

BETTY McCOLLUM  
4TH DISTRICT, MINNESOTA

1029 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-6631  
FAX: (202) 225-1968

165 WESTERN AVENUE NORTH  
SUITE 17  
ST. PAUL, MN 55102  
(651) 224-9191  
FAX: (651) 224-3056



COMMITTEE ON  
EDUCATION AND THE WORKFORCE

COMMITTEE ON  
INTERNATIONAL RELATIONS

[www.house.gov/mccollum](http://www.house.gov/mccollum)

UNITED STATES  
HOUSE OF REPRESENTATIVES

September 27, 2005

Hon. Henry Hyde, Chairman  
Committee on International Relations  
2170 Rayburn HOB  
Washington, DC 20515

Hon. Tom Lantos, Ranking Member  
Committee on International Relations  
2413 Rayburn HOB  
Washington, DC 20515

Hon. Dana Rohrabacher, Chairman  
Committee on International Relations  
Subcommittee on Investigation and  
Oversight  
2338 Rayburn HOB  
Washington, DC 20515

Hon. William Delahunt, Ranking Member  
Committee on International Relations  
Subcommittee on Investigation and  
Oversight  
2454 Rayburn HOB  
Washington, DC 20515

Dear Chairman Hyde, Rep. Lantos, Rep. Rohrabacher and Rep. Delahunt:

I am requesting that the Committee on International Relations conduct oversight hearings immediately to investigate reports of massive corruption and theft inside the U.S. appointed Iraqi interim government. In light of the fact that the Committee has not held a hearing on the U.S. role in Iraq during the 109<sup>th</sup> Congress, we must not abdicate our oversight responsibility or avoid confronting this unprecedented level of corruption in a country where Americans continue to sacrifice so much.

Recent media reports and statements by current Iraqi government officials allege that at least \$1 billion was stolen from the Iraqi Defense Ministry between June 2004 and February 2005, the duration of Iraq's interim government. *"It is nearly 100 percent of the ministry's (procurement) budget that has gone AWOL,"* stated Ali Allawi, Iraq's Minister of Finance. An additional \$500-\$600 million is reported missing from the transportation, electricity, interior and other ministries.

The head of Iraq's Commission on Public Integrity, Radi al-Radhi, was quoted as saying that between \$1.3 billion and \$2.3 billion was missing from the Defense Ministry. He called this massive corruption *"possibly the largest robbery in the world."*

This unprecedented level of corruption and theft took place while America's service men and women were courageously fighting and American taxpayers were contributing tens of billions of dollars to establish security and the rule of law in Iraq. Furthermore, this

massive theft over the eight month life of Iraq's U.S. appointed interim government equals and likely exceeds the kickbacks received by Saddam Hussein during the six years of the UN's oil-for-food program.

There can be no doubt that if these allegations of corruption and theft in the Ministry of Defense prove conclusive, Iraq's capacity to train and equip their military forces will have been severely diminished. This diminished capacity limits the ability of Iraqi forces to confront the insurgency, placing a much greater burden on U.S. troops. I find this situation, especially when U.S. officials and military personnel should have been monitoring the procurement practices of the interim government, to be a scandal that will inevitably result in U.S. troops being forced to remain in Iraq for a longer period of time. The bottom line, Mr. Chairman and colleagues, is that Iraqi corruption may very well result in lost American lives and this I find abhorrent.

Committee members have a job to do and hearings on U.S. policy in Iraq must not be excluded from the Committee's oversight responsibilities. Clearly, we have an obligation to investigate the massive corruption that has taken place in order to fully understand its impact on U.S. policy and our troops serving in Iraq.

Sincerely,



Betty McCollum  
Member of Congress

cc: Hon. J. Dennis Hastert, Speaker of the House  
Hon. Nancy Pelosi, Democratic Leader  
Hon. Duncan Hunter, Chairman, Armed Services Committee  
Hon. Ike Skelton, Ranking Member, Armed Services Committee  
Members, Committee on International Relations

Attachments Enclosed

## Minister: \$1bn plundered in Iraq

**LONDON, England (Reuters) -- Large-scale corruption in Iraq's ministries, particularly the defense ministry, has led to one of the biggest thefts in history with more than \$1 billion going missing, Iraq's finance minister said in an interview.**

"Huge amounts of money have disappeared. In return we got nothing but scraps of metal," Finance Minister Ali Allawi told British newspaper The Independent in a report published on Monday. "It is possibly one of the largest thefts in history."

