, elements of both that may be difficult to separate, and economic-related activity that falls between or precedes economic stabilization and development. This term permits a more general discussion of economic activity performed within a conflict zone, without the need to make a distinction between short-term and long-term activities. The term also allows CSIS to focus on specific Task Force-related activities without first having to categorize them as either stabilization or development.

3. The Task Force for Business and Stability Operations

Each phase of U.S. and coalition engagement in Iraq – invasion, Coalition Provisional Authority (CPA), post-CPA, pre-surge, surge, post-surge – generally stands alone. This common theme emerged from CSIS interviews of those with significant experience on the ground in Iraq. Experiences of many who interacted with the Task Force follow that same pattern, affecting their judgment of Task Force activities. Views of the role of the Task Force, its strengths and weaknesses, and perceptions of its success or failure are formed by time spent in-country and when that time occurred. Comprehensive views or assessments of the Task Force are difficult to find. Often interviewees recognize or recollect only their narrow view of Task Force efforts. Much like the old story of the blind men feeling their way around an elephant, these various perspectives color perceptions of the Task Force and yet do not represent the larger picture of its efforts. This section reviews the history of the Task Force, its ad hoc and constantly evolving nature, current structure, and major lines of operation. It also provides a broad look at impacts.

The Task Force for Business and Stability Operations (TFBSO) was formally established by a June 22, 2006, memorandum from the Deputy Secretary of Defense that gave the group responsibility for aiding the revitalization of Iraq’s economy and creating jobs for the Iraqi people. The memorandum stated, in part:

...The Task Force will evaluate DoD business enterprise processes and associated systems in Iraq affecting contracting, logistics, fund distribution and financial management, and will ensure alignment to theater commanders’ goals for reconstruction and economic development...¹

Although the name of the organization has changed slightly during the past three years – from the Task Force to Support Business and Stability Operations, to the Task Force to Improve Business and Stability Operations in Iraq, to the current Task Force for Business and Stability Operations – the March 11, 2009, memorandum authorizing the continuation of the efforts of the Task Force is very similar to the 2006 memo. The March memorandum reads, in part:

[The Task Force will]...continue... [to] sustain economic revitalization activities in support of Multi-National Force-Iraq (or its successor command) to aid the Department’s on-going military operations and to fully leverage economic development as a strategic and operational tool... [and] will ensure continued support for the economic line of operation in the Joint Campaign Plan and will continue to align activities with support for the economic development goals, where appropriate, of the Commander, U.S. Central Command.²

The origins of the Task Force shed light on its current and continuing nature. The frequently-told story of its creation centers on an idle bus factory in Iskandariyah, Iraq and Lieutenant General Peter Chiarelli, the commander of Multi-National Corps-Iraq (MNC-I). Upon learning of this

¹ England, Gordon. “Accelerating Reconstruction and Stability Operations in Iraq.” Memorandum, U.S. Department of Defense, 22 June 2006.

² Gates, Robert. “Continuation of Task Force for Business and Stability Operations in Iraq.” Memorandum, U.S. Department of Defense, 11 March 2009.

potential job creator, LTG Chiarelli enlisted the help of Deputy Under Secretary of Defense (DUSD) Paul Brinkley to revitalize the state-owned enterprises (SOEs) to promote job creation as a counterinsurgency tool. However, key personnel of what later became the Task Force were already engaged in Iraq as members of the DoD's Business Transformation Agency (BTA), working to improve contracting and spur economic development. The subsequent DoD memorandum that created the Task Force set the stage for its nonspecific mission tasking, the ad hoc nature of its lines of operation, and its responsiveness to real or perceived gaps in U.S. activities and commanders' needs on the ground.

Since its founding, the Task Force has initiated a number of activities broadly aimed at improving Iraq's economy. Task Force efforts are described in more detail below in **Task Force Activity in Iraq, 2006-2009: An Assessment**. On its web site, the Task Force reports:

Since its inception, TFBSO has restored production to over 65 industrial operations, automated Iraq's private banking sector and fielded modern banking services at over 200 bank branches, driven direct stimulus of over \$4 billion in U.S. government contracts to over 5000 private Iraqi businesses, fielded agribusiness experts from U.S. land grant institutions to revitalize Iraqi agriculture, assisted the modernization and build out of Iraqi communications infrastructure, and facilitated corporate engagement and foreign direct investment in excess of \$1 billion in 2008 alone.³

CSIS visited a sample of the industrial operations and private banks in Iraq and reviewed the Iraqi First program with the DoD Joint Contracting Command for Iraq and Afghanistan (JCC-I/A). CSIS also engaged repeatedly with the Iraqi offices and ministries responsible for promoting foreign direct investment, particularly outside the oil and gas sector. In addition, CSIS tracked the actions of a number of potential foreign investors. This assessment incorporates all these actions.

Aside from the tangible impact of Task Force efforts, perhaps equally important is the Task Force's qualitative value, as perceived by Iraqi government and civilian personnel and by U.S. and coalition military leaders. Most Iraqi government officials and business executives whom CSIS interviewed reported favorably on Task Force efforts. Although some expectations were not met, the effective wielding of non-kinetic U.S. power and influence is nonetheless evident through comments from a broad cross-section of Iraqis. Similarly, coalition and U.S. military leaders saw the attempt to bring U.S. economic power to bear in a conflict zone as an overarching positive set of actions. For them, Task Force efforts created a sense of hope and opportunity, which CSIS identifies as a significant contribution of Task Force programs in Iraq.

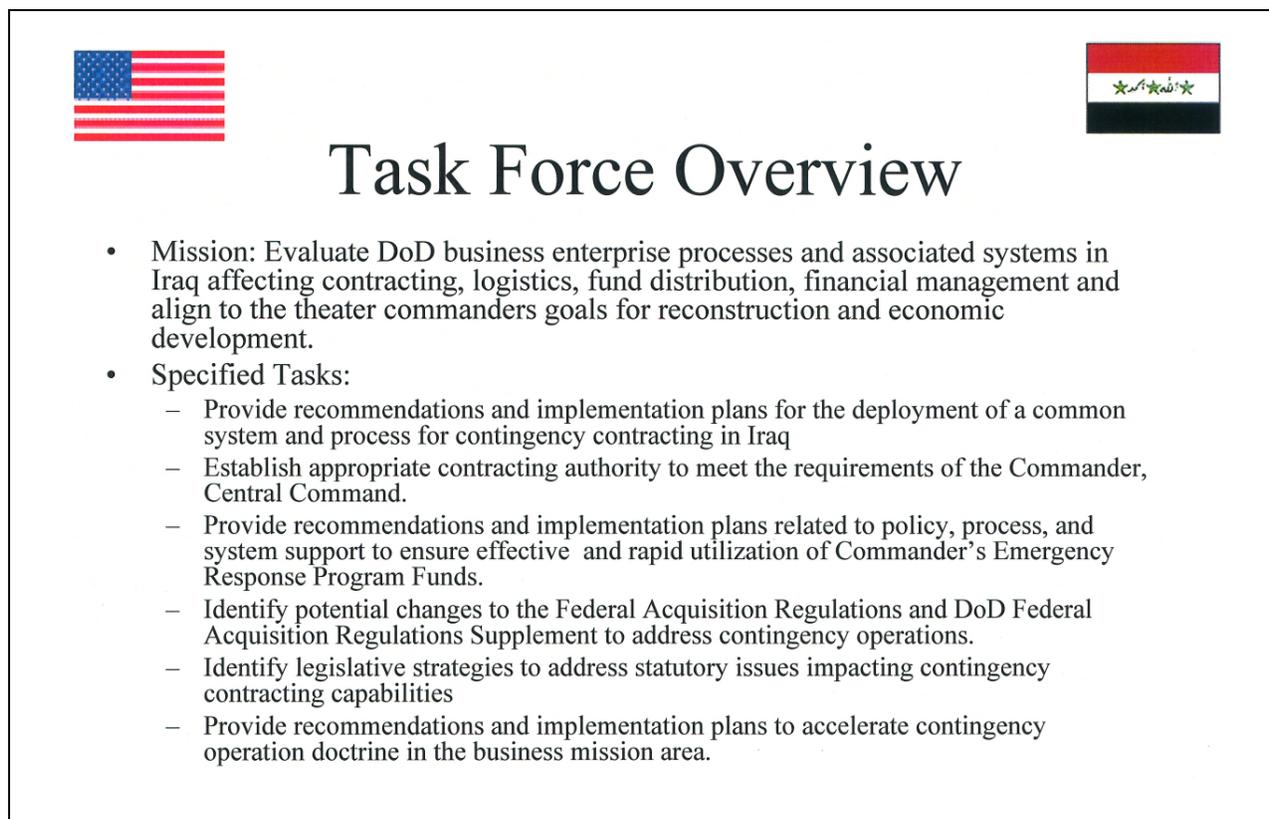
Founding, Initial Lines of Operation, and Evolution

Before the Task Force was established, during the winter of 2005-06, several members of the BTA traveled to Iraq to discuss contingency contracting issues with JCC-I/A. These visits began the engagement in Iraq of DUSD Brinkley and what became the core of the Task Force team.

³ <http://www.defenselink.mil/tfbs/history.aspx>, as of 18 August 2009.

The team also looked at ways to support the Iraqi First program, through which DoD gives preference to purchasing local products and support services. In addition, at that time DUSD Brinkley met with LTG Chiarelli, who described his assessment of current intelligence that unemployment was fueling the insurgency. From that assessment and what he had learned about the idle state-owned bus factory in Iskandariyah, LTG Chiarelli wondered whether the United States could or should reopen and support those SOEs that had effectively been shut down for policy reasons since the CPA. DUSD Brinkley, a former businessman himself, agreed to look into the SOEs to determine the feasibility of reopening them. That assessment in turn led to a decision to engage in Iraq beyond BTA and contracting issues, and in June 2006 Deputy Secretary of Defense Gordon England formally set up the Task Force.

In one of the Task Force's first briefings to Congress, DUSD Brinkley set out for congressional staff the Task Force mission and specific lines of operation. The senior commander for contingency contracting, Major General Darryl Scott of JCC-I/A, had perceived shortfalls in capabilities, and the Task Force undertook to address them. The mission focused on contracting and DoD business enterprise processes; all six proposed lines of operation referred to contracting issues (see Figure 1).⁴

The slide is titled "Task Force Overview" and features the flags of the United States and Iraq at the top. The mission statement is: "Mission: Evaluate DoD business enterprise processes and associated systems in Iraq affecting contracting, logistics, fund distribution, financial management and align to the theater commanders goals for reconstruction and economic development." The specified tasks are: "Provide recommendations and implementation plans for the deployment of a common system and process for contingency contracting in Iraq", "Establish appropriate contracting authority to meet the requirements of the Commander, Central Command.", "Provide recommendations and implementation plans related to policy, process, and system support to ensure effective and rapid utilization of Commander's Emergency Response Program Funds.", "Identify potential changes to the Federal Acquisition Regulations and DoD Federal Acquisition Regulations Supplement to address contingency operations.", "Identify legislative strategies to address statutory issues impacting contingency contracting capabilities", and "Provide recommendations and implementation plans to accelerate contingency operation doctrine in the business mission area."

Task Force Overview

- Mission: Evaluate DoD business enterprise processes and associated systems in Iraq affecting contracting, logistics, fund distribution, financial management and align to the theater commanders goals for reconstruction and economic development.
- Specified Tasks:
 - Provide recommendations and implementation plans for the deployment of a common system and process for contingency contracting in Iraq
 - Establish appropriate contracting authority to meet the requirements of the Commander, Central Command.
 - Provide recommendations and implementation plans related to policy, process, and system support to ensure effective and rapid utilization of Commander's Emergency Response Program Funds.
 - Identify potential changes to the Federal Acquisition Regulations and DoD Federal Acquisition Regulations Supplement to address contingency operations.
 - Identify legislative strategies to address statutory issues impacting contingency contracting capabilities
 - Provide recommendations and implementation plans to accelerate contingency operation doctrine in the business mission area.

Figure 1. Overview slide from August 3, 2006, briefing – original Task Force lines of operation.

As the Task Force began to address the contracting issues and concurrently sought to improve and expand the Iraqi First program, it also brought in a variety of manufacturing and business-

⁴ Task Force to Support Business and Stability Operations in Iraq. Briefing, 3 August 2006.

process experts under contract to assess the viability of the SOEs. By November 2006, with the JCC-I/A efforts well under way, the Task Force was completing its initial assessment of 20 of the almost 200 SOEs in Iraq.⁵ In April 2007, after assessing more than 50 facilities, the Task Force reported, “the opportunity for revitalizing the Iraqi industrial base serves as the Task Force’s driving force.”⁶ By October 2007, more than one year after its creation, the Task Force received a direct appropriation of \$50 million from Congress to restart and improve production at more than 30 locations, showing the importance of the SOEs. Also by fall 2007, the Task Force initiated additional operations when the U.S. government and the government of Iraq requested support in other areas, including banking, communications, and procurement assistance.⁷

In 2008, the Task Force received a second \$50 million direct appropriation from the U.S. Congress to continue to reopen and rehabilitate SOEs. The Task Force used these funds to increase the total number of factories assisted to more than 60 by the end of the calendar year.⁸ The \$100 million combined appropriation to help restart SOEs was coordinated through Multi-National Force-Iraq (MNF-I) and the Iraqi government. Individual project costs ranged from \$130,000 to \$6.9 million.⁹ Task Force spending to restart SOEs went to purchase equipment and raw materials. The government of Iraq continued to pay wages and operating expenses for the SOEs restarted with Task Force financing.

By late 2008, the Task Force’s mission remained much as it had in the 2006 founding memorandum. The phrase “alignment to theater commanders’ goals” had enabled the Task Force to initiate several other lines of operation. When CSIS began this assessment in May 2009, the Task Force listed eight current lines of operation, including foreign direct investment / private investment, banking and financial networks, industrial capacity restoration, corporate development, Iraqi private sector development, procurement assistance, agriculture revitalization, and communications infrastructure (see below, **Task Force Activity in Iraq, 2006-2009: An Assessment**).¹⁰

A number of these lines of operation stemmed from the Task Force’s evaluation of the SOEs and the actions needed to re-establish their supply chains. These activities, combined with its access to funding, personnel, and mobility, led the Task Force to venture into areas where economic operations would be useful but were not being undertaken. For example, efforts to promote foreign direct investment and corporate development began with the Task Force’s exploration of ways to privatize the SOEs or otherwise make them economically viable. Additionally, initial research on food-processing factories led to efforts to restart fertilizer factories, which in turn led to attempts to increase agricultural production. Part of the reason the Task Force was able to find and address this range of opportunities was the lack of an overall integrated economic approach by the U.S. government. As the lines of operations evolved, however, they appear to have taken

⁵ Task Force to Support Improved Business and Stability Operations in Iraq. Discussion Document, 18 November 2006, 9-10.

⁶ Task Force To Improve Business and Stability Operations in Iraq. Industrial Revitalization Initiative. Overview of Effort, April 2007, 4-5.

⁷ Task Force to Improve Business and Stability Operations in Iraq. Deputy Secretary of Defense Briefing, 4 October 2007.

⁸ Task Force for Business and Stability Operations-Iraq. Progress Report, 25 November 2008, 1.

⁹ Task Force for Business and Stability Operations-Iraq. Briefing and Update Overview, 27 June 2009, 13-17.

¹⁰ Task Force to Improve Business and Stability Operations in Iraq. Overview and Status, 21 July 2008, 2.

on value with the Iraqis that went beyond their initial basis. For example, Task Force support for private foreign direct investment extended beyond SOEs to become broader support for the Iraq National Investment Commission, consistent with the intentions of U.S. military commanders.

The Task Force's role in improving the Iraqi private banking system epitomizes its cross-cutting, opportunistic approach. A functioning banking system is critical to economic growth and the development of a robust economy in any country. After years under sanctions, however, Iraq's banking system was in shambles. As a result, the Iraqi First program, which directed U.S. contracts to Iraqi companies, was spending hundreds of millions of dollars annually in cash transactions, because the banking system was not able to handle wire-transfer payments. This required a massive effort to transport cash physically around the country, increasing security risks and opportunities for corruption and abuse. The Task Force, working alongside the U.S. Treasury Department, created incentives and requirements for private banks to use electronic fund transfers for the Iraqi First program and to adopt certain international standards. Through this effort, the Task Force was able to achieve multiple goals:

- grow the Iraqi First program,
- encourage and enhance private banking within Iraq,
- reduce opportunities for corruption,
- increase transparency,
- create jobs,
- put more legitimate wealth into Iraqi hands, and
- provide steady tax revenue for the Iraqi government.

The Iraqi First program continues today, with more than \$4 billion spent and more than 4,000 Iraqi contractors on the JCC-I/A approved list.

Current Status

By the end of 2008, the Task Force's operations in Iraq included approximately 200 military, DoD civilians, and contractor subject-matter experts. Its 2008 operating budget had grown to nearly \$90 million, in addition to funding for SOE restarts (see Table 1). On December 1, 2008, President-elect Barack Obama announced that Robert Gates would remain as Secretary of Defense in the Obama administration. In the meantime, senior DoD civilian staffs were planning a transition to the new administration, with attendant new policies. In December 2008, with the transition under way and future U.S. policy towards Iraq undecided, the Task Force began to wind down its efforts, preparing to dissolve by January 20, 2009 – Inauguration Day.

In December 2008, DUSD Brinkley briefed senior military leaders at MNF-I and U.S. Central Command (CENTCOM) on a transition strategy. The response was widespread and immediate: many U.S. military commanders felt that there was no one in the U.S. government or the government of Iraq who could pick up the Task Force's lines of operation, and they believed that Task Force efforts needed to continue into 2009. They conveyed those views to Secretary Gates, and as a result, on March 11, 2009, he signed a memorandum continuing the efforts of the Task Force, reporting directly to him.

