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**World > Terrorism & Security**  
 posted April 23, 2004, updated 12:00 p.m.

## Operation kickback?

**Report alleges 20 percent of Iraq reconstruction costs lost to corruption.**

by [Tom Regan](#) | [csmonitor.com](#)

Iraq's private companies [routinely pay bribes](#) to get reconstruction contracts – often to Iraqi officials but sometimes to employees of US contractors. That's one of the allegations that has been made by a special investigation undertaken by public radio's **Marketplace** and the **Center for Investigative Reporting**, and funded by **The Economist** magazine. The result, according to experts [monitoring the situation](#), is almost 20 percent of the billions of American taxpayers dollars being spent to rebuild Iraq is being lost to corruption.

Meanwhile, the report also documents the failure of the US government to effectively oversee expenditures in a reconstruction effort that the reports says [costs 10 times more per capita](#) than the Marshall Plan (the US-led effort to rebuild Germany after WWII).

Some of the problems [uncovered by Marketplace](#) correspondent Adam Davidson in Iraq include:

- Officials at Iraq's Central Bank say senior Iraqi Ministry officials regularly pocket reconstruction money.
- Every Iraqi ministry is touched by corruption, the report alleges. The health department sells medical supplies on the black market, other ministries sell valuable equipment, while housing officials take money to allocate homes to the highest briber.
- Translators who work for Iraq's Coalition Provisional Authority (CPA) or US contractors are promising work to other Iraqis on contracts, but want as much as a 50 percent cut of any deal.

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Mark Schapiro, of the **Center for Investigative Reporting**, reports that the problem is as [deeply embedded in Washington](#) as it is in Baghdad.

In Washington, congressional initiatives that would have sent a strong anti-corruption signal to contractors in Iraq were derailed by the House Republican leadership and the White House. These included amendments to the Iraq appropriations bill last fall that would have criminalized war profiteering and required ongoing audits by the General Accounting Office of contracts over \$25 million. "The fact [those measures] were made and defeated signaled, "We don't agree [this] oversight is necessary,"" says Jeffrey Jones, former head of the Defense Energy Support Center, in charge of purchasing fuel for the Pentagon. Jones watched as gasoline bills doubled when part of his job was outsourced to Halliburton. "So, it's laissez faire. That's the message that was sent."

Schapiro also reports that in the past three months, US investigators have disputed more than \$1 billion worth of contract fees because of "inflated charges, incompetence, lack of documentation to support invoices and [kickbacks related to subcontract awards](#)." The Pentagon's Inspector General was [particularly suspicious](#) of a deal between a little known Kuwaiti company named Altanmia and the US giant Halliburton.

That deal could cost as much as \$100 million in excess fuel charges. As a result of the disputed charges, the Pentagon decided this month to end the contract with Halliburton and buy its own fuel ... and hire its own contractors to transport it. Now under scrutiny, Altanmia cut its transport price by two-thirds what it charged Halliburton, and got the contract...

Halliburton, in a letter to the producers of the series, said it [did nothing wrong](#), and conducted all its operations within the proper rules and instructions. Writing in **Newsday**, Max Boot, a senior fellow at the **Council on Foreign Relations**, argues that the [company is not the problem](#), but the system it works within is.

Halliburton certainly does not appear to be making a fortune under its deal with the government. It's guaranteed only a 1-percent profit on most of its Iraq work plus performance bonuses of 2 percent to 3 percent. By focusing on Halliburton, critics ignore the real scandal, which is how inefficient our procurement bureaucracy is. Remember those stories from the 1980s about the Pentagon buying \$640 toilet seats and \$435 hammers? Well, things haven't changed a lot.

But columnist Paul Krugman of **The New York Times** writes that a big part of the problem in Iraq, and in Washington is, the "administration's [fanatical commitment to privatization](#) and outsourcing, in which free-market ideology is inextricably mixed with eagerness to protect and reward corporate friends."

Sure enough, the administration was unprepared for predictable security problems in Iraq, but moved

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quickly – in violation of international law – to impose its economic vision. Last month Jay Garner, the first US administrator of Iraq, told the BBC that he was sacked in part because he wanted to hold quick elections. His superiors wanted to privatize Iraqi industries first – as part of a plan that, according to Mr. Garner, was drawn up in late 2001.



Meanwhile, the **Financial Times** reports that the head of the CPA, Paul Bremer, is asking that the CPA be [exempt from some of the rules](#) that Washington did impose to create transparency with the awarding of contracts in Iraq. Mr. Bremer says the recent escalating violence in Iraq has made the move necessary, because the US faces pressure to show its making progress in Iraq before the June 30 date for transfer of authority to Iraqis.

The **BBC** offers an indepth, sector-by-sector, critical look at the [reconstruction efforts](#) in Iraq. The government's own **USAID** website [offers a more upbeat assessment](#) on the reconstruction efforts. NPR's **Morning Edition** (*audio*) looks at how the [continuing violence in Iraq](#) is changing the way Iraq is being rebuilt..

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