Corruption, both in the bidding for and the awarding of contracts, and in the administration of public offices, is one of the most frequent accusations made by Iraqis against their government and foreign firms operating in the country.

Some of the worst allegations of impropriety concern the purchasing of military equipment by the defense ministry under the previous government, including more than \$230 million spent on 28-year-old second-hand Polish helicopters.

"If you compare the amount that was allegedly stolen of about \$1 billion compared with the budget of the ministry of defense, it is nearly 100 percent of the ministry's (procurement) budget that has gone (missing)," Allawi said.

Most of the questionable contracts are said to have been signed under the previous government, headed by Iyad Allawi, which served from June 28, 2004 until late February this year.

The former defense minister, Hazim Shaalan, is now living as a private citizen in Jordan. He has denied any wrongdoing.

Allawi, the finance minister, was also quoted by the newspaper as saying \$500-\$600 million had vanished from the electricity, transport, interior and other ministries.

The newspaper reported that the total amount missing from all the ministries could be as much as \$2 billion.

Iraq's Board of Supreme Audit, set up in 2004 by the U.S. administration then running the country, said in February it would investigate all government contracts signed since the 2003 war after repeated allegations of corruption. It gave a report to the government in May.

Parts of the board's findings were quoted last month by Knight Ridder newspapers as showing that upwards of \$1 billion had gone missing or was unaccounted for.

Knight Ridder said that in some cases contracts had been signed on scrap pieces of paper with unnamed intermediaries and that it was not always clear what products were supposed to be supplied for the vast sums of money quoted.

The Independent said that one contract involved purchasing armored cars that were so poorly made that their armor could be pierced by a single shot from an AK-47 assault rifle.

An Iraqi politician on Sunday accused the ministries of mass corruption and incompetence and quoted from the Board of Supreme Audit's report, which has not been made public.

"Our funds are under the control of ignorant people," Hadi al-Amiri, the head of parliament's integrity commission, told

lawmakers in an angry address.

"There have been many violations of the bidding process that have led to huge losses of public funds. Many bids weren't properly conducted and were awarded by ministers without any input from committees set up to assess the bids," he said.

Copyright 2005 [Reuters](#). All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.

**Find this article at:**

<http://edition.cnn.com/2005/WORLD/meast/09/19/iraq.corruption.reut>

Check the box to include the list of links referenced in the article.

20 September 2005 21:12

## What has happened to Iraq's missing \$1bn?

By Patrick Cockburn in Baghdad

Published: 19 September 2005

One billion dollars has been plundered from Iraq's defence ministry in one of the largest thefts in history, The Independent can reveal, leaving the country's army to fight a savage insurgency with museum-piece weapons.

The money, intended to train and equip an Iraqi army capable of bringing security to a country shattered by the US-led invasion and prolonged rebellion, was instead siphoned abroad in cash and has disappeared.

"It is possibly one of the largest thefts in history," Ali Allawi, Iraq's Finance Minister, told The Independent.

"Huge amounts of money have disappeared. In return we got nothing but scraps of metal."

The carefully planned theft has so weakened the army that it cannot hold Baghdad against insurgent attack without American military support, Iraqi officials say, making it difficult for the US to withdraw its 135,000-strong army from Iraq, as Washington says it wishes to do.

Most of the money was supposedly spent buying arms from Poland and Pakistan. The contracts were peculiar in four ways. According to Mr Allawi, they were awarded without bidding, and were signed with a Baghdad-based company, and not directly with the foreign supplier. The money was paid up front, and, surprisingly for Iraq, it was paid at great speed out of the ministry's account with the Central Bank. Military equipment purchased in Poland included 28-year-old Soviet-made helicopters. The manufacturers said they should have been scrapped after 25 years of service. Armoured cars purchased by Iraq turned out to be so poorly made that even a bullet from an elderly AK-47 machine-gun could penetrate their armour. A shipment of the latest MP5 American machine-guns, at a cost of \$3,500 (£1,900) each, consisted in reality of Egyptian copies worth only \$200 a gun. Other armoured cars leaked so much oil that they had to be abandoned. A deal was struck to buy 7.62mm machine-gun bullets for 16 cents each, although they should have cost between 4 and 6 cents.