The Task Force’s fiscal year 2009 budget for Iraq remains nearly at the Fiscal Year (FY) 2008 level of \$136 million, and funds for the Task Force are included in the FY 2010 budget and expected in the eventual FY 2010 DoD appropriation. With the exception of \$100 million in direct appropriations for the SOEs in FY 2007 and FY 2008, funding for Task Force operations has come from CENTCOM supplemental operations and maintenance (O&M) funds (see Table 1).

In spring 2009, the Task Force began initial preparations to explore its relevance in other regions, with a primary focus on Afghanistan. As part of the FY 2009 supplemental and FY 2010 budget requests, the Task Force requested \$15 million and \$41 million, respectively, for activities in Afghanistan. Research by the Task Force into its potential deployment in other regions is under way.

Table 1 – TFBSO Budget for Operations (in millions)¹¹					
	FY 2007	FY 2008	FY 2009	FY 2010	Total
CENTCOM (O&M)	\$ 68.7	\$ 85.5	\$ 136.8	\$ 77.6	\$ 368.6
Iraqi Freedom Fund (SOE restarts)	50.0	50.0			100.0
EEE Fund (SOE restarts)		3.0			3.0
Iraq subtotal	118.7	138.5	136.8	77.6	471.6
Afghanistan subtotal			15.0	41.0	56.0
Grand total	\$ 118.7	\$ 138.5	\$ 151.8	\$ 118.6	\$ 527.6

The staff as of May 2009 included 25 government personnel, about 200 subject-matter expert contractors, and another 150 support and security contractors, totaling 376 personnel (see Table 2). Later in 2009, and consistent with interim reports made as part of the CSIS assessment, the Task Force staff was expanded to include four limited-term civilian senior executives. However, the Task Force remains an ad hoc entity within DoD. **Moving Forward: Defense Department**, below, describes options for the way ahead.

Table 2 – TFBSO Staff Count (May 2009)¹²	
U.S. government	25
Military	6
Civil Servants	19
Contractor Staff	<u>351</u>
Total	376

As a result of possible operations in additional areas, the Task Force has dropped the words “in Iraq” from its name. The Task Force web site also notes a new mission as of August 19, 2009:

To restore normal life in situations where a country has deteriorated to the point that economic hardship and violence are in a synchronous downward (sic) spiral.

¹¹ According to Task Force budget documents provided to CSIS.
¹² According to internal Task Force documents provided to CSIS.

The mission of The Task Force for Business and Stability Operations is to help break this spiral. To stabilize economic conditions. To remove economic motivations to commit violence from local populations. To enable normal development efforts by governmental and non-governmental organizations. To restore normalcy in the everyday lives of the people living amongst the violence.¹³

¹³ <http://www.defenselink.mil/tfbs/mission.aspx>, as of 19 August 2009.

4. Key Findings

The following findings represent CSIS views as of the date of this report. They are summarized below and expanded upon in the following pages. The first, regarding the difficulty the U.S. government has in conducting economic operations in conflict areas, is the most important. It explains why a need arose in Iraq for an entity such as the Task Force and also illustrates a broader challenge the United States faces both in expeditionary operations and in environments in which large-scale violence has not yet erupted but is quite possible. The second finding, about the upcoming transition in Iraq as the U.S. military mission comes to an end, describes the need to ensure that what has been accomplished there to date is not lost. These first two findings impact the Task Force, but they extend beyond Task Force lines of operation into the entire U.S. government mission. The remaining findings are Task Force-specific lessons and recommendations it should apply as it considers the completion of its operations in Iraq and the preparation for engagement in other operational environments, particularly Afghanistan.

- 1) **The U.S. government finds it difficult to execute interagency economic operations effectively in a war zone. The Defense Department often takes on this role because military commanders believe the mission requires it and currently, no other agency can.**
 - The U.S. government has not comprehensively considered how to best apply economic power in conflict areas.
 - Military commanders believe economic operations are and will remain a key element of counterinsurgency.
 - Currently, for a variety of reasons, only DoD is capable of playing a central role in such operations, and over the longer term, DoD will continue to need to provide support.
 - In the near term, given that military commanders require support, only a DoD-led organization will provide the capability for resourcing and sustaining economic operations in conflict zones.

- 2) **Progress in Iraq is at risk during the transition, unless faster progress is made to find partners to take over and support ongoing Task Force (and other DoD) projects during the next 6 to 12 months.**
 - The Task Force should engage actively with the transition-planning process under way in Baghdad, including helping to establish potential criteria and prioritization processes for project transition.
 - The Task Force should also seek transition partners outside the process, to ensure that well-regarded Task Force activities can continue.
 - It may be possible to find support by combining Task Force lines of operation with similar civilian-led initiatives.

- 3) Drawing from experiences in Iraq and going forward into other operations, a rigorous, up-front, and on-the-ground analytical assessment is vital for the Task Force and for economic operations in a conflict zone, to allow opportunities to be identified and prioritized, to allow efficient resource allocation, and to ensure alignment with overall U.S. strategy. The assessment should be updated regularly, to identify how changing conditions might affect the Task Force's activities.**
- Such an assessment will increase Task Force understanding of the contemplated operational environment and the overall U.S. and coalition strategy.
 - The assessment should seek to identify and understand potential opportunities and the resources needed to address them.
 - With a sound assessment, the Task Force can get and keep a seat at the planning table.
 - The Task Force must be responsive to the overall strategy in order to build credibility and stay engaged.
 - The Task Force should incorporate transition planning and success metrics into the up-front assessment.
- 4) In new operational environments, the Task Force should focus some of its initial efforts on initiatives that can achieve immediate, positive results, not only for their inherent value in stimulating local economic activity (or providing basic services to the populace), but also for their potential to lay the foundation for a market economy and to broaden Task Force relationships within the host nation and across the coalition effort.**
- Iraqi First, electronic funds transfer, and procurement assistance created 'quick wins' for the Task Force in Iraq, and similar programs could be applied in other operating environments where there is an extensive U.S. military presence. All three offer potential in Afghanistan.
- 5) Task Force communication and coordination challenges need addressing.**
- Inadequate communication and coordination have been endemic in Iraq and are not unique to Task Force activities.
 - Better communication and coordination can lead to reduced confusion, improved results, and long-term benefits.
 - In theaters where there are multiple economic-operations activities under way from a variety of countries and organizations, communication and coordination challenges become more critical to address, to avoid duplication of effort and missed opportunities.
 - Communication and coordination efforts need to be balanced with the policy of allowing the host nation to receive credit for achievements so it might be perceived as capable and successful.

1. The U.S. government finds it difficult to execute interagency economic operations effectively in a war zone. The Defense Department often takes on this role because military commanders believe the mission requires it and currently, no other agency can.

- There are competing views on the relationship between security and economic conditions, and policy for economic operations remains unresolved.
- Without policy, roles and responsibilities are undefined.
- The private sector is not engaged to the degree it should be.

The U.S. occupation of Iraq exposed shortcomings in the ability of the U.S. government to apply economic power. From its early days, attempts to resolve the conflict in Iraq included security, governance, and economic elements. However, as violence increased and daily life suffered, the U.S. government failed to resolve or comprehensively examine the policy issue of how to conduct economic operations in a conflict zone and especially during an insurgency.

U.S. policy in Iraq never settled the tensions among short-run security needs, stabilization efforts, and long-run economic development needs. Some in the U.S. government argue that steps that may seem useful in the short term – for example, temporary public-works projects that employ large numbers of young men in physical labor – may be economically inefficient or even counterproductive in the longer term. Similarly, long-run activities – educational systems, rule-of-law initiatives, large-scale infrastructure construction – may be needed to sustain economic growth, but could be ineffective in the immediate term at curbing violence or even counterproductive, for example should a construction site require significant security protection. At the theoretical level, the relationship between economic conditions and security remains ill-defined and, at times, the subject of fierce debate. Whether and how to engage the private sector, U.S. or otherwise, is also not resolved.

Without government-wide consensus on the relationship between security and economic conditions, it was not clear how to proceed in Iraq. Without agreement among U.S. government agencies on what should be done, it was impossible to know who should do it. Not only was there neglect of the integration of economic activities into the security and governance campaign, there was not even general agreement that such integration was needed. Ad hoc responses resulted when it became apparent that substantial reconstruction was needed and when military commanders decided that putting more people to work might help increase security. The resulting programs ranged from giving cash to mid- and lower-level military commanders to spend on short-term small-scale projects, to multi-hundred-million-dollar major infrastructure construction.

In Iraq, gaps in the capabilities of the United States to apply economic power during a conflict became apparent. Without security, conventional economic development mechanisms could not work well. Projects that were attempted were threatened and often destroyed, Iraqis often feared for their personal safety if they were to be seen working with coalition members, and many U.S. government employees assigned to development activities were unable to travel because of security concerns. Those who could travel – the U.S. military – did not have economic stabilization or development expertise, and the short-term solution – CERP, the Commanders’

Emergency Response Program – was not a sufficiently robust tool to bridge time (short term to long term) or scale (local to national economy).

Unresolved Policy Issues

The lack of consensus in Iraq resulted in a series of unresolved policy questions. During an insurgency or civil strife, **what is the role of economic conditions in creating security?** Although the correlation between security and economic activity is not controversial, the extent to which the latter helps create the former is not clear. There are competing views on the relationship, which is often context-specific. For many in the U.S. government, the fundamental question of whether putting people to work in a conflict or post-conflict environment reduces violent activity remains unresolved, though in the minds of the military, the clear answer is that it does.

What economic operations can or should be attempted if adequate security is not yet established? Those who practice economic development often have a clear view of what to do to create conditions for economic growth, but it is not clear whether those actions can be attempted or will be sufficient within a conflict zone. To an extent the lack of clarity on this question reflects the historical stovepiped nature of institutions – those that focus on economic development will assume that security is sufficient for them to do their work, and those that deliver security will assume that once they have done so, economic operations can begin (usually by others). In contrast to this history, however, in Iraq military commanders believed from an early date that there was an economic component to creating security. However, insufficient attention was paid to the broader question of the relationship between security and economic conditions, with the result that insufficient effort went into creating ways to bring economic activity to the battlefield.

One of the least defined questions has to do with the roles of the private sector, and this is one area where the Task Force has provided the potential for real leverage. The issue is, in an effort to improve economic conditions during a conflict such as that in Iraq, **when, how, and to what degree should the private sector be brought in?** A viable private sector, in the form of growing companies and increasing productive employment, is essential to self-sustaining growth of gross domestic product (GDP). Frequently the private sector can identify and address opportunities more quickly than government-led development efforts. Additionally, engaging the private sector addresses the need to find eventual transition partners for a given initiative, because the private sector builds transitions into its business plans. However, traditional economic stabilization and development activities have typically relied on public-sector engagement, without the direct solicitation of private-sector participation and investment. In Iraq, the United States lacked a comprehensive effort to engage the private sector, and some parts of the U.S. government seemed to resist such an initiative, particularly if it involved non-U.S. companies. However, the results of the Task Force suggest that an approach oriented toward the private sector may be viable.

Execution Issues

Without answers to these policy questions or even a process to address them, U.S. authorities in Iraq found it difficult to determine what should be done or who should do it. The U.S. government did not develop a well-defined economic approach to complement its security and governance efforts. Various U.S. government documents, including DoD Directive 3000.05, Army Field Manual 3-07, and NSPD-44, note the importance of economics in stability operations, but they do not resolve completely the questions of what to do and who should do it. The role of various U.S. agencies (among them DoD, the State Department, USAID, the Treasury Department, and the Commerce Department) in economic operations in conflict zones is not settled at the interagency level. Furthermore, the civilian U.S. agencies often do not have the preparation, authorities, organizational culture, or necessary equipment to operate in violent areas. Even if short-term economic-stabilization activities can be executed, it is not clear that there is anything to bridge the time between when they are carried out and when the impact of longer-term economic development activities is finally felt. This is the gap in U.S. capability.

In Iraq, facing a growing insurgency, U.S. officials chose to emphasize quick and often expensive action. The reconstruction undertaking was characterized by duplication of effort, projects not completed because of funding shortages, projects abandoned after completion because of insufficient Iraqi commitment to sustain them, and projects undertaken without sufficient regard to where they might be most effective at establishing or maintaining security.¹⁴ It was hard to build success on that basis, and by 2006, the U.S. military wanted new approaches. The Task Force was one such approach.

Appropriate Expertise

In Iraq, the Task Force's ability to find a number of unaddressed opportunities suggests a lack of appropriate expertise or capability on the part of the U.S. economic-operations apparatus. Such opportunities are likely to be available in any significant expeditionary endeavor. However, the U.S. government does not have an agency charged with looking across a range of economic activities to identify and address unmet needs in conflict zones, which provided the Task Force with the opportunity to serve this function in Iraq.

DoD's Role

With the policy questions unresolved, in Iraq DoD proceeded based on two key beliefs. The first is that economic operations are essential to establishing physical security. The second is that insurgent activity is reduced as economic operations succeed. The U.S. military became an economic operator mainly because it believed the work had to be done and no one else was available to do it. These assumptions formed the basis for CERP, among other programs.

The Task Force subsequently emerged as an additional approach to conducting economic operations in a conflict zone. With the State Department's Office of the Coordinator for Reconstruction and Stabilization (S/CRS) not yet operational for Iraq, the Task Force helped

¹⁴ Special Inspector General for Iraq Reconstruction (SIGIR). *Hard Lessons: The Iraq Reconstruction Experience*. Washington, D.C.: Government Printing Office, 2009, 327-328.

address the gap in the ability of the U.S. government to conduct economic operations in less-than-permissive environments. The Task Force further provided a capability spanning short-term economic stabilization activities and long-term economic development.

Until other U.S. agencies are prepared to do so, CSIS concludes that DoD will remain engaged in economic operations in conflict zones. In a world of fragile states and potential conflicts, the capability to undertake such economic operations is likely to continue to be needed. To the extent military commanders believe that economic operations contribute to reducing violence, they will be willing to support a Task Force-like capability, be it in DoD, a combatant command, or otherwise. However, until the U.S. government reaches consensus on responsibility for economic operations in a war zone and then provides sufficient resources, personnel, and authorities, such a capability is likely to continue to be DoD-led, based, and resourced.

Findings and Recommendations:

- The U.S. government has not comprehensively considered how to best apply economic power in conflict areas.
- Military commanders believe economic operations are and will remain a key element of counterinsurgency.
- Currently, for a variety of reasons only DoD is capable of playing a central role in such operations, and over the longer term, DoD will continue to need to provide support.
- In the near term, given that military commanders require support, only a DoD-led organization will provide the capability for resourcing and sustaining economic operations in conflict zones.

2. Progress in Iraq is at risk during the transition, unless faster progress is made to find partners to take over and support ongoing Task Force (and other DoD) projects during the next 6 to 12 months.

- Transition planning needs to incorporate host-nation preferences and can help clarify where host-nation capacity must be built.

Planning has begun in Baghdad for the eventual end of training and capacity-building activities conducted by Multi-National Security Transition Command-Iraq (MNSTC-I). An effort is under way within the U.S. Embassy to prioritize approximately 1,200 separate MNSTC-I initiatives within Iraq. During the next four to six months, for each activity Embassy officials will recommend to either 1) continue to sustain it with U.S. funds; 2) seek Iraqi support and funding; 3) seek support and funding from non-government organizations, coalition partners, the private sector, or other entities; or 4) cease funding and end the activity.

It is not clear to CSIS what criteria will be used to prioritize, what U.S., Iraqi, or other resources might ultimately be available, to what extent Iraqi preferences will be incorporated into this prioritization process, or when hand-offs might eventually occur. These uncertainties underscore the need in future economic operations to create a transition plan from the start or as soon as possible. Such plans should include potential host-nation partners, to prevent the abandonment of worthwhile activities and to allow project prioritization that incorporates local needs.

Sound transition planning has at least three other benefits. It builds links with host-nation officials, as their preferences are incorporated into prioritization plans. Second, transition planning requires building host-nation project-management skills to ensure that the host government will be able to run the programs it eventually takes over. Third, eventual transition provides a goal to work toward. Transition should be based on measureable output conditions (e.g., can a sufficient percentage of customs officials communicate in elementary English?), rather than on a specific date being reached or simply a program having been executed (e.g., has the customs-official English language course been taught?).

It is not clear that these benefits are being pursued by the current effort, but CSIS believes that it is not too late to improve efforts in Iraq. The Task Force could be part of that solution by supporting and engaging with MNSTC-I and the Embassy-based transition planning effort, both for its own efforts and as part of the overall process. It should also seek transition partners widely, to reduce the risk that its activities are dropped entirely. As it began its lines of operation, the Task Force typically did not seek potential partners that could eventually assume the activities. Acting independently is understandable, given the contemporary desire to respond to command direction quickly and to take advantage of newfound opportunities. However, this situation leaves Task Force and other DoD and U.S. government activities at risk. While many Task Force activities have received substantial Iraqi interest and high-level endorsement, it is not clear that such support will turn into financial support once the Task Force withdraws. Nor is it clear that civilian U.S. agencies are prepared to assume Task Force activities or are even interested in doing so. Other partners could be found, or activities could be combined under civilian-led initiatives. To support a productive transition, the Task Force should consider expanding its effort and possibly its staff dedicated to transition planning in Iraq.

The problem of transition of Task Force activities is not unique among U.S. government (or coalition) activities in Iraq. Despite the prioritization process described above, it is unlikely that the civilian agencies of the U.S. government or the government of Iraq are or will be prepared to absorb all the economic-development and capacity-building activities currently conducted by DoD and MNSTC-I. Failure to support a sufficient level of current economic operations will increase the risk to the overall mission in Iraq. It is critical to identify and sustain the most important efforts and not let them disappear

Findings and Recommendations:

- The Task Force should engage actively with the transition-planning process getting under way in Baghdad, helping to establish potential criteria and prioritization processes for project transition.
- The Task Force should also seek transition partners outside the process, to ensure that well-regarded Task Force activities can continue.
- It may be possible to find support by combining a Task Force line of operation with similar civilian-led initiatives.

3. Drawing from experiences in Iraq and going forward into other operations, a rigorous, up-front, and on-the-ground analytical assessment is vital for the Task Force and for economic operations in a conflict zone, to allow opportunities to be identified and prioritized, to allow efficient resource allocation, and to ensure alignment with overall U.S. strategy. The assessment should be updated regularly, to identify how changing conditions might affect the Task Force’s activities.

- Solid planning forms the basis for supporting overall political / military / economic strategies.

In a conflict zone, it is essential that economic operations activities align with the overall political, military, and economic strategies. To ensure such alignment, a sound understanding of those strategies and the initiatives seeking to achieve them is necessary. As the Task Force considers additional operating environments, it needs to engage closely with the civilian and military planning processes, as well as closely integrate with other organizations pursuing economic operations. Furthermore, from an early date the Task Force must be familiar with what opportunities might exist in a given operating environment and whether it can meaningfully address those opportunities or help others do so, including the private sector.

These tasks were difficult to undertake in Iraq in 2006, when the Task Force was created. To DoD, time was of the essence. There was no chance to perform an up-front assessment. Further, strategy changes and the policy issues described earlier made it more important to begin operating than to wait for a plan to be developed. All of this only underscores the lesson learned: a thorough up-front assessment, including research conducted in-country, should form the basis for committing the Task Force to a given theater or operational environment. Such an evaluation should include, but not be limited to, the state and evolution of local governance, economic and security conditions, strategic economic industries and locations, and economic operations already under way, both within and outside the U.S. government. With a sound understanding of the operating environment, historical trends, and available opportunities, the Task Force will be better able to prioritize lines of operation according to its strengths and allocate resources appropriately. The assessment should also outline how results will be tracked and aligned with overall strategy. It should be updated regularly to reflect changing conditions.

In any operating environment, the assessment should serve as the basis for rigorous advance planning. Sound planning will ensure understanding of and responsiveness to military needs, support for overall U.S. strategy and improved transition opportunities. In Iraq, the Task Force’s organizational agility partially offset a general lack of up-front assessment and prioritization. In any case, the volatility of counterinsurgency efforts in Iraq would have required changes to plans, no matter how rigorous. Nonetheless, transition and continuation of Task Force activities in Iraq have been placed at risk in part by limited advance planning.

A credible assessment will also allow the Task Force to provide regular input to the broader joint campaign-planning process, in order to promote integration with political and military strategies and foster realistic expectations. During planning, the Task Force will have to interact credibly

and consistently with senior leadership, will need to be clear about how it can and cannot help, and should be sure that military and civilian leaders understand how quickly it can deploy its resources, what results might be expected, and when. Close engagement with the interagency process at headquarters and in the field will also be necessary, in order to identify unaddressed opportunities where the Task Force can maximize the chance of making a positive impact. While time-consuming, such engagement will enable efforts to focus on the highest payoffs. An additional benefit of this engagement will be wider understanding of Task Force activities and closer alignment with overall policy goals.

Defining and managing an assessment and planning process must be done with care to preserve responsiveness and adaptability. Too much bureaucracy would defeat the flexibility that has characterized the Task Force to date, but too little up-front planning risks wasting resources and exacerbates the policy issues. The goal is to strike the right balance.

It is unsurprising, given the dynamics of operations in Iraq in 2006, that CSIS found little evidence of a methodical or well-documented Task Force process for considering whether to undertake a given activity in Iraq, or what the cost of pursuing an activity might be in terms of foregone other opportunities. As additional lines of operation were added, the lack of an advance assessment may have resulted in lost time and some amount of wasted effort. At a minimum, it made planning and resourcing more difficult. The Task Force appears to be addressing these shortcomings at least partially as it considers potential operations in Afghanistan.

Findings and Recommendations:

- A rigorous, up-front, and on-the-ground analytical assessment will increase Task Force understanding of the contemplated operational environment and the overall U.S. and coalition strategy.
- The assessment should seek to identify and understand potential opportunities and the resources needed to address them.
- With a sound assessment, the Task Force can get and keep a seat at the planning table.
- The Task Force must be responsive to the overall strategy in order to build credibility and stay engaged.
- The Task Force should incorporate transition planning and progress metrics into the up-front assessment.

4. In new operational environments, the Task Force should focus some of its initial efforts on initiatives that can achieve immediate, positive results, not only for their inherent value in stimulating local economic activity, but also for their potential to lay the foundation for a market economy and to broaden Task Force relationships within the host nation and across the coalition effort.

- Early success builds credibility and relationships that lead to future opportunities.

When entering a new operational environment, in order to gain credibility with the host nation, DoD, other coalition members, and the broader development community, the Task Force should include as part of its up-front assessment an attempt to identify ‘quick wins’ in the form of initiatives that are relatively easily implemented and can show early results and greater promise.

In Iraq, as described below in **Task Force Activity in Iraq, 2006-2009: An Assessment**, the Task Force found such ‘quick wins’ in three areas: the Iraqi First program, the consortium it founded to link private banks through electronic funds transfer, and the procurement assistance centers (PAC). The first directed a significant amount of U.S. contract spending into the Iraqi economy. The second provided the means to make those contract payments without using tremendous amounts of cash. The PAC quickly established a Task Force presence in many Iraqi provinces and spurred relationships with both provincial officials and the central Ministry of Planning. Besides their immediate, practical economic and governance impact, these programs quickly made the Task Force familiar with conditions across Iraq, the business, legal, and regulatory environments, and some of the key organizations and individuals in the U.S. and Iraqi economic effort. In that way, the “quick wins” provided a substitute for the lack of an up-front assessment. Additionally, each of these programs helped to improve the business infrastructure for the transition to a market-based economy, early results worth pursuing.

Findings and Recommendations:

- Iraqi First, electronic funds transfer, and procurement assistance created ‘quick wins’ for the Task Force in Iraq, and similar programs could be applied in other operating environments where there is an extensive U.S. military presence. All three offer potential in Afghanistan.

5. Task Force communication and coordination challenges need addressing.

- Active communication will result in greater understanding of and support for Task Force activities.

The challenges inherent in interagency activities – communication about what different organizations are doing and coordination of activities across organizations – permeated U.S. efforts in Iraq. The Task Force’s experience was no exception. With military sponsorship and financing, mobility, and high-level U.S. and Iraqi relationships, the Task Force could often act without the need to build interagency relationships, develop consensus, or secure civilian support. Its independence speeded Task Force efforts, but there were downsides as well. Task Force communications about its activities were often reactive in character, and Task Force efforts, and other military-led economic efforts as well, were sometimes reported to be insufficiently coordinated with complementary or parallel civilian efforts.

CSIS found few specific examples of a tangible cost from inadequate communication and coordination, but CSIS did find, across interviewees, a broad lack of understanding of the Task Force’s mission and the scope of and rationale for its activities. The result was needless tension for the Task Force, other parts of DoD, and the civilian side of the U.S. effort in Iraq. Several U.S. government officials interviewed by CSIS noted that even though they were responsible for or involved with similar economic operations, they rarely heard from Task Force members. Several characterized the Task Force as uninterested in following policy advice from other offices. In some cases, though, CSIS discovered that the problem was at least as much a failure to communicate internally within or among U.S. government organizations as it was inadequate Task Force communication or coordination. CSIS also found occasions where the Task Force failed to get credit for coordination it did pursue.

Within the Pentagon, this concern had an additional manifestation. The Task Force also did not build substantial liaison relationships with other DoD agencies and offices. Because of its high-level institutional sponsorship, the lack of institutional allies did not pose a significant barrier to execution of Task Force activities. But the Task Force consequently operated in a manner disconnected from coordination discussions in Washington and Iraq. As a result, CSIS occasionally encountered a perception that the Task Force was operating with little supervision, according to its own agenda, and not clearly linked to a broader strategy or higher-level U.S. goals. The reactive character of Task Force communications probably contributed to, or at least did not allay, this perception. Perhaps because of limited communication from the Task Force, CSIS also found that some, especially in the private sector, had wildly erroneous ideas about the Task Force’s activities, budget, and practices. While CSIS found no evidence that these concerns directly impacted the success of specific projects, they did make broader progress more difficult, and they can be overcome in Afghanistan and other areas.

Task Force leadership stated in interviews with CSIS a preference to operate largely behind-the-scenes. There are real benefits to such an approach, which could allow the Task Force’s Iraqi-government partners to take credit for Task Force achievements, consistent with the overall U.S. approach to build a capable and legitimate Iraqi government. However, this preference to operate with a low profile – not only to allow Iraqis to take credit, but also to reduce demonstrated

problems resulting from untimely information leaks – probably contributed to widespread shortcomings in others’ understanding of Task Force activities.

As the number of economic, military, and political actors increases, communication and coordination becomes more important, not only across U.S. government agencies, but also with NGOs and agencies of other governments. This is particularly the case in Afghanistan, where a host of organizations carry out a wide range of economic operations. To the extent that interagency communication and coordination is necessary, the Task Force could take several approaches: be willing to pay the higher transaction cost of increased communication and coordination; seek relatively ‘unattended’ areas where communication and coordination is less critical; and find a trusted advocate to act as a proxy in the interagency process.

Findings and Recommendations:

- Inadequate communication and coordination have been endemic in Iraq and are not unique to Task Force activities.
- Better communication and coordination can lead to reduced confusion, improved results, and long-term benefits.
- In theaters where there are multiple economic-operations activities under way from a variety of countries and organizations, communication and coordination challenges become more critical to address, to avoid duplication of effort and missed opportunities.
- Communication and coordination efforts need to be balanced with the policy of allowing the host nation to receive credit for achievements so it might be perceived as capable and successful.

5. Task Force Activity in Iraq, 2006–2009: An Assessment

The Task Force for Business and Stability Operations was established to improve business processes and support commanders' goals in Iraq. From its inception, the Task Force had a broad mandate, high-level support, the ability to act as a cross-cutting organization, access to resources and mobility, and the flexibility to adapt its mission over time.

From the Task Force's own website:

. . . The Task Force is working on tactical initiatives that enable the core industrial engine of the economy such as reemployment, supply chain integration, and private investment. In partnership with the Government of Iraq, the TFBSO is pursuing a comprehensive economic restoration plan with seven areas of focus.

The following is a description and assessment of the Task Force's most recent lines of operation in Iraq, including the stated purpose for each, the partners with which it collaborated, a brief summary of the results, and an estimate of resources expended. About 30 to 40 percent of total Task Force funding is budgeted for sustainment and security, making it impossible to derive the precise dollar amount allocated to each Task Force line of operation.

The Task Force lines of operation overlap and at times are complementary – often presentations describing Task Force activity combined or renamed the lines of operation, as circumstances warranted. When categorizing Task Force achievements and lessons learned, this evaluation strives to remain within the definitions currently used by the Task Force.

Difficulty of Measuring Task Force Results

CSIS concludes that many of the activities the Task Force pursued were worthwhile, with the caveat that for a specific activity, it is difficult to ascertain whether the value the Task Force generated or received – economic or otherwise – exceeded the money spent. Some results achieved by the Task Force can be reasonably quantified, though calculation of a return on investment or similar metric is often not possible and perhaps not meaningful. For example, the Task Force provided financing to restart production at 66 largely idle state-owned factories. When those factories reopened, their employees – many of whom were already receiving paychecks from the Iraqi state, whether they were working or not – gained productive daily work, a greater stake in the continuing stability of their communities, and something that gave them hope that overall conditions would improve. This outcome cannot be quantified, and it is not possible to determine an appropriate price to pay for it. The same is true of other Task Force initiatives. Another example is the National Investment Commission (NIC), which is financed by the Task Force. The NIC serves as a point of contact for potential foreign investors, in addition to helping guide national investment plans. Its value will become apparent over time, as it succeeds or fails to establish favorable investment conditions in Iraq and attract outside capital. Until that value is seen, it is difficult to say whether the Task Force has spent too little, too much, or the right amount setting up and sustaining the NIC.

Foreign Direct Investment / Private Investment

Stated Purpose
“Facilitates rapid private direct investment opportunities from financial institutions, private equity, and corporations.”
Partners
National Investment Commission of Iraq, U.S. Chamber of Commerce, and U.S. Department of Commerce
Results in Brief
Approximately \$1 billion in Foreign / Private investment facilitated by the TFBSO in 2008. ¹⁵
As of May 2009, the TFBSO had helped host more than 130 potential investors in Iraq, and about 50 percent have conducted follow-on business inside Iraq. ¹⁶
The TFBSO helped facilitate construction of a new, internationally branded 350-room hotel, the first in Iraq in decades.
A high-level delegation of Korean businessmen traveled into Iraq with the coordination and assistance of the TFBSO. MNF-I commander General Ray Odierno summed up the question of the value of the TFBSO by saying, “The Task Force brought in the Koreans. That’s success.”
Budget
Difficult to quantify, but the SIGIR estimates the TFBSO expended a rough order of magnitude of 30 percent of operations on Foreign / Private investment, or nearly \$34 million in fiscal year 2008. ¹⁷

Following its creation, the Task Force leveraged ties to the U.S. Chamber of Commerce and the Defense Business Board to generate initial interest from businesses to invest in Iraq. However, as U.S. public opinion regarding the overall mission in Iraq declined, U.S. investor interest tapered off in late spring 2007. Still, in 2007, more than half of the 30 investors the Task Force hosted in Iraq went on to transact business in Iraq or submit business proposals for review by the government of Iraq.¹⁸

In October 2007, the Task Force established a foreign direct investment team to reinvigorate its private investment effort.¹⁹ In 2008 alone, by its own count, the Task Force helped facilitate approximately \$1 billion in foreign direct investment and private investment.²⁰ As of May 2009, the Task Force had helped host more than 130 potential investors in Iraq, and about 50 percent have conducted follow-on business inside Iraq.²¹

¹⁵ Task Force for Business and Stability Operations-Iraq. Briefing and Update Overview, 27 June 2009, 4.

¹⁶ <http://www.defenselink.mil/tfbs0/foreign.aspx>, as of 18 August 2009.

¹⁷ SIGIR. “Information on a Special Department of Defense Program to Foster Economic Recovery in Iraq.” Audit Report, Washington, D.C.: 29 July 2008, 7.

¹⁸ Brinkley, Paul. “Restoring Hope: Economic Revitalization in Iraq Moves Forward.” *Military Review* (March-April 2008), 15.

¹⁹ Ibid.

²⁰ Task Force for Business and Stability Operations-Iraq. Briefing and Update Overview, 27 June 2009, 4.

²¹ <http://www.defenselink.mil/tfbs0/foreign.aspx>, as of 18 August 2009.

Several anecdotes serve to demonstrate the usefulness of the Task Force to investment efforts. One is the well-publicized construction of a new, internationally branded hotel, the first in Iraq in decades. Although success has many fathers – and the hotel project is often touted by the many actors involved in helping facilitate the agreement to build – both a key investor in the hotel and those who negotiated on behalf of the government of Iraq on the land deal give credit to the Task Force for helping facilitate the building of the hotel.

As several interviewees remarked, one of the unique attributes of the Task Force is its ability to bring the “captains of industry” to the battlefield. A September 9, 2008, op-ed in the *Chicago Tribune* by three such captains – Thomas J. Pritzker, William H. Strong, and Stephen R. Wilson – summed up their trip to Iraq with the Task Force:

An improved security and political climate in Iraq – while still fragile – is creating conditions for a market economy that could represent a significant long-term opportunity for U.S. investors. And if Iraq assumes a position of economic significance in the region, as we believe it will, it is very much in the interests of the American business community to begin establishing strong economic ties now.²²

Another anecdote involves a high-level delegation of Korean businessmen who traveled to Iraq with the assistance of the Task Force, coincidentally at the same time as one of the CSIS visits. The specific companies and their potential business arrangements are of less importance than the fact that top-tier international companies were engaging directly with Iraqis concerning potential investments. General Ray Odierno, the MNF-I commander, said, “The Task Force brought in the Koreans. That’s success.” While difficult to quantify, the Task Force’s effort to facilitate foreign direct investment to help reintegrate the country into the international community provided hope to the Iraqi people and should not be underestimated.

²² Pritzker, Thomas J., William H. Strong, and Stephen R. Wilson. “Investment opportunities in Iraq.” *Chicago Tribune*, 9 September 2008.

Banking and Financial Networks

Stated Purpose
“Encourages the development and use of a modern internationally competitive banking sector in Iraq. This initiative has a four-pronged approach: Reduce physical amount of cash movement in-country through the introduction of intra-bank, inter-bank, and international Electronic Funds Transfers (EFT); extend and broaden the use of traditional and modern banking products and services; increase the availability of lending products and services and access to bank capital; and promote a sound regulatory and legal framework.”
Partners
U.S. Department of the Treasury and JCC-I/A
Results in Brief
Due in part to TFBSO efforts, electronic funds transfers – as opposed to cash-based payments – rose from 20 percent of all Iraqi First payments in January 2007 to more than 95 percent. More than \$100 million a month in DoD contracting actions are now EFT-disbursed.
More than 200 bank branches are EFT-capable. The Iraqi-owned banking consortium set up by the TFBSO, AMWAL for Electronic Banking Services, LLC, is fully functional, assisting in regulating and maintaining international banking standards for Iraqi private banks and enabling growth and expansion of private-sector banking.
In the financial sector, the TFBSO also assisted in the launching of the first-ever MasterCard credit and debit card services in Iraq, with Visa and American Express scheduled for 2010. Usage data for the cards are not readily available.
Budget
Difficult to quantify, but the SIGIR estimates the TFBSO expended a rough order of magnitude of 5 percent of operations on banking and the financial sector, or nearly \$6 million in fiscal year 2008. ²³

Working in close partnership with the U.S. Department of the Treasury and JCC-I/A, the Task Force launched an effort in fall 2007 to stimulate and develop the private banking sector in Iraq. The effort included assisting in building a consortium of Iraqi private banks and leveraging the Iraqi First program to create incentives for EFT usage.

Iraqi banking has been dominated by a few large state-owned financial institutions that were closed to international financial flows until 2003 because of United Nations sanctions. These institutions neither readily accept individual deposits nor provide individual or small business financing. A nascent private-banking sector has emerged. With limited financing capacity, it is oriented largely toward fee-based services. As is the case in other developing countries, the creation and growth of modern EFT-capable private financial institutions is an essential step in stimulating sustained economic development and moving Iraq from a cash-based society to a modern economy.

The result of the combined effort of the Task Force, the U.S. Treasury, and JCC-I/A to invigorate private-sector banking was immediate. Electronic funds transfers – as opposed to cash-based

²³ SIGIR, 29 July 2008, 7.

payments – rose from 20 percent of all Iraqi First payments in January 2007 to more than 95 percent by mid-2009. More than \$100 million a month in DoD contracting actions are now EFT-disbursed. More than 200 bank branches are EFT-capable. An Iraqi-owned consortium of private banks, AMWAL for Electronic Banking Services, LLC, is fully functional and enabling the expansion of private-sector banking. AMWAL assists Iraqi private banks with implementing and maintaining international banking standards. Further growth in the private banking sector is constrained by the need to restructure the large state-owned banks and reform the banking law.

Task Force efforts in the financial sector have extended beyond private banking. The Task Force also assisted in the launch of the first-ever MasterCard credit and debit card services in Iraq, with Visa and American Express scheduled for 2010. While usage data for the cards is not readily available, the ability to issue and use this economic convenience is a sign that economic modernization may be on the way in Iraq.

Industrial Capacity Restoration

Stated Purpose
“Restarts and restores production to the Iraqi industrial base, recreating intra-Iraq demand among factories, facilitating global supply chain agreements and joint ventures.”
Partners
Ministry of Industry and Minerals, Ministry of Interior, other government of Iraq agencies, and MNF-I
Results in Brief
Current count of state-owned factories restarted and restored to production with TFBSO assistance is 66 across 35 state-owned enterprises. ²⁴
The TFBSO assisted in coordination and agreement of seven joint ventures between the government of Iraq and international firms, totaling nearly \$1 billion.
Funding allocated by the government of Iraq for investment in SOEs rose from less than \$30 million in 2007 to \$400 million in 2008. Even though the falling price of oil hurt the government of Iraq budget for 2009, the government of Iraq allocated \$300 million to upgrading and improving SOEs across Iraq, with an eye towards eventual privatization. ²⁵
Budget
Difficult to quantify, but the SIGIR estimates the TFBSO expended a rough order of magnitude of 40 percent of its operations on industrial capacity restoration, or nearly \$53 million in fiscal year 2008. ²⁶
Without a direct appropriation, the amount budgeted for fiscal year 2009 for industrial capacity restoration is significantly lower, at \$15 million.

As the sections above and below illustrate, the Task Force had its hand in a variety of projects in Iraq. Nonetheless, it is best known in the Washington, D.C., policy community for its involvement with rehabilitating and restarting SOEs. As the Task Force stated in numerous articles and briefings, “a primary area of emphasis for [the Task Force] was the restart of Iraq’s industrial base, largely idled or operating at a small percentage of capacity since 2003.”²⁷

Between November 2006 and September 2007, 17 factories were restarted in Iraq, either through “direct application of demand via U.S. or Iraqi government contracts for goods or services, or through direct links to sources of demand inside Iraq.”²⁸ In 2007, the U.S. Congress appropriated \$50 million to accelerate industrial revitalization efforts in Iraq, enabling the Task Force to begin 48 projects in 30 additional factories and production lines across the country.²⁹ The following year, Congress again appropriated \$50 million for revitalization efforts in Iraq, and the Task Force effort continued. The current count of factories restarted and restored to production is 66 across 35 state-owned enterprises.³⁰

²⁴ Task Force for Business and Stability Operations-Iraq. Briefing and Update Overview, 27 June 2009, 4.

²⁵ SIGIR, 29 July 2008, 10-11.

²⁶ Ibid., 7. Additionally, Task Force officials told SIGIR that it is not possible to derive the precise dollar amount allocated to each Task Force line of operation.

²⁷ Brinkley, Paul. “Restoring Hope: Economic Revitalization in Iraq Moves Forward,” 13.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Task Force for Business and Stability Operations-Iraq. Briefing and Update Overview, 27 June 2009, 4.

The government of Iraq has also invested in the SOEs, besides paying their wage bills and operating losses. Funding from the government of Iraq for investment in SOEs rose from less than \$30 million in 2007 to \$400 million in 2008. Even though the falling price of oil hurt the Iraqi government budget in 2009, the government allocated \$300 million to upgrading and improving SOEs across Iraq.

Importantly, with assistance from the Task Force, the government of Iraq has also begun entering into public-private joint ventures, along a path to privatization of the state-owned industries. As the SIGIR reported on July 29, 2008, “The privatization [of the state-owned enterprises] effort is designed to help transition Iraq to a free market based economy that is linked to the global marketplace. The Task Force is supporting the Iraqi Ministry of Industry and Minerals (MIM) efforts to solicit bids from private investors for joint ventures or direct investment in operational state-owned enterprises... The Task Force provided accountants and legal advisors to MIM to establish auditable financial statements.”³¹ Currently there are seven joint ventures totaling nearly \$1 billion under contract review, with fifteen additional SOE joint ventures under negotiation.³²

The January 2009 SIGIR audit of the SOE side of Task Force operations found audit issues with verifying expenditures and with outcome metrics. The SIGIR was concerned that some of the payments to the SOEs to buy equipment or inventory were not being verified and validated. Additionally, the SIGIR reported that outcome metrics on the number of Iraqi personnel employed or reemployed were suspect. In response to these concerns, the Task Force engaged several internationally recognized accounting firms to better verify and validate its SOE efforts.³³ As of the date of this report, the results of those review efforts are still pending. Notwithstanding these on-going efforts, CSIS believes the Task Force provided it sufficient information to verify and validate the scope and results of the projects addressed in this report.

During the two trips to Iraq, the CSIS team visited several functioning SOEs. Although CSIS is not privy to their finances, the appearance of joint ventures, international interest in partnerships, and continued Iraqi investment in SOEs are positive markers for the Task Force effort at industrial capacity revitalization.

³¹ SIGIR, 29 July 2008, 10-11.

³² Task Force for Business and Stability Operations-Iraq. Briefing and Update Overview, 27 June 2009, 18.

³³ SIGIR. “Full Impact of Department of Defense Program to Restart State-owned Enterprises Difficult to Estimate.” Washington, D.C.: 30 January 2009, 14.

Table 3: FY 2007 TFBSO SOE Projects

Name	Location	Funding (\$)	Project Description
Al Ferris	Various	\$970,000	Provide raw materials for the manufacture of heat exchangers
Al Furat State Company--Chemical	Al Hindiyah	1,500,000	Improve power generation, increase production capacity, provide poly bag line spare parts
Baghdad Factory for Furniture	Baghdad	570,000	Provide equipment and raw materials
Bayji Fertilizer	Bayji	6,600,000	Provide production equipment and repair parts to increase fertilizer production capacity
Diyala State Company for Electrical Industries	Diyala	1,550,000	Improve production capacity necessary to meet the electrical power distribution and transformer needs across Iraq
HEESCO	Baghdad	1,450,000	Provide raw materials, procure and install oxygen plant, provide miscellaneous production equipment
Iraqi State Company for Cement	Fallujah	1,500,000	Supplement the procurement of up to seven HFO diesel generators
NASSR	Taji	460,000	Procure plant production equipment, repair and spare parts, raw materials
National Steel and Bicycle	Various	130,000	Provide electrical connection between the power generator and plant facility, procure press brake for the production line
Northern Company for Furniture	Ninewa	635,000	Procure plant production equipment, repair and spare parts, and raw materials
Ready to Wear (Anah)	Various	275,000	Procure stamping, weaving, printing equipment, repair and spare parts, and raw materials
Ready to Wear (Mosul)	Mosul	1,830,000	Provide new boiler, fabrics, chemicals and dyes, production equipment, repair and spare parts
State Company for Agriculture	Various	400,000	Provide helicopter engines, rotors, and repair parts
State Company for Automotive Industries (SCAI)	Iskandariyah	1,500,000	Provide production equipment and supply chain establishment
State Company for Ceramics	Ramadi	935,000	Improve factory production lines to improve product quality and capacity
State Company for Cotton Industries	Baghdad	2,350,000	Purchase boiler and power generators, four drawing/sizing machines, bleaching machine, and raw materials
State Company for Dairy Products (Abu Ghraib Dairy)	Baghdad	3,400,000	Provide a production facility for dairy products to meet local needs (milk production line)
State Company for Drugs and Medical Supplies	Ninewa	1,000,000	Provide new ampoule line and training
State Company for Electrical Industries (Wazzeria)	Baghdad	625,000	Provide air-conditioner and sub-components for final assembly and sale in Iraq
State Company for Electronic Industries (Al Ezz) (SCEI)	Baghdad	500,000	Replace outdated assembly and test equipment for computer assembly and repair operations

Table 3: FY 2007 TFBSO SOE Projects

Name	Location	Funding (\$)	Project Description
State Company for Handmade Carpets	Baghdad	\$750,000	Provide equipment and raw materials
State Company for Leather Industries	Baghdad	1,000,000	Procure four tanning machines, production equipment, spectrographic color matching system and design software, repair and spare parts, raw materials
State Company for Mechanical Industries (SCMI)	Iskandariyah	5,690,000	Procure equipment and initiate a supply chain for sustainment
State Company for Petrochemical Industries	Basra	250,000	Procure repair and spare parts
State Company for Ready Hand Made Wear (Ready to Wear)	Najaf	1,500,000	Provide spreading machines, electronic scanner, bias group equipment, sewing machines, and final pressing equipment
State Company for Rubber Industries (SCRI)	Baghdad	2,160,000	Improving production (boiler and piping, molds, raw materials)
State Company for Textile Industries	Hilla	2,000,000	Provide two Jacquard weaving machines, computer design system, bobbin winders, other miscellaneous production equipment, and raw materials
State Company for Textiles	Wasit	1,350,000	Procure raw materials for clothing production
State Company for Woolen Industries	Baghdad	2,000,000	Provide power generator, forklifts, repair and spare parts, and raw materials
Tikrit Flour	Tikrit	207,000	Procure production equipment, support initial factory start up, and operating costs
Total FY07 Funds		\$45,087,000	

Table 4: FY 2008 TFBSO SOE Projects

Name	Location	Funding (\$)	Project Description
Al Eikhaah	Various	\$5,000,000	Procure galvanizing line that meets production requirements of the plant
Al Samood	Taji	4,000,000	Purchase pipe making machine (3-10")
Basra Petrochemical	Basra	2,880,000	Purchase cold box heat exchangers and cooling tower repair parts
Bayji Vegetable Oil	Bayji	2,750,000	Refurbish sunflower and soybean processing lines and purchase raw material
Greenhouse Project	Iskandariyah	3,500,000	Purchase greenhouses for Karbala and other parts of Iraq
HEESCO	Baghdad	500,000	Purchase and install second oxygen plant
Hilla Textile	Hilla	1,000,000	Complete purchase of velvet line
Ibn Majid	Basra	6,900,000	Purchase raw material, welding equipment and supplies, mobile crane, side boom, hydrostatic pump, testing equipment, oxygen plant, and heat treating equipment
Mesopotamia Grain		750,000	Contract to complete the construction of the site
Mosul Textile	Mosul	1,000,000	Purchase repair and spare parts
Nassr State Company for Mechanical Industry	Taji	4,500,000	Contract to install molding line already on site in crates
Ninewa Dairy	Ninewa	1,100,000	Provide necessary parts and equipment for cream and yogurt production lines
State Company for Fertilizer	Various	3,000,000	Purchase repair parts for fan box and cooling tower, miscellaneous parts for compressors and turbines
State Company for Rubber Industries (SCRI)	Baghdad	1,350,000	Purchase tire presses
Um Qasr Cement	Um Qasr	3,200,000	Purchase repair parts and replacement for feeder and mill motors, bag line, and air compressors; electric motor for rock crushing line
Um Qasr Hospital	Um Qasr	325,000	Procure generator
Western Desert Project	Various	2,550,000	Procure drilling rig
Zuhayrat Date Processing Cooperative	Various	400,000	Purchase date syrup machine
Total FY08 Funds		\$44,705,000	

Corporate Development

Stated Purpose
“Facilitates the engagement of multinational corporations in Iraq and establishes commercial relationships by linking businesses to global supply chains. The Task Force maintains incubator facilities for international businesspersons and investors and provides introductory services that link Iraqi businessmen with their international counterparts.”
Partners
The business incubator facility, which is a set of well-equipped modern office suites and meeting rooms, is co-located with the government of Iraq’s National Investment Commission.
Results in Brief
With support from the TFBSO, Daimler Benz, Boeing, General Electric, Caterpillar, Case New Holland, and Cummins established operations in Iraq in 2008.
The TFBSO reports having helped facilitate billions in business initiatives between Iraq and international corporations. Specific details of these negotiations between independent government and corporate entities are outside the review scope of CSIS.
In July 2009, at a U.S. Chamber of Commerce event in Washington, D.C., the Chairman of the Iraq National Investment Commission, Dr. Sami Al-Araji, publically expressed his gratitude for the support and assistance provided by the Task Force and the business incubator in attracting corporations to Iraq.
Budget
The specific budget for corporate development is difficult to quantify. Task Force officials reported that it is not possible to derive the precise dollar amount allocated to any Task Force line of operation. Further, the sensitive nature of investor and corporate relationships between the government of Iraq, these entities, and the nature of the TFBSO make tracking funds specifically for corporate development difficult. ³⁴

Differentiating the line of operation “corporate development” from “private / foreign direct investment” is difficult because of the very nature of how the Task Force defines and describes its efforts. The Task Force reports that it does not publicize its list of foreign corporations doing business in Iraq. For evaluation of this effort, corporate development will describe corporations not merely investing in Iraq, but also those actively pursuing or engaged in corporate activities inside Iraq.

In Iraq, the CSIS team visited the business incubator facility that provides temporary offices for those businesses beginning to establish a presence in Iraq. The facility is full, and there is a waiting list of top-tier companies wishing to occupy the spaces. Several internationally recognized companies have announced their presence in Iraq, and many of those engagements had their start at the Task Force business incubator.

One of the unique attributes of the Task Force is that it was not required to focus solely on U.S. corporate interests when pushing for economic growth, unlike many other U.S. government agencies. Given its broad mandate, the Task Force is empowered to build up the economy of Iraq

³⁴ SIGIR, 29 July 2008, 7. Additionally, Task Force officials told SIGIR that it is not possible to derive the precise dollar amount allocated to each Task Force line of operation.

with whatever tools it can muster. As *USA Today* reported on June 17, 2008, “European and Asian companies are beating their American rivals into Iraq now that security has improved the investment climate.”³⁵ In the same article, Charles Reis, the U.S. Coordinator for Economic Transition in Iraq, echoed comments DUSD Brinkley has made, “The activity by non-U.S. companies is not a cause for concern . . . This is a normalization of Iraq’s relationship with the rest of the world.”³⁶ The Task Force reports having helped facilitate more than a billion dollars in business initiatives between Iraq and international corporations. Specific details of these negotiations are unavailable, as independent government and corporate entities are outside the scope of the CSIS review.

In July 2009, at a U.S. Chamber of Commerce event in Washington, D.C., the Chairman of the Iraq National Investment Commission, Dr. Sami Al-Araji, publically expressed his gratitude for the support and assistance provided by the Task Force and the business incubator in attracting corporations to Iraq. (The National Investment Commission offices are housed in the same compound as the business incubator facility.) Representatives from international tractor manufacturer Case New Holland and General Electric, which both have a corporate presence in Iraq, were also present that day. Boeing, Daimler Benz, Caterpillar, and Cummins also have issued press releases about their corporate engagement in Iraq.

³⁵ Michaels, Jim. “Foreign Firms Beat U.S. to Iraq Investment.” *USA Today*, 17 June 2008.

³⁶ *Ibid.*

Iraqi Private Sector Development

Stated Purpose
“Develops policies, processes, and systems to enable and encourage U.S. government contracts to be directly awarded to Iraqi businesses rather than multinational corporations. The Iraqi First program encourages economic expansion and entrepreneurship amongst Iraqis. The program also enables them to contribute first hand to the rebuilding of their country.”
Partners
U.S. government contracting organizations (including JCC-I/A) and U.S. Department of the Treasury
Results in Brief
With assistance from the TFBSO, more than \$4 billion in contracts has been awarded to more than 5,000 Iraqi firms via the Iraqi First Program since 2007. ³⁷
As part of the Iraqi First program, changes to contracting included fielding a system to automate contracting transactions in a way useful to Iraqi businesses as well as to command resources. It was to provide a central database of Iraqi and Afghan companies, their capabilities, awards to date, and contract performance.
Budget
Difficult to quantify, but the SIGIR estimates the TFBSO expended a rough order of magnitude of 15 percent of operations on Iraqi private sector development, or nearly \$14 million in fiscal year 2008. ³⁸

The Task Force, working in support of U.S. government contracting organizations, including JCC-I/A, helped implement the Iraqi First program in 2006. The goal of the program was to quickly stimulate the Iraqi economy by enabling U.S. contracts to be awarded directly to Iraqi businesses, rather than multinational corporations. The Iraqi First program thus encouraged economic expansion and entrepreneurship among Iraqis. Since 2007, the Iraqi First program has awarded more than \$4 billion in contracts to more than 5,000 Iraqi firms.³⁹

As part of Iraqi First, changes to contracting included fielding a system to automate contracting transactions in a manner useful to Iraqi businesses as well as to JCC-I/A. It was designed to also provide a central database of Iraqi and Afghan companies, their capabilities, awards to date, and contract performance.

This effort demonstrated the synergistic or catalytic impact that Task Force activities could have. The initial focus of Task Force personnel was on contracting, including the Iraqi First effort, which had evolved in response to command requests and identified opportunities. By looking across domains, the Task Force was able to partner with JCC-I/A and the U.S. Treasury to help provide economic stabilization, a better business environment, and more opportunities for Iraqi businesses.

³⁷ Task Force for Business and Stability Operations-Iraq. Briefing and Update Overview, 27 June 2009, 4.

³⁸ SIGIR, 29 July 2008, 7. Additionally, Task Force officials told SIGIR that it is not possible to derive the precise dollar amount allocated to each Task Force line of operation.

³⁹ Task Force for Business and Stability Operations-Iraq. Briefing and Update Overview, 27 June 2009, 4.

Procurement Assistance

Stated Purpose
“The Procurement Assistance Center (PAC) is intended to support the establishment and growth of Iraqi procurement professionals and offices across the entire spectrum of procurement and contracting activities by providing direct assistance, policy and regulatory development and interpretation, specific acquisition consulting, and technical assistance in developing business processes and tools.”
Partners
Iraqi ministries, provincial contracting offices, and agencies under the authorities of the Ministry of Planning and Development Cooperation (MOPDC)
Partners in the Public Financial Management Action Group (PFMAG) include the U.S. Embassy’s Coordinator for Economic Transition in Iraq (CETI), the Deputy Commanding General of MNF-I, the Department of the Treasury, the Department of State, and USAID.
Results in Brief
The PAC effort provides direct support to 20 ministries and 16 of the 18 provinces. The PAC’s focus is on assisting Iraqis in governance development. The PAC assists Iraqi ministries, provincial contracting offices, and agencies under the authority of the MOPDC. The Center provides “direct assistance, policy and regulatory development and interpretation, specific acquisition consulting, and technical assistance in developing business processes and tools.” ⁴⁰
The PAC’s charter focuses on improving Iraqi processes and capacity. Specific output metrics such as employment figures are hard to quantify. As for input metrics, the PAC has held about 50 workshops for nearly 2,000 Iraqi personnel in subjects addressing procurement regulations, capital budget requests, letters of credit, financial management, and investment and marketing. ⁴¹
The TFBSO maintains that the PAC has facilitated more than \$9.6 billion in procurement direct assistance in key areas such as health, transportation, and industrial revitalization. ⁴²
Aside from these input measures and assistance efforts, the Iraqi government has improved its budget execution abilities at all levels (national and provincial) during the past three years. As part of the PAC, Provincial Procurement Assistance Teams (PPATs) assisted in 78 percent of all provincial procurement projects, resulting in a 168-percent increase in provincial capital budget execution. ⁴³ Overall, Iraqi capital budget execution has increased from 18 percent to 38 percent.
The Task Force has been a principal of the PFMAG from the group’s inception. The PFMAG is charged with integrating all public finance-related assistance provided by coalition agencies to all levels of the government of Iraq, including the efforts of the PPATs. Several U.S government and independent reviews have identified the PFMAG as a model of interagency cooperation in Iraq.
Budget
Procurement assistance is by far the largest Task Force line of operation in terms of resources and manning. The major contractor involved in the PAC, by its own budgeting documents, has accounted for one-third to one-half of all operational expenses of the Task Force in 2009. The annual operational budget for the TFBSO is approximately \$100 million, putting the PAC effort at between \$40-50 million.

⁴⁰ <http://www.defenselink.mil/tfbs/pac.aspx>, as of 18 August 2009.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

The Procurement Assistance Center (PAC) is the Task Force's largest line of operation in terms of resources and manning. The Task Force has told the SIGIR and CSIS that a specific allocation of funding between lines of operation is difficult because funds are often placed against efforts that support more than one line of operation. However, the major contractor involved in the PAC, by its own budgeting documents, has accounted for funds that amount to one-quarter to one-half of all operational expenses of the Task Force. (The operational budget excludes the \$100 million appropriated specifically for restarting SOEs.)

In terms of manpower, the PAC constitutes one-third of Task Force personnel slots. This figure does not directly translate into funding resources, because many of the PAC contractors are Iraqis, working at one-fifth to one-quarter the cost of Western contractors in Iraq. The PAC currently has 39 individuals located in 15 provinces advising provincial contracting offices in budget formulation and execution. The program has a nationwide reach and seeks to develop capacity through coaching, mentoring, and direct assistance.

The PAC's focus is on assisting Iraqis in governance development. With locations throughout the provinces of Iraq, the PAC assists Iraqi ministries, provincial contracting offices, and agencies under the authority of the Ministry of Planning and Development Cooperation (MOPDC). The Center provides "direct assistance, policy and regulatory development and interpretation, specific acquisition consulting, and technical assistance in developing business processes and tools."⁴⁴ By actively encouraging participation and development of an Iraqi contracting support base, the PAC has helped work toward a transition whereby Iraq can eventually be self-sustaining in governance and budget execution.

The PAC's charter focuses on improving Iraqi processes and capacity. Specific output metrics such as employment figures have been difficult to quantify. As for input metrics, the PAC has held about 50 workshops for nearly 2,000 Iraqi personnel in subjects addressing procurement regulations, capital budget requests, letters of credit, financial management, and investment and marketing.⁴⁵ It has also issued more than 700 policy advisory opinions.

The Task Force reports several projects as emblematic of the PAC's successes. According to the Task Force, the PAC has facilitated "over \$9.6 billion in procurement direct assistance in key industries such as Health, Transportation, and Industrial Revitalization."⁴⁶ Among these projects are:

Health: The Ministry of Health awarded three contracts totaling \$1.5 billion to construct 10 400-bed teaching hospitals throughout Iraq. The PAC advised the ministry on the preparation of the Request for Proposal. The government of Iraq is expected to open the Basra Children's Hospital in 2009, which will be the first new hospital built in more than 25 years and will be a modern, 94-bed, pediatric, clinical, and training hospital focusing on oncology. The PAC assisted the ministry in developing three tenders for operation and maintenance services contracts, valued at \$6 million.

⁴⁴ <http://www.defenselink.mil/tfbs/pac.aspx>, as of 18 August 2009.

⁴⁵ Ibid.

⁴⁶ Ibid.

Transportation and Aviation: In 2008, the government of Iraq awarded contracts to Boeing and Bombardier for the purchase of 60 commercial aircraft valued at more than \$5 billion during the life of the contract. The PAC advised on developing the procurement strategy, conducted contract review, and assisted in negotiations. The PAC also provided technical advice to the Iraq Civil Aviation Authority on eight contracts valued at \$30 million for airport modernization.

Industrial Revitalization: The PAC is assisting the Ministry of Industry and Minerals in the areas of Investment and Privatization Support, Workforce Development, and Business Planning. The PAC assisted in the end-to-end investment process for SOE rehabilitation opportunities and efforts and increased the probability of successful contract arrangements. The PAC also provided assistance in writing and assessing business plans for 39 SOEs and developed workshops for the ministry to build capacity in Public / Private Investment Arrangements Marketing, Financial Analysis, and Negotiations.⁴⁷

Aside from these input measures and assistance efforts, the Iraqi government has improved its budget execution abilities at the national and provincial levels during the past three years. As part of the PAC, Provincial Procurement Assistance Teams (PPATS) assisted in 78 percent of all provincial procurement projects, resulting in a 168 percent increase in provincial capital budget execution.⁴⁸ Overall, Iraq's capital budget execution has increased from 18 percent to 38 percent. Iraqi leaders who spoke with CSIS about this activity considered the PAC instrumental in increasing Iraqi budget-execution capacity.

A final area, which again straddles Task Force lines of operation, this time between the PAC and Banking / Financial Networks, involves the Public Financial Management Action Group (PFMAG). Established in June 2008, the PFMAG is charged with integrating all public finance-related assistance provided by coalition agencies to all levels of the government of Iraq. The U.S. Embassy's Coordinator for Economic Transition in Iraq (CETI), the Deputy Commanding General of MNF-I, and a PFMAG Principals Committee that includes the heads of all agencies conducting public finance-related activities in Iraq, meets as necessary to encourage all agencies' full cooperation. Key U.S. government agencies include the Treasury Department, the State Department, and USAID. The PFMAG has been hailed as a model of interagency cooperation and success by several groups within and outside the U.S. government that are reviewing U.S. and coalition efforts in Iraq. CSIS is not evaluating this characterization of the PFMAG; however, the Task Force is a sitting member of the Principals Committee and, because of efforts such as the PAC, has been an active participant of the PFMAG since the group's inception.

⁴⁷ Ibid.

⁴⁸ Ibid.

Agriculture Revitalization

Stated Purpose
“Helps Iraqi farmers adopt modern farming methods and technologies, enabling Iraq to resume its role as the ‘breadbasket’ of the Middle East.”
Partners
U.S. military civil affairs units, provincial reconstruction teams (PRTs), and the Iraqi government
The Task Force embedded more than 30 U.S. land grant university faculty and staff with Iraqi farmers, to enable Iraqi farmers “to increase production levels, learn new farming techniques, and promote self-sufficiency.” ⁴⁹ Team members worked with and alongside sheikhs, Bedouin shepherds, governors, and subsistence farmers.
Results in Brief
The Task Force agriculture team initially conducted eight provincial agricultural assessments before undertaking specific projects, including building greenhouses, creating the Agriculture Youth Development Club, and establishing the Central Euphrates Farmers Market. ⁵⁰
Task Force personnel discovered that insects were devastating key crops because Iraqi crop-dusting aircraft were not in working condition after years of UN sanctions and neglect. The Task Force facilitated the purchase, delivery, and installation of spare parts to revitalize Iraqi ability to spray crops.
Budget
While difficult to quantify, the TFBSO has identified a rough order of magnitude of 5 percent of operations on the agricultural sector, or about \$6 million in fiscal year 2009. ⁵¹

The newest line of operation for the Task Force is agriculture revitalization. Beginning in spring 2008, the Task Force embedded more than 30 U.S. land grant university faculty and staff with Iraqi farmers. This move was intended to enable Iraqi farmers “to increase production levels, learn new farming techniques, and promote self-sufficiency.”⁵² Team members worked directly with sheikhs, Bedouin shepherds, governors, and subsistence farmers. In addition to working directly with Iraqis, the agriculture team collaborated with U.S. military civil affairs units, provincial reconstruction teams (PRTs), and the Iraqi government.

The Task Force agriculture team initially conducted eight provincial agricultural assessments before undertaking specific projects, including building greenhouses, creating the Agriculture Youth Development Club, establishing the Central Euphrates Farmers Market, and facilitating delivery of crop-dusting equipment.⁵³ While none of these efforts will immediately restore Iraq’s status as the breadbasket of the Middle East, the projects demonstrate the field-level engagement of the Task Force in the agricultural sector.

The Task Force recently facilitated the building, shipment, and delivery of more than 300 greenhouses to Karbala, a city located about 50 miles south of Baghdad. Another example of

⁴⁹ <http://www.defenselink.mil/tfbsso/agriculture.aspx>, as of 19 August 2009.

⁵⁰ Ibid.

⁵¹ Data provided to CSIS by the Task Force, July 2009.

⁵² <http://www.defenselink.mil/tfbsso/agriculture.aspx>, as of 19 August 2009.

⁵³ Ibid.

projects that crossed multiple lines of operation, the greenhouses were built at the State Company for Mechanical Industries (SCMI), a restarted factory in Iskandariyah, and then delivered to Karbala in February 2009.⁵⁴ The government of Iraq sells the greenhouses directly to farmers to encourage agricultural self-sufficiency.

Following the model of 4-H clubs in the United States, the Task Force established the Agriculture Youth Development Club for Iraqi youth. These clubs engaged youth in agriculture projects and taught new farming methods that have been developed by farmers, researchers, and educators, which “empowered and educated the next generation of Iraqi farmers and encourages technology development in the agriculture sector.”⁵⁵ By working with provincial and tribal leadership, PRTs, and NGOs, the Task Force agriculture team formed seven of these clubs with 300 members in northern Babil province.

The Central Euphrates Farmers Market (CEFM) project sought to create a wholesale market where farmers could sell their produce in bulk to buyers from urban markets in northern Babil province. The initial conception of the project occurred in mid-2007, when leaders of Iraqi agriculture associations met with coalition forces and PRTs to develop plans for the CEFM and an associated Agriculture Center for research and educational programs.⁵⁶ The Task Force agriculture team was subsequently brought in to “support the development of a business plan and management structure to establish the management roles, responsibilities and standard operating procedures for the CEFM.”⁵⁷ Construction was completed in March 2009, and the market opened in May 2009. The CEFM is owned, operated, and maintained by the four Iraqi Agriculture Associations that envisioned the project.

In another example of bridging gaps, after initial assessments of the agriculture sector, the Task Force focused on improving Iraqi insecticide delivery. Task Force personnel discovered that insects were devastating key crops because the crop-dusting aircraft were not in working condition after years of UN sanctions and neglect. The Task Force facilitated the purchase, delivery, and installation of spare parts to revitalize Iraqi ability to spray crops.

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Ibid.

Communications Infrastructure

The Task Force currently identifies seven initiatives, or lines of operation, but through June 2009 an eighth line was also listed, communications infrastructure.

Stated Purpose
“Supports the development of necessary wireless and wire-line communications infrastructure capable of supporting growing economic activity.”
Partners
MNF-I, the Defense Information Systems Agency (DISA), the U.S. Embassy advisor for telecommunications, and the Iraq Telecommunications and Post Company (ITPC)
Results in Brief
Task Force efforts commissioned an Iraq infrastructure analysis and recommendations report in 2006, which it calls the “definitive reference on post-CPA Iraqi civil communications infrastructure.” The report provides nearly a dozen recommendations, dealing with all forms of communications from satellites to terrestrial fiber-optic cable.
Task Force launched an initiative in 2007 to lay fiber-optic cable from Baghdad through Basra to Kuwait City. The project encountered numerous delays with the first link managed by Iraq Telecommunications and Post Company (ITPC), the state-run telecom enterprise. ⁵⁸ The current status of this and other communications infrastructure initiatives remain unknown.
CSIS verified communications connectivity during a visit to Iraq, but the extent to which initial Task Force plans for large-scale communications initiatives were successful still remains in question.
Budget
Difficult to discern, but in Task Force documents CSIS reviewed, it appears communications infrastructure never rose above about 5 percent of the total operation costs.

Task Force reports from June 2009 still listed a partnership with MNF-I to accelerate installation of a fiber-optic backbone, to help integrate Iraqi industry with the global economy.⁵⁹ Earlier reports and studies commissioned by the Task Force describe even more ambitious efforts. However, the communications infrastructure line of operation appears to have borne little fruit.

Task Force efforts in communications infrastructure began in 2006 with the commissioning of an Iraq infrastructure analysis and recommendations report. Task Force documents presented to the Deputy Secretary of Defense call this effort the “definitive reference on post-CPA Iraqi civil communications infrastructure.”⁶⁰ The executive summary of that report, dated October 2007, provides nearly a dozen recommendations, dealing with all forms of communications from satellites to terrestrial fiber-optic cable.

In partnership with MNF-I, the Defense Information Systems Agency (DISA), the U.S. Embassy advisor for telecommunications, and the Iraq Telecommunications and Post Company (ITPC),

⁵⁸ Brinkley, Paul. “Restoring Hope: Economic Revitalization in Iraq Moves Forward,” 10.

⁵⁹ Task Force for Business and Stability Operations-Iraq. Briefing and Update Overview, 27 June 2009, 4.

⁶⁰ Ibid., 24.

the Task Force launched several initiatives, the first of which was the laying of fiber-optic cable from Baghdad through Basra to Kuwait City. The project, launched in January 2007, encountered numerous delays with this first link, which was managed by ITPC, the state-run telecom enterprise.⁶¹ The current status of this and other communications infrastructure initiatives remains unknown to CSIS.

In a June 2009 briefing, the Task Force stated that its financial commitment to information and communications technology (the communications infrastructure line of operation) for fiscal years 2008 and 2009 was about \$8.5 million. In part, these costs cover consultant expenses for six members of the Infrastructure and Strategic Elements (ISE) team, part of the MNF-I command staff. According to the Task Force, these consultants “constitute the intellectual power and institutional continuity” behind the ISE team, which is the MNF-I command staff organization responsible for growth in Iraq’s civil information and communications technology sector.

Finally, in describing projects in the communications arena, the Task Force lists planning and resourcing the information and communications technology support for the Iraq National Investment Complex and Forward Operating Base Fernandez to support Task Force and investor operations. During a trip to Iraq, CSIS verified communications connectivity, but the extent to which initial Task Force plans for large-scale communications initiatives were successful remains unclear. In sum, it appears that in communications infrastructure, a combination of factors, including advances in modern mobile data services and an influx of private-sector cellular companies, have enabled the Iraqis to bypass conventional terrestrial fiber-optic lines and satellites and has made the need for continued Task Force efforts in communications infrastructure unnecessary in Iraq.

⁶¹ Brinkley, Paul. “Restoring Hope: Economic Revitalization in Iraq Moves Forward,” 10.

6. Moving Forward: Defense Department

Economic operations followed a number of different models in Iraq from 2003-2006, from the CPA and the Iraq Reconstruction and Management Office (IRMO) to CERP and private-sector efforts. Beginning in mid-2006, the Task Force brought a new model to bear. As described elsewhere in this report, Task Force efforts were flexible and adjusted both to changes in U.S. strategy and to changing conditions in Iraq. The renewal of the Task Force's charter in March 2009 preserved the Task Force's flexibility and ability to adjust. That renewal, however, left open-ended the questions of the longer-term structure of the Task Force, its placement within DoD, or the provision of budgetary resources for Task Force operations. CSIS was asked to assess those issues and recommend options for addressing them.

Background

As noted above, CSIS has identified gaps in the ability of the U.S. government to conduct economic operations in conflict zones. Actions and responsibilities are not well defined, and there are gaps in time between projects for initial economic stabilization and those for longer-term sustainable development. DoD has sought to address these gaps, because military commanders believe economic operations are essential to its counterinsurgency mission and because the rest of the federal government has not been sufficiently prepared to undertake economic operations to the extent DoD believes necessary. As noted earlier in this report, CSIS concludes that in the near term, until the rest of the U.S. government increases its capabilities, DoD will continue to need to resource and support economic operations in conflict zones.

CSIS further concludes that, even after the rest of the government has increased its capabilities, DoD will likely still need to play a key role. Only DoD has the necessary assets, mobility, and capabilities to provide support at the level needed in non-permissive environments. In addition, because troop deployments in a counterinsurgency will continue until economic stabilization and security take hold, DoD has the motivation and incentive as well. As one senior military commander told CSIS, "If the Task Force didn't exist, we would have to create it."

Issues and Considerations

CSIS identified a number of possible issues to be considered:

- Economic and other recovery efforts continue today in Iraq, undertaken by DoD, other U.S. government agencies, and the government of Iraq. There is no policy basis to discontinue DoD economic operations in Iraq as long as the larger missions are still under way, and it makes more sense to keep the Task Force in place for those operations than to create a new entity for the same purpose.
- Planning is under way for Task Force activity in support of the Afghanistan effort, at the direct request of Ambassador Karl Eikenberry and with the explicit support of General Stanley McChrystal, Commander, U.S. Forces – Afghanistan and International Security Assistance Force, Afghanistan. The Task Force has begun its analysis and up-front assessment, consistent with earlier briefings and draft reports from the CSIS assessment.

- Most of the funds for the Task Force to date have been provided from DoD supplemental appropriations, now known as the Overseas Contingency Operations (OCO) accounts. There is the question of whether to continue using OCO funds for Task Force activities in FY 2010 or to fund the Task Force from the DoD base budget.
- The Task Force currently reports directly to the Secretary of Defense, as directed by him in his memorandum of March 11, 2009. There are other options for placement of the Task Force, including elsewhere in the Office of the Secretary of Defense (OSD), as a separate DoD Field Activity, within a defense agency, or within a combatant command such as CENTCOM.
- Task Force staffing levels, both in-house personnel and contractor support, have varied in accordance with workload requirements. The proper staffing level, including leadership positions, needs to be determined, particularly as the Task Force considers operations beyond Iraq while retaining its Iraqi operations, at least for FY 2010.
- There is the question of Task Force activities beyond Iraq and Afghanistan. The Secretary of Defense memorandum of March 2009 limits Task Force activities to the CENTCOM geographic area. One option is to permit at least an initial Task Force assessment in other areas, assuming the proper invitations are received from the relevant embassies and with support from DoD and the relevant combatant command.
- Because the Task Force grew initially from the BTA, it has continued to receive support from it for back office activities, personnel, and budgets. The issue of what DoD entity should provide support is tied to decisions on overall organizational placement.
- CSIS believes that the near-term (the next one to two years) solution for Task Force organizational placement may not be the same as for the longer term (three-plus years), but it does not make sense to reorganize twice while at war.

There is also the question of whether Task Force organizational arrangements should be tied to the broader need for better DoD civilian support for expeditionary operations. A number of studies, such as the report of the Commission on Army Acquisition and Program Management in Expeditionary Operations, point out that there is no adequate structure today for this broader level of DoD support. The question of what options exist for that broader structure is beyond the scope of this study, but CSIS believes that the ultimate placement of the Task Force should be considered in this broader context.

Potential DoD Criteria for the Task Force

The future organizational alignment of the Task Force should be consistent with the following criteria:

- Broad mandate that enables flexibility in approach and operations
 - Responsive to military commanders in-theater
 - Funding flexibility and discretion to respond to changing dynamics of economic operations in conflict zones
- Incorporated into overall strategy and campaign plan
 - Measurable goals and performance metrics
- Helps fill gaps between CERP and longer-term development
- Entrepreneurial leadership with a private-sector orientation

- Operates with trusted decision-makers in the field
- Connected to private sector, both domestic and foreign
- Maintains the ability to operate independent of traditional bureaucracy
- Communicates and coordinates internally and with other government and NGO entities
- Sustainable over the longer term (beyond ad hoc)
 - Infrastructure is in place
 - Plans for project handoffs (easier with private sector)
 - Back office support integrated with mission

Conclusions and Recommendations

CSIS concludes that for the near term, DoD needs to maintain its existing capabilities for economic operations in conflict zones, because military commanders consider it essential, and DoD cannot stand down while the rest of the government is developing its capabilities. CSIS concludes further that DoD will need substantial capability even after civilian capacity is increased. That capability currently is provided in part by the Task Force, and CSIS concludes that it makes more sense to retain the Task Force than to create a new organization or attempt to perform these missions from other existing DoD entities.

The current Task Force structure is therefore a key part of existing DoD capability, and CSIS concludes that it should be sustained for at least the next one to two years. Given the overall dynamics of today's operations in Iraq and Afghanistan, it does not make sense to reorganize the Task Force for FY 2010 or 2011. It could make sense to consider a Task Force reorganization as part of a larger effort to improve DoD civilian support for expeditionary operations; however, CSIS is not aware of any such larger effort today.

CSIS therefore recommends the following actions with regard to the near-term organization and resource support for the Task Force:

- Retain the Task Force in its current structure, reporting directly to the Secretary of Defense, for FY 2010, for FY 2011 budget planning purposes, and for execution in both Iraq and Afghanistan.
- Continue to provide Task Force funding for FY 2011 in the OCO account rather than incorporating funds into the DoD base budget.
- Improve budget, personnel, and technical support by providing back office support from WHS, the DoD institution that is chartered to support Secretary of Defense ad hoc organizations.
- Update and re-issue the March 2009 Secretary of Defense memorandum on the Task Force, to reflect the above actions and to enable the Task Force to engage, upon proper invitation, in all relevant geographic areas.

These near-term recommendations should be accompanied by an effort to analyze and develop longer-term options for organization both for DoD civilian support for expeditionary operations and for DoD economic operations in conflict environments. This effort should consider a range of approaches beyond the scope of this review.

7. Moving Forward: Task Force for Business and Stability Operations

This section examines seven key attributes of the Task Force within the framework of **Key Findings**. It prescribes recommendations for enhancing some attributes that contributed to Task Force success and diminishing others that appeared to hinder its mission. Aspects and implications of future Task Force efforts are also examined.

From the beginning, the ad hoc nature of the Task Force contributed to two of its most prominent attributes – its flexibility to adapt to changing circumstances and the absence of long-term planning. Both derive from the rapid creation of the Task Force. One should be retained, and the other should be modified as the Task Force continues.

The Task Force organization and placement within the Office of the Secretary of Defense (OSD) created two other key traits: 1) the ability to operate independent of traditional bureaucracy; and 2) the perception, sometimes accurate, of an inadequate ability to communicate and coordinate with the U.S. government interagency process. Moving forward, CSIS believes it is possible to mitigate the negative effects of the latter without necessarily diminishing the former.

A final set of significant Task Force attributes originated from the composition of its leadership. The Task Force director and top leadership were foremost businessmen and women, and they approached economic operations in Iraq with that perspective when attempting to understand potential customers and clients. In this case, the customers and clients were the host government and the U.S. military commanders in the field. A business mindset and private sector knowledge permeated and benefited all operations the Task Force undertook. This enabled the Task Force to take on many of its lines of operation. On the other hand, limited knowledge of internal bureaucratic government politics and maneuvers also made some operations of the Task Force more difficult.

CSIS recommends that the Task Force should strive to understand the attributes it brings to the table and accentuate the positive while mitigating the negative. Future efforts cannot help but benefit from such analysis. The Task Force should also remain open to additional attributes and capabilities. One such new capability would be improved ability to collect metrics against outcomes.

Get Involved in Planning Early and Often

In 2006, the Task Force was stood up with little preparatory planning and was given a wide charter to “do something” to support economic efforts in Iraq, in the words of one general officer. It was established with a broad mandate and no specific lines of operation. Initially, the Task Force was not part of larger theater-wide planning or operations, or “the surge” as it became known. In addition, in part because of the rapidly-evolving mission in Iraq, the Task Force did not adequately consider longer-term transition implications of its different lines of economic operations. That is not surprising, given the uncertain future of Iraq in 2006.

While it is understandable that long-term planning was not a Task Force strength when it began operations, almost four years later, longer-term planning is a paramount consideration, both in Iraq and Afghanistan. In Iraq, CSIS found that the State Department has begun transition planning efforts that do not appear to carry forward Task Force lines of operation or many other ongoing DoD projects. CSIS recommends that Task Force leadership should engage both the interagency process and the host nation during the next year to ensure that current lines of operation can be maintained. Going forward, long-range planning should be an iterative and ongoing process whereby metrics and host nation feedback inform future operations.

As described in the **Key Findings** section, the Task Force should maintain the new process of detailed pre-planning and investigation it is currently using for Afghanistan before launching future lines of operation. Consideration should be given to military value, host nation interest, and a process that considers eventual transition from the Task Force to other operators. In addition, it would be useful for the Task Force to meet regularly to review existing lines of operation, host nation participation, and plans for transition. These meetings could include key contractors involved in lines of operation, but then an executive committee of government-only officials should also meet to discuss long-range plans. The model of Task Force personnel being 80 to 90 percent contractors can be successful, but senior leadership must be careful to have government steering at the top level of planning.

Maintain Flexibility in Operations

When asked to describe the positive contributions of the Task Force, many who CSIS interviewed simply summed up the Task Force with one word: flexibility. In Iraq, the Task Force was flexible in its ability to initiate lines of operation and to respond to military commanders' needs and host nation concerns. Flexibility was an attribute actively sought by other parts of the U.S. effort and one the Task Force should judiciously take care to maintain.

The structural model of a small number of government facilitators and 80 to 90 percent contractor subject-matter experts (SMEs) provided the Task Force with a unique ability to initiate lines of operation by bringing SMEs into a conflict zone. The Task Force could quickly respond to command direction and opportunities by reaching out to private industry and internationally recognized consulting and accounting firms to provide SME support. While this model worked well, the Task Force should take care to make sure it finds the best set of partner firms.

With its funding flexibility, the Task Force was able to engage SMEs for areas in which they were needed, while maintaining the flexibility to switch contractors and SMEs as circumstances developed. When operations were not productive, as appears to have happened with the communications infrastructure effort, Task Force government personnel were able to pivot away from those lines of operation and find experts in other fields that may have been more beneficial.

Task Force personnel operate under DoD rules and regulations, giving them the ability and the flexibility to move around a conflict zone without the constricting rules and regulations that burden other executive branch agencies. While there are sound reasons to restrict travel within a war theater for the departments of State, Commerce, and Treasury as well as USAID, U.S.

military commanders on the battlefield felt that military needs should not be subject to those constraints, and the Task Force was flexible enough to respond. Such flexibility of movement free from restrictions should be maintained. The Task Force's broad charter also gave it flexibility to seek non-U.S. investors in Iraq. It was not limited, as other U.S. agencies are, to soliciting interest only among U.S. companies. All these attributes contributed to the Task Force's flexible response to military commanders and host nation interests.

Maintain Ability to Operate Independent of Traditional Bureaucracy

A task force by definition is outside normal bureaucratic organizational, staffing, and budgetary processes. In environments in which many government officials and entities are often very circumspect about staying in their own "lane of operations," the value of a cross-cutting entity such as the Task Force becomes readily apparent. The Task Force combined efforts in banking, working with the U.S. Treasury Department, and with Joint Contracting Command and the Defense Contract Management Agency on the Iraqi First program, providing examples of the value of cross-cutting assistance.

An advantage of operating outside typical bureaucratic lines is the absence of any need to appear as the visible lead on projects or to build upon program successes. In a counterinsurgency environment, assisting the host nation and promoting its governance capacity – and the perception of that capacity – is paramount. While traditional, standing organizations may feel the need to take or be perceived as taking credit for events, programs, and progress, the Task Force has not. This has helped the Task Force achieve results. The formation of Iraq's National Investment Commission, the U.S.-Iraq Business and Investment Conference, and multi-billion-dollar foreign investment agreements are all examples for which the Task Force has been a catalyst but has not demanded or received much publicity.

Moving forward, as the following paragraphs will delineate, interagency communication and coordination should be improved. However, the Task Force's ability to operate independent of traditional bureaucracy need not be lost through enhanced contact with the rest of the U.S. government and other agencies. If, while keeping the ad hoc Task Force embedded within OSD, clarifying policy guidance with the National Security Council (NSC) or the Department of State is established, independence may be maintained while improving communication and coordination.

Improve Communication and Coordination

As stated in the **Key Findings** above, a frequently-heard complaint about the Task Force from other U.S. government personnel, private investors, and the government of Iraq was of poor communication and coordination. Some communication concerns may simply be addressed and remedied by a more robust public relations and investor follow-up program. The Task Force need not maintain continuous connectivity to the private investors and businesses it hosted in Iraq, but several interviewees reported that their calls and emails went unanswered, which is not productive for the mission. Understandably, the Task Force has undergone change and restructuring, but if soliciting private-sector investment is to be an ongoing line of operation, communication and responsiveness must be enhanced.

As an entity of the U.S. government, the Task Force also needs to clarify its role and limitations to private-sector investors. The Task Force should clearly define the point at which, having introduced potential investors to host-nation counterparts, it will withdraw from discussions and negotiations, so that communication becomes between the private-sector entity and the host nation. The line of demarcation has not been clearly spelled out, and a number of potential investors with whom CSIS spoke naturally reported being confused.

Communication and coordination with other U.S. government personnel is described in greater detail elsewhere in this report. Communication with other government officials does not mandate their concurrence, agreement, or cooperation. Task Force leadership should coordinate with other U.S. government leadership within a theater as needed to minimize duplication of effort. It should communicate its efforts as the sensitivities of the host nation and investors allow.

The most critical communication and coordination activities are those with the host nation. In this area, the Task Force received high praise from Iraqi government officials for its initial willingness to listen to Iraqi concerns and interests. Through 2007, as the Task Force maintained the continuity of its senior personnel, communication and coordination were strong points of the Task Force effort. However, as the Task Force began to wind down in late 2008, and personnel began to turn over, perceived communication and coordination with the host nation suffered.

As the Task Force begins FY 2010, and transition efforts for economic lines of operation continue apace, communication and coordination with the government of Iraq will take on a new purpose. Task Force leadership should ensure that responsive, continuous communication is maintained between senior Task Force leadership and Iraqi officials. A smooth transition, or termination, of Task Force lines of operation will require clear, constant coordination with the host nation.

Foster and Encourage a Business / Private Sector Mindset Among the TFBSO Staff

One of the key strengths of the Task Force was its business-oriented approach to economic operations in a conflict zone. Key leaders, including the director, DUSD Brinkley, had extensive private sector experience before joining the Task Force. They approached tasks and opportunities with a business mindset, rather than a bureaucratic or military one. This approach, which enhanced and encouraged private sector engagement in Iraq, was fundamental to any success the Task Force achieved. As one senior military general stated, “The Task Force brought the private sector to the battlefield, and they are to be credited with bringing that tool of U.S. power to bear.”

As the Task Force transforms, adds new lines of operation and expands into other theaters, it should reinforce a business / private sector approach. Senior Task Force leaders should ideally have business backgrounds. When exploring new lines of operation, consideration should be given to how the private sector can participate. Such participation can not only improve efficiency, but it also may help improve future transitions, as natural follow-on partners would already have been identified.

Seek and Nurture Internal Government Operations Expertise within the TFBSO

As important as having staff that understands the private sector, moving forward the Task Force should also work to incorporate some senior leadership that understands and has extensive experience with internal DoD bureaucracy and the interagency process. Although the Task Force's organization and reporting structure allows it to operate outside typical bureaucratic channels, this does not replace the value of developing internal allies within DoD and the rest of government. Natural allies, such as USAID's Office of Transitional Initiatives (OTI) or the United Kingdom's Department for International Development (DFID), could provide synergies heretofore unrealized by the Task Force. Similarly, actively cultivating allies within OSD and within the services could prove useful to future Task Force operations.

Enhance the TFBSO's Ability to Identify Goals and Collect Metrics

In 2006, as the Task Force began its efforts during the height of civil conflict in Iraq, identifying goals and collecting metrics on its progress was understandably not a priority. However, as it goes into its fourth year and considers operations elsewhere, the Task Force should develop suitable reporting metrics. Such metrics should be simple, verifiable, and directly relevant to Task Force activities. Clear plans for measuring progress should be established as the Task Force undertakes new lines of operation.

By engaging CSIS to conduct this assessment, the Task Force has begun a concerted effort at self-analysis. Such self-analysis is a positive step toward understanding an organization's strengths and weaknesses. Ad hoc organizations can have a tendency to ossify and lose relevance and energy over time, and continued outside independent assessment and counsel guard against this possibility.

8. The Context: Iraq's Economy

Iraq's poor economic circumstances at the time of the Task Force's creation largely resulted from 30 years of war, isolation brought about by United Nations sanctions, and command-based economic policies. The U.S. invasion in 2003 was just one of many upheavals that disrupted the Iraqi economy. It also removed the country's governing structure and replaced it with an occupying authority intent on creating a free-market economy where one did not exist, meaning Iraqis faced an extraordinary additional adjustment as they sought to rebuild their country during the post-Saddam era. This need for adjustment often limited the effectiveness of U.S. economic operations.

In order to provide the context for Task Force operations in Iraq, this section summarizes Iraq's current economic situation and then reviews the country's economic history from the time oil was discovered to the Task Force's creation in 2006. The discovery of oil is an appropriate starting point for this review, because oil is the principal component of Iraq's economy and drives the economic policies of the Iraqi government.

Iraq's Economy Today

In Iraq, data for economic metrics such as unemployment, GDP growth, and foreign direct investment are hard to come by. The data that are available often are inconsistent and imprecise, in part because Iraq is a complicated operating environment and researchers use different methods of collection. As a result, it is difficult to quantify even something as fundamental as the size of the Iraqi workforce. However, there is agreement that Iraq's economy grew during 2008 and the first half of 2009, despite the global economic downturn and a drop in crude oil prices. Estimates show that 23-38 percent of Iraqis were unemployed in January 2009 (the most recent figures available), a lower percentage than in January 2008 (25-40 percent).⁶² The International Monetary Fund (IMF), the UN, and the Economist Intelligence Unit (EIU) all project that GDP growth is continuing in 2009, contingent on an anticipated rise in the price of oil.⁶³ Oil exports account for approximately two-thirds of the country's GDP and 85-90 percent of the government's revenue, but the oil industry employs only a small percentage of Iraq's workforce.⁶⁴ The government, however, has yet to pass a national hydrocarbons law to govern the distribution of oil revenue, hindering Iraq's ability to take full advantage of its abundant oil resources.

An expanding oil sector would not necessarily lead to increased economic opportunities, as the experiences of resource-rich developing and developed countries alike have shown.⁶⁵ Most oil-

⁶² O'Hanlon, Michael E. and Jason H. Campbell. "Iraq Index: Tracking Variables of Reconstruction and Security in Post-Saddam Iraq." The Brookings Institution, Washington, D.C.: 16 July 2009, 40. CSIS's analysis indicates that an Iraqi worker could fall into one or more of four categories of employment status: working for the government; working in agriculture (as an independent farmer); working in the informal economy or private sector; or unemployment. It is possible for workers to be active in more than one category because some individuals on the government payroll do not show up for their job, and therefore have the time to find work in the private sector.

⁶³ SIGIR. "Iraq Reconstruction Funds and Use." Audit Report, Washington, D.C.: 30 July 2009, 102.

⁶⁴ Ibid.

⁶⁵ Garber, David. "Oil, Dutch Disease, and Development: The Case of Chad." University of Wisconsin, Madison, Wis.: July/August 2004, 1.

rich developing countries have failed to translate oil revenue into a thriving private sector. In recognition of this and in part to help Iraq diversify its economy, billions of dollars have been spent to build and restore infrastructure and create conditions that can produce sustained economic growth. The Iraqi government (\$71 billion), the United States (\$52 billion), and the international community (\$17 billion) have made \$140 billion available for reconstruction and relief in Iraq (as of June 30, 2009).⁶⁶

The agricultural sector, which in Iraq historically has grown inversely to oil, remains the largest non-government employer in Iraq, accounting for approximately a quarter of all jobs.⁶⁷ It also makes up 10 percent of Iraq's GDP. However, because of dilapidated infrastructure, the country has struggled to reach its potential, which is further held back by a lack of irrigation and poor soil quality. Iraq uses only 50 percent of its arable land, and the country continues to suffer from a severe drought that arrived in 2008.⁶⁸

It also is important to note that Iraq has a large informal economy, which flourished both in the 1990s under UN sanctions and during the height of the insurgency that followed the U.S. invasion.⁶⁹ Ongoing corruption, a shortage of viable licit forms of employment, and a rise in the number of new workers entering the Iraqi economy have contributed to the growth of the informal economy.⁷⁰ Although quantifying the size of the informal economy is difficult, there are estimates that around 24 percent of Iraq's workforce earns a living from off-farm, non-wage jobs.⁷¹

It is difficult to do business in Iraq. According to the World Bank's *Doing Business 2009* report, Iraq ranks 152 out of 181 nations in terms of how easy it is to do business in a country.⁷² Prime Minister Nouri al-Maliki has expressed a desire to create a more inviting investment climate, but many initiatives, including the legalization of foreign ownership of Iraqi land for investment in housing construction projects, are incomplete and could be affected by the elections in January 2010.⁷³ With elections pending, any important decisions concerning the economic future of Iraq most likely will be postponed until a new government is formed.

Iraq's Economy Before the 2003 Invasion

Historically, Iraq's economy relied heavily upon agricultural exports, especially dates and grain, but the discovery of oil in 1927 dramatically altered its makeup. In 1931-32, oil provided 20 percent of government revenue; by 1954 that number had climbed to 65 percent.⁷⁴ Throughout the 1950s and early 1960s, Iraq had a market-oriented economy, although commerce-limiting

⁶⁶ SIGIR, 30 July 2009, 26.

⁶⁷ Ibid., 104.

⁶⁸ Ibid., 14, 108.

⁶⁹ Looney, Robert. "Economic Consequences of Conflict: The Rise of Iraq's Informal Economy." *Journal of Economic Issues*, XL(4), December 2006, 5-8.

⁷⁰ Ibid., 5.

⁷¹ U.S. Agency for International Development. "Iraq Economic Recovery Assessment." Nathan & Associates, Arlington, Va.: February 2009, 15.

⁷² <http://www.doingbusiness.org/EconomyRankings/>

⁷³ SIGIR, 30 July 2009, 109.

⁷⁴ Tripp, Charles. *A History of Iraq*. Cambridge: Cambridge University Press, 2002, 71, 138.

tribal and feudal influences persisted. Beginning in the 1970s, however, Iraq's economy became increasingly centralized and command-based, complete with legal, political, economic, and regulatory institutions that ran counter to market practices.⁷⁵

In addition to the centrality of oil, the Ba'ath Party's control of Iraq is inseparable from the country's modern economic history.⁷⁶ While serving as the Ba'ath Party's second in-command, Saddam Hussein systematically consolidated power and control over the country's oil sector, and the government nationalized the Iraq Petroleum Company in 1972.⁷⁷ When the price of oil skyrocketed during the second half of the 1970s, oil became an even more important driver of Iraq's GDP. Agriculture, in turn, became increasingly less productive, which was particularly problematic given that it employed the majority of the Iraqi workforce. Government efforts to stimulate agricultural production failed to satisfy growing domestic consumption needs, however. Iraq, considered an agricultural giant in 1950, was a net importer of food grains by the early 1970s⁷⁸ and continues to have extensive food-supply subsidies. With oil revenue continuing to grow during the 1970s, an increasing portion of that revenue went toward importing food and subsidizing the agricultural sector.

A significant amount of oil money also went toward economic development. Iraq spent an estimated \$14.2 billion from 1976-1980⁷⁹ (roughly 10 percent of GDP during the period)⁸⁰ on developing public services and the country's industrial sector. Newly-created state-owned enterprises (SOEs) formed the country's industrial backbone. These subsidized entities depended on internally-reinforcing supply chains devoid of market-driven demand. Factory employees often were awarded jobs as an extension of sociopolitical patrimonial networks and frequently lacked necessary skills, but they were protected by Iraq's labor law.⁸¹ Robust oil earnings concealed the drag of the industrial and agricultural subsidies, but the structural weaknesses of the Iraqi economy were real and were subsequently exposed during the 1980s.

The war with Iran and temporary changes in Saddam's approach to the economy after he became president in 1979 defined Iraq in the 1980s. The most damaging economic consequence of the eight years of war was the impact of hundreds of thousands of lives lost, which decreased the number of young men available to work. Also, in order to finance the war after spending its foreign currency reserves, Iraq ran up a debt of more than \$80 billion.⁸² The conflict destroyed only a small number of SOEs, but it disrupted Iraq's industrial supply chains and paralyzed the

⁷⁵ Sanford, Jonathan E. "Iraq's Economy: Past, Present, Future." *Congressional Research Service Report*. Washington, D.C.: 3 June 2003, 2-5.

⁷⁶ During the 1940s, a Lebanese Christian philosopher founded the Ba'ath Party as a socialist, pan-Arab movement (see Katzman, Kenneth. "Iraq: Post Saddam Governance and Security." *Congressional Research Service Report*. Washington, D.C.: 8 July 2009.)

⁷⁷ Tripp, 208.

⁷⁸ *Ibid.*, 206.

⁷⁹ Sanford, 9.

⁸⁰ Analysis based on Bloomberg data.

⁸¹ Sanford, 5. For more about the evolution and institution of patrimonial networks in Iraq, see Tripp.

⁸² Tripp, 248.

country's industrial sector. The war also strained the state's ability to provide services to its growing population⁸³ and decreased the income of large parts of Iraq's populace.

As a result of rising debt and increasing economic turmoil, Saddam embraced several market-oriented reforms beginning in 1987. The regime eased restrictions on foreign direct investment, took steps to privatize several SOEs and lowered or removed state subsidies for others. The agricultural sector also lost some of its government financial support. However, Saddam's experiment with free-market policies was temporary, and Iraq's economy returned to a more command-oriented structure not long after the Iran-Iraq War ended in 1988.⁸⁴

If the Iran-Iraq War crippled the Iraqi economy, Iraq's 1990 invasion of Kuwait and the resulting Gulf War and UN sanctions obliterated it. The Gulf War destroyed a significant portion of Iraq's oil and industrial sectors, and available funds were mainly funneled into repairing the oil sector. With little investment or maintenance, the country's infrastructure steadily decayed during the 1990s. Operating under the UN's Oil-for-Food Program, crude oil was estimated to account for more than 95 percent of Iraqi exports by 2001.⁸⁵ The segregation of Iraq from the world economy restricted efforts to reconstruct the SOEs and further damaged the agricultural sector. Sanctions severely constrained government revenue, though the regime continued to pay state employees. The informal economy produced alternate employment opportunities, but by 2001, estimated per-capita income had dropped to less than a third of what it had been in the early 1980s.⁸⁶

The 2003 Invasion and the CPA

Operation Iraqi Freedom began on March 19, 2003. After the fall of Saddam's regime and the short-lived Office of Reconstruction and Humanitarian Assistance (ORHA), the United States established the Coalition Provisional Authority (CPA), which the UN formally recognized as an occupying authority on May 22, 2003.⁸⁷ Ambassador L. Paul Bremer's CPA was responsible for governing Iraq – with complete executive, legislative, judicial, and administrative powers – while also overseeing the country's reconstruction. Before the invasion, official U.S. policy was that Iraq's oil revenue could fund reconstruction.⁸⁸ However, Iraq's derelict oil infrastructure made that impossible. Therefore, the United States took on more than one-third of the cost of rebuilding Iraq (as noted above, \$52 billion of the \$140 billion made available for the relief and reconstruction of Iraq).⁸⁹

⁸³ According to population estimates from the U.S. Census Bureau's International Data Base, Iraq's population increased each year from 1980 (13,233,000 people) to 1988 (17,041,000 people) despite the hundreds of thousands of lives lost in the Iran-Iraq war (see: <http://www.census.gov/ipc/www/idb/informationGateway.php>).

⁸⁴ Sanford, 9-10.

⁸⁵ Ibid., 33. Portland cement, dates, fertilizers and reaction engines made up the balance.

⁸⁶ Crocker, Bathsheba. "Reconstructing Iraq's Economy." *The Washington Quarterly* 27(4), Autumn 2004, 75.

⁸⁷ Dobbins, James, Seth G. Jones, Benjamin Runkle, and Siddharth Mohandas. *Occupying Iraq: A History of the Coalition Provisional Authority*. Santa Monica, Calif.: RAND Corporation, 2009, xiv. UNSCR 1483 recognized, but did not endorse, the American and British-led occupation.

⁸⁸ SIGIR. *Hard Lessons*, 11-12.

⁸⁹ SIGIR, 30 July 2009, 26.

The impact of operating in a command economy on both Iraq's labor force and the country's overall business climate did not disappear simply because Saddam was no longer in power. Historically, a significant percentage of Iraqi workers have been employed by SOEs.⁹⁰ Most of the SOEs shut down after the U.S. invasion because of looting, though many employees continued to receive at least partial paychecks from the CPA and later from the government of Iraq.⁹¹ These employees, however, were not productively occupied or even necessarily going to their job sites and, as under the Saddam-era political patronage system, securing a government job continued to be the goal of most Iraqi workers.⁹² Also, some Iraqi ministers, officials, and company executives did not understand how to run their operations absent instructions from the central government. As noted by several people CSIS interviewed, the Iraqis simply had no experience operating in anything other than a command economy which, for more than a decade, also had been segregated from the international system.

In planning for the occupation, the U.S. government had not considered an indigenous insurgency to be one of the possible outcomes of invading Iraq. The CPA acted on the assumption that security had been established, and therefore operated from the perspective of fostering long-term economic development, not fighting a counterinsurgency campaign. The CPA moved quickly to liberalize the Iraqi economy based on the model of the transition of the post-Communist Eastern European economies (which took place in relatively stable security environments).⁹³

Ambassador Bremer, a career Foreign Service Officer, believed that market-based reforms were essential to Iraq's recovery. In a June 20, 2003, *Wall Street Journal* op-ed, he wrote, "While the ultimate future of Iraq's economy will be determined by the Iraqis themselves, economic growth will depend on the birth of a vibrant private sector. And this will require the wholesale reallocation of resources and people from state control to private enterprise, the promotion of foreign trade, and the mobilization of domestic foreign capital." Iraq's 198 SOEs were at the top of the CPA's list of state-controlled resources to transfer to private hands.

There were several obstacles to making that transfer, however, including legal issues surrounding an occupying authority selling another country's state-owned assets. In June 2003, CPA officials stated that they would move to sell the SOEs to private investors,⁹⁴ but they soon reversed course. On October 24, 2003, Ambassador Bremer said "no state-owned enterprises are for sale at this time. Decisions on that matter will be made in due course by Iraqi authorities."⁹⁵ These conflicting statements reflect the difficulty the CPA had in reconciling its desire to privatize the Iraqi economy with the organizational and legal structure of Iraqi industry and the shortage of private capital willing to invest in Iraq when violence was on the rise.

⁹⁰ Task Force to Improve Business and Stability Operations in Iraq. Industrial Revitalization Initiative. Overview of Effort, April 2007, 2.

⁹¹ SIGIR, *Hard Lessons*, 90-91.

⁹² A number of interviewees made the point that Iraqi workers are focused on finding a government job.

⁹³ A number of interviewees made this point.

⁹⁴ Andrews, Edmund L. "Overseer in Iraq Vows to Sell Off Government-Owned Companies." *The New York Times*, 23 June 2003.

⁹⁵ http://govinfo.library.unt.edu/cpa-iraq/transcripts/20031024_madrid3.html

By the end of its tenure in June 2004, the CPA had taken no visible action to restart most of the SOEs and in fact had made several decisions that ensured many would not reopen. For instance, the CPA seized the cash balance in state-owned banks of each SOE and transferred the money to the Development Fund for Iraq, where it would be used for infrastructure projects.⁹⁶ Also, the CPA canceled the accounts-receivable balance for each SOE, depriving them of cash flow.⁹⁷

During 2003 and 2004, the CPA made several other decisions that irrevocably altered the political and economic landscape of Iraq. CPA Order Number 1 proved particularly controversial, as it decreed the firing of 30,000 of Iraq's highest-ranking government officials in accordance with the policy of "de-Ba'athification." The Order removed from office most of the Iraqis with any government administrative experience. CPA Order Number 2 dissolved the Iraqi military. This decision was not well received by the Iraqi populace at large, and many analysts argue that it fueled the subsequent insurgency. The CPA also lowered tariffs and instead imposed a five percent reconstruction tax on most imports.⁹⁸ Domestic businesses, suffering from neglect and command-economy habits, found it difficult to compete with a flood of imports, many of which were heavily subsidized by exporting countries.

In 2003, the CPA's economic development strategy focused on large infrastructure projects, with the goal being to build a foundation for Iraq's economy. In the end, however, the projects that resulted from this approach – power plants, dams, and hospitals, for instance – did not measurably expand the private sector or move Iraq toward more stable and prosperous circumstances. With violence rising as a result of the growing insurgency, many projects were not completed or were damaged or destroyed.

While the CPA pursued its economic development strategy, the U.S. military began a program that took a different approach to economic operations. The Commanders' Emergency Response Program (CERP), which was initiated by the military in May 2003 and then endorsed by the CPA, put money into the hands of mid- and low-level military commanders to fund projects targeted at short-term needs.⁹⁹ That CERP started so soon after the invasion suggests that some members of the U.S. military quickly recognized that economic operations at the local level would be integral to achieving their mission in Iraq. The use of CERP continues in Iraq to the present day, and the amount of money available to individual commanders has increased from hundreds of thousands to millions of dollars. Since 2003, the U.S. Congress has appropriated \$3.63 billion for CERP in Iraq.¹⁰⁰

On June 28, 2004, the CPA formally transferred power to the interim government of Iraq. Two days later, the U.S. embassy opened in Baghdad with 1,100 personnel in temporary quarters, and the United States resumed diplomatic relations with Iraq. The CPA era had seen a debt-relief package and the creation of a stable Iraqi currency. After a contraction of about 35 percent in 2003,¹⁰¹ Iraq's economy grew in 2004. Also, in May 2003, electricity production in Iraq

⁹⁶ Brinkley, Paul. "A Cause for Hope: Economic Revitalization in Iraq." *Military Review* (July-August 2007), 4.

⁹⁷ Ibid.

⁹⁸ Crocker, 77.

⁹⁹ Martins, Mark S. "The Commanders' Emergency Response Program." *Joint Force Quarterly*, 2nd Quarter 2005, 47.

¹⁰⁰ SIGIR, 30 July 2009, 6.

¹⁰¹ Looney, 1.

averaged 711 megawatts per day; at the time the CPA transferred power to the Iraqis, production had increased to 3,621 megawatts. However, this improvement fell short of both the CPA's goal of 6,000 megawatts and the prewar level of 4,075 megawatts.¹⁰²

Oil production had reached an average of 2.16 million barrels per day by the end of the CPA, which was significantly higher than the immediate postwar period (300,000 barrels) but still lower than Oil-for-Food prewar levels (2.58 million barrels).¹⁰³ Unlike at the start of the war, the United States was no longer in the dark about the true state of the Iraqi economy and the need for reconstruction, but now the Iraqi government would play a greater role. Violence continued to escalate as the State Department's new Iraq Reconstruction and Management Office (IRMO) took over the CPA's role in the reconstruction of the war-torn country.

After the CPA

National Security Presidential Directive 36 (NSPD-36), dated May 11, 2004, created IRMO within the State Department and the Project and Contracting Office (PCO) within DoD. These two ad hoc entities replaced the CPA's Project Management Office (PMO), and the CPA's senior advisers to Iraqi ministries became part of IRMO. NSPD-36 gave IRMO responsibility for the reconstruction activities left over from the CPA, while the PCO was to provide implementation and project-management support for those activities.¹⁰⁴ The second appropriation by the U.S. Congress to the Iraq Relief and Reconstruction Fund (known as IRRF II) was the mechanism by which IRMO and the PCO worked to secure Iraq.¹⁰⁵ Between June 2004 and June 2005, however, the U.S. struggled to define an overall strategy and identify the right priorities for this money, and IRRF II allocations went through three reprogrammings.¹⁰⁶

The reprogrammings resulted from Ambassador John Negroponte's desire to reexamine the focus of the \$18.4 billion IRRF II program. Ambassador Negroponte took his position at the U.S. Embassy the day after the CPA handoff, and he began the job having already concluded that any economic development efforts in Iraq would be unproductive as long as security was a major issue.¹⁰⁷ General George Casey, who in July 2004 was named the new commander of Multi-National Force-Iraq (MNF-I), agreed with Ambassador Negroponte's conclusion, and the two of them together set out to shift U.S. spending in Iraq to reflect this priority.¹⁰⁸

The changes in sector allocations resulting from the three reprogrammings (see Table 5 below) demonstrate how U.S. strategy during this period began to shift away from the economic priorities of the CPA. Instead of focusing mainly on infrastructure projects, the United States began to emphasize projects designed to affect the deteriorating security situation and improve the Iraqi political process. The most dramatic change in resources came in "Private Sector

¹⁰² SIGIR, *Hard Lessons*, 162.

¹⁰³ Ibid.

¹⁰⁴ The White House. "National Security Presidential Directive NSPD-36." Washington, D.C.: 11 May 2004.

¹⁰⁵ The U.S. government created the Iraq Relief and Reconstruction Fund in April 2003 to fund humanitarian assistance and reconstruction in Iraq. Congress appropriated \$2.475 billion for IRRF I, and in November 2003 allocated \$18.4 billion for IRRF II (see SIGIR, *Hard Lessons*, 61, 103).

¹⁰⁶ SIGIR, *Hard Lessons*, 165-171.

¹⁰⁷ Ibid., 166.

¹⁰⁸ Ibid., 166-167.

Employment Development,” which saw a 359 percent increase from its original allocation level.¹⁰⁹ Eight activities fell under the category of Private Sector Employment Development: Expand Network of Employment Centers, Vocational Training, Business Skills Training, Micro-Small-Medium Enterprises, Institutional Reforms, Agriculture, Market-Based Reforms, and Iraq Debt Forgiveness.¹¹⁰

Table 5 – Iraq Relief and Reconstruction Fund II – Allocations by Sector for June 2004, December 2004 and June 2005 (\$ in millions)¹¹¹

Sector	June 2004 Allocation	December 2004 Allocation	June 2005 Allocation	Percent Change from Original
Security and Law Enforcement	\$3,235	\$5,045	\$5,018	55
Justice, Public Safety Infrastructure and Civil Society	1,484	1,953	2,189	47
Electricity Sector	5,465	4,369	4,319	-21
Oil Infrastructure	1,701	1,701	1,723	1
Water Resources and Sanitation	4,247	2,279	2,146	-49
Transportation and Telecommunications Projects	500	513	508	2
Roads, Bridges and Construction	368	360	334	-9
Health Care	786	786	786	0
Private Sector Employment Development	183	843	840	359
Education, Refugees, Human Rights, Democracy and Governance	259	379	363	40
Administrative Expenses	213	213	214	0
Total	\$18,439	\$18,439	\$18,439	

The projects resulting from the IRRF II reprogrammings, however, were not able to calm sectarian tensions and improve the security situation in Iraq; the level of violence continued to escalate even after work on IRRF II projects peaked. Inadequate interagency cooperation was one factor that may have limited IRRF II’s effectiveness. A minimum of a dozen offices representing six U.S. agencies spent IRRF II money, and there was little to no coordination

¹⁰⁹ Ibid., 170-171.

¹¹⁰ <http://www.state.gov/documents/organization/115741.xls>

¹¹¹ SIGIR, *Hard Lessons*, 170.

concerning information on contracting, finance, and projects. Also, some projects took much longer to complete than expected, and others fell apart after being transferred to the Iraqis.¹¹²

By the fall of 2005, concerned about the absence of demonstrated security improvements from IRMO projects, the U.S. military had moved beyond recognizing CERP as the only non-lethal component of its effort to secure Iraq. U.S. military commanders embraced the idea of a counterinsurgency strategy that would combine military and civilian resources. The strategy – which came to be called “Clear-Hold-Build” – included military, political, and economic components and first found favor among commanders working to secure Iraqi communities outside Baghdad. The potential for “Clear-Hold-Build” to counter Iraq’s security problems spread up the chain of command, and in October 2005, Multi-National Corps-Iraq (MNC-I) published a handbook for commanders entitled “Money as a Weapons System,” which characterized economic operations as an integral part of the military’s work on the battlefield.¹¹³ But even after “Clear-Hold-Build” became official policy as part of the November 2005 document “National Strategy for Victory in Iraq,” it was under-resourced for more than a year.¹¹⁴ It was not until January 2007, when President George W. Bush announced his “New Way Forward in Iraq” (popularly known as the “surge”), that the United States began to devote the resources, personnel, and political support needed to make “Clear-Hold-Build” fully operational.

As 2006 opened, the Iraqis had ratified a new constitution and held a general election (with the new government seated by mid-2006). But three years after the U.S. invasion, efforts to restart Iraq’s industrial sector had not yet succeeded. The re-opening of international trade had negatively affected many sectors of the Iraqi economy, including agriculture and small businesses. Some policies of the new government of Iraq also did not help increase economic productivity. For instance, the government passed a law which reinstated former employees of SOEs who had been improperly dismissed under Saddam. This increased the payrolls of the SOEs by 35-40 percent, but without an increase in demand or revenue.

Iraq’s escalating sectarian conflict in 2006 aggravated the already-existing problems associated with U.S. efforts to secure the country. Rising levels of violence kept away investors, especially those from the United States. In particular, the February 22, 2006, bombing of the al-Askari mosque in Samarra set off a wave of violence that made it even more difficult for the United States to conduct economic operations.¹¹⁵ Security deteriorated to the extent that the U.S. civilians responsible for economic operations were all but confined to Baghdad’s International Zone.

Amidst all the chaos, however, there were indications that the United States was slowly shifting toward using economic operations at the local level in line with the “Clear-Hold-Build” strategy, despite the lack of a full commitment to the strategy from Washington. For instance, Lieutenant General Peter Chiarelli, the commander of MNC-I beginning in January 2006, began to use CERP money for activities such as building power lines to connect power plants constructed

¹¹² Ibid., 231-232.

¹¹³ Ibid., 245-246.

¹¹⁴ Ibid.

¹¹⁵ Ibid., 274-276.

with IRFF I and II dollars to Iraqi homes.¹¹⁶ This was a different application of CERP from the original idea of providing commanders with money for short-term needs, and the fact that LTG Chiarelli had to use CERP resources to fund the project highlighted how the United States did not have the capability to undertake the range of activities necessary to implement “Clear-Hold-Build” effectively.

The military commanders who developed “Clear-Hold-Build” also came up with creative ways to implement the strategy beginning in 2006, even though it had yet to be fully resourced. This resulted from the mission focus of DoD. The State Department and USAID, however, were less quick to find ways to accept and implement the economic aspects of “Clear-Hold-Build.”¹¹⁷ Part of this was a lack of capacity, but there also was the issue that the outcomes of their typical work – long-term development projects – were not necessarily relevant to the first two phases of “Clear-Hold-Build” requiring attention. There was a gap between CERP and long-term development, and DoD moved to fill it. The Task Force’s creation was one manifestation of this effort to bridge the gap in U.S. capabilities between short-term initiatives and long-term development projects.

¹¹⁶ Ibid., 280.

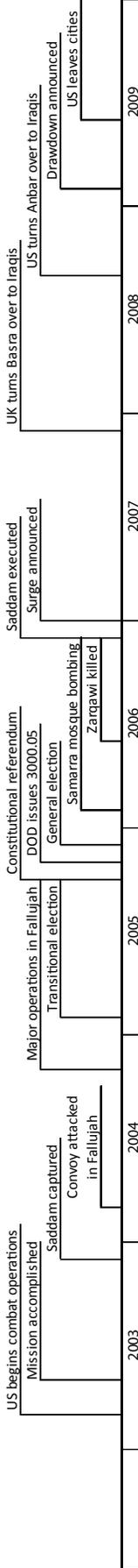
¹¹⁷ Ibid., 282.

Appendices

1. Timeline
2. Selected References
3. Summary of Interviewees
4. Abbreviations and Acronyms

Appendix 1: Iraq Timeline

EVENTS



PEOPLE

TFBSO Paul Brinkley

DoD

- SecDef	Donald Rumsfeld	Gordon England	Robert Gates
- DepSecDef	Paul Wolfowitz	Gordon England*	
- CENTCOM	Tommy Franks	John Abizaid	William Fallon
- MNF-I	W. Wallace	Ricardo Sanchez	George Casey
- MNC-I	Thomas Metz	John Vines	Peter Chiarelli
- MNSTC-I	David Petraeus	John Urias	Martin Dempsey
- JCC-I/A	S. Seay		Darryl Scott

Dept of State

- Secretary	Colin Powell	Condoleezza Rice	Hillary Clinton
- Ambassador	John Negroponte	Zalmay Khalilzad	Ryan Crocker
- Interagency	IRM	IRM	ITAO
--- Director	D. Nash	Daniel Speckhard	Joe Saloom
- Economic	William Taylor		Mark Tokola
--- Coordinator			Tim Carney
			Charlie Ries
			Karen Aguilar
			CETI
			Marc Wall
			Bill Phillips

Iraqi Gov't

- President	CPA	Interim	Transitional
- PM	Paul Bremer	Ghazi al-Yawer	Jalal Talabani
- Trade	Alli Allawi	Iyad Allawi	Nouri al-Maliki
- Finance	Kamil al-Gillani	Mohammed al-Jubri	Abdul al-Sudany
- Defence	Alli Allawi	Adel Mahdi	Bayan Jabor
- Industry	Mohammed Raheem	Hazem al-Khuzael	Qadir Obaidi
		Hajim al-Hassani	Fawzi Hariri
		Usama al-Najafi	

KRG

- President	Massoud Barzani
- PM	Nechirvan Idris Barzani

IG

- Head	CPA-IG	Stuart Bowen	SI GIR
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USAID

- Mission Director	Lewis Lucke	Spike Stephenson	Dawn Liberi	Bambi Arellano	Chris Crowley
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*Acting

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Appendix 3: Summary of Interviewees

Methodology

CSIS collected a substantial amount of the information used in this assessment through extensive interviews and discussions with current and former members of the U.S. military, including flag and general officers, and officials from other parts of the U.S. government. CSIS also interviewed officials and representatives from the central, provincial, and regional Iraqi governments and from Iraqi businesses. Additional interviewees included representatives from private companies, think tanks, international organizations, and academia.

Interviewees are summarized in this appendix according to the following categories:

- Subject Matter Experts
- Commercial Company and Association Representatives
- U.S. Government Contractor Representatives
- Former U.S. Government Officials (not including Senate confirmed)
- Former U.S. Government Officials, Senate confirmed
- Current U.S. Government Officials (not including Senate confirmed)
- Current U.S. Government Officials, Senate confirmed
- Representatives of International Entities and Organizations
- Business and Government Officials in Iraq
- Current U.S. Military Personnel (not including General Officers)
- Former U.S. Military Personnel (not including General Officers)
- Current U.S. General and Flag Officers
- Former U.S. General and Flag Officers
- Current and Former Task Force staff

All interviews were conducted on an off-the-record, not-for-attribution basis. This appendix summarizes the categories into which the interviewees can be assigned. A number of interviews were conducted in Iraq by CSIS teams that visited the country in June 2009 and September-October 2009. The data in the table below are designed to reflect the dimensions of the interviews while protecting the not-for-attribution basis under which these interviews were conducted. Some additional explanation is warranted, however.

Summary

CSIS interviewed more than 80 current and former U.S. government officials, including more than 20 who had been confirmed by the Senate in their current or former position. These officials were evenly divided between those currently working for the U.S. government and those who have separated from service. These totals do not include U.S. personnel whose government service was purely as active duty military personnel.

These current and former officials represented a broad array of federal agencies, including the Departments of Defense, State, Commerce, Justice, Treasury, and Agriculture. They include officials from agencies such as the Overseas Private Investment Corporation, the U.S. Agency

for International Development, and the staff of the National Security Council. They also include officials from the Office of Reconstruction and Humanitarian Assistance and the Coalition Provisional Authority in Iraq. Because the total number of interviewees for some of these government entities is small, a listing of current officials by agency could lead to the potential identification of individuals, in violation of the agreements under which CSIS conducted the interviews. For that reason, only aggregate totals are shown in the table below.

CSIS also interviewed more than 50 current and former U.S. military personnel, including more than 30 general and flag officers. Nearly all of these military personnel served in Iraq or Afghanistan (or both), although a few date back to U.S. actions in the Balkans in the 1990s. A number of these personnel were interviewed for reasons other than their military service (for instance, they may have served as a government official after retirement from the military, or they may have been working for a U.S. contractor or commercial company at the time of the interview). For completeness of reporting, CSIS includes such interviewees in two categories – the category which was the primary reason for their being interviewed, and the former general and flag officer category. Every known former general and flag officer is included in the totals in the table below.

During two trips in and across Iraq in June and September-October, 2009, CSIS interviewed 40 businessmen and government officials from the national, regional, and provincial levels. A significant number of these interviewees were also interviewed a second time during the U.S.-Iraq Business and Investment Conference meeting in Washington, DC, in October 2009. A small number of these interviews were conducted by telephone with individuals who no longer reside in Iraq for various reasons.

All of the categories include a significant number of officials at very senior levels, but individuals are not categorized by rank or title in order to protect the identity of all interviewees.

Category Entries

The table below provides a total of interviewees by category. A number of interviewees are included in more than one category because of their professional relevance to the scope of the project. For example, some former U.S. government officials are also retired general or flag officers. Some retired general or flag officers are now serving as current government officials. Other interviewees were interviewed for more than one reason – they may have served in the CPA, for example, and now are employed by a commercial company or U.S. contractor. In order to provide a full picture of the breadth of the interviewees, such individuals as these are included in a second category.

The figure of 300 for Category Totals reflects the professional expertise of interview subjects. As described above, for cases in which an interviewee held more than one relevant professional post, the interviewee was listed in a second category in order to accurately reflect the range of perspectives represented in report findings. More than 80 per cent of all interviewees are included in only one category

The total number of individuals interviewed (255) is reflected in the row: Total Interviewees. This figure reflects the total number of individuals interviewed, not sessions conducted. A number of interviewees were interviewed more than once, as events warranted or as clarification required, but are not captured in these data.

Table of CSIS Interviewees by Category

Number of Interviewees per Category	Category
38	Subject Matter Experts
35	Commercial Company and Association Representatives
30	U.S. Government Contractor Representatives
28	Former U.S. Government Officials*
11	Former U.S. Government Officials, Senate Confirmed
30	Current U.S. Government Officials*
12	Current U.S. Government Officials, Senate Confirmed
15	Representatives of International Entities and Organizations
40	Business and Government Officials in Iraq
12	Current U.S. Military Personnel (not including General Officers)
7	Former U.S. Military Personnel (not including General Officers)
13	Current U.S. General and Flag Officers
18	Former U.S. General and Flag Officers
11	Current and Former Task Force Staff
300	Category Totals (includes some individuals in more than one category)
255	Total Interviewees

* This category does not include Senate confirmed officials.

Appendix 4: Abbreviations and Acronyms

BTA – U.S. Defense Department’s Business Transformation Agency

CENTCOM – U.S. Central Command

CERP – Commanders’ Emergency Response Program

CPA – Coalition Provisional Authority

DoD – U.S. Department of Defense

DUSD – Deputy Under Secretary of Defense

EFT – Electronic Funds Transfer

FY – Fiscal Year

IRMO – Iraq Reconstruction and Management Office

IRRF – Iraq Relief and Reconstruction Fund

JCC-I/A – Joint Contracting Command-Iraq/Afghanistan

MIM – Iraqi Ministry of Industry and Minerals

MNC-I – Multi-National Corps-Iraq

MNF-I – Multi-National Force-Iraq

MNSTC-I – Multi-National Security Transition Command-Iraq

NGO – Non-Governmental Organization

OCO – Overseas Contingency Operations

OSD – Office of the Secretary of Defense

PAC – Procurement Assistance Center

PFMAG – Public Financial Management Action Group

PRT – Provincial Reconstruction Team

S/CRS – U.S. State Department’s Office of the Coordinator for Reconstruction and Stabilization

SIGIR – Special Inspector General for Iraq Reconstruction

SME – Subject-Matter Expert

SOE – State-Owned Enterprise

TFBSO – Task Force for Business and Stability Operations

USAID – U.S. Agency for International Development

WHS – Washington Headquarters Services

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