Many Iraqi soldiers and police have died because they were not properly equipped. In Baghdad they often ride in civilian pick-up trucks vulnerable to gunfire, rocket-propelled grenades or roadside bombs. For months even men defusing bombs had no protection against blast because they worked without bullet-proof vests. These were often promised but never turned up.

The Iraqi Board of Supreme Audit says in a report to the Iraqi government that US-appointed Iraqi officials in the defence ministry allegedly presided over these dubious transactions.

Senior Iraqi officials now say they cannot understand how, if this is so, the disappearance of almost all the military procurement budget could have passed unnoticed by the US military in Baghdad and civilian advisers working in the defence ministry.

Government officials in Baghdad even suggest that the skill with which the robbery was organised suggests that the Iraqis involved were only front men, and "rogue elements" within the US military or intelligence services may have played a decisive role behind the scenes.

Given that building up an Iraqi army to replace American and British troops is a priority for Washington and London, the failure to notice that so much money was being siphoned off at the very least argues a high degree of negligence on the

part of US officials and officers in Baghdad.

The report of the Board of Supreme Audit on the defence ministry contracts was presented to the office of Ibrahim al-Jaafari, the Prime Minister, in May. But the extent of the losses has become apparent only gradually. The sum missing was first reported as \$300m and then \$500m, but in fact it is at least twice as large. "If you compare the amount that was allegedly stolen of about \$1bn compared with the budget of the ministry of defence, it is nearly 100 per cent of the ministry's [procurement] budget that has gone Awol," said Mr Allawi.

The money missing from all ministries under the interim Iraqi government appointed by the US in June 2004 may turn out to be close to \$2bn. Of a military procurement budget of \$1.3bn, some \$200m may have been spent on usable equipment, though this is a charitable view, say officials. As a result the Iraqi army has had to rely on cast-offs from the US military, and even these have been slow in coming.

Mr Allawi says a further \$500m to \$600m has allegedly disappeared from the electricity, transport, interior and other ministries. This helps to explain why the supply of electricity in Baghdad has been so poor since the fall of Saddam Hussein 29 months ago despite claims by the US and subsequent Iraqi governments that they are doing everything to improve power generation.

The sum missing over an eight-month period in 2004 and 2005 is the equivalent of the \$1.8bn that Saddam allegedly received in kick-backs under the UN's oil-for-food programme between 1997 and 2003. The UN was pilloried for not stopping this corruption. The US military is likely to be criticised over the latest scandal because it was far better placed than the UN to monitor corruption.

The fraud took place between 28 June 2004 and 28 February this year under the government of Iyad Allawi, who was interim prime minister. His ministers were appointed by the US envoy Robert Blackwell and his UN counterpart, Lakhdar Brahimi.

Among those whom the US promoted was a man who was previously a small businessman in London before the war, called Hazem Shalaan, who became Defence Minister.

Mr Shalaan says that Paul Bremer, then US viceroy in Iraq, signed off the appointment of Ziyad Cattan as the defence ministry's procurement chief. Mr Cattan, of joint Polish-Iraqi nationality, spent 27 years in Europe, returning to Iraq two days before the war in 2003. He was hired by the US-led Coalition Provisional Authority and became a district councillor before moving to the defence ministry.

For eight months the ministry spent money without restraint. Contracts worth more than \$5m should have been reviewed by a cabinet committee, but Mr Shalaan asked for and received from the cabinet an exemption for the defence ministry. Missions abroad to acquire arms were generally led by Mr Cattan. Contracts for large sums were short scribbles on a single piece of paper. Auditors have had difficulty working out with whom Iraq has a contract in Pakistan.

Authorities in Baghdad have issued an arrest warrant for Mr Cattan. Neither he nor Mr Shalaan, both believed to be in Jordan, could be reached for further comment. Mr Bremer says he has never heard of Mr Cattan.

Foreign News

**Ex-defence minister "will be arrested over \$1bn"**

By **Patrick Cockburn** in Baghdad

263 words

20 September 2005

The Independent

24

English

(c) 2005 Independent Newspapers (UK) Limited . All rights reserved. This material may not be published, distributed or exploited in any way.

The Iraqi government is expected to issue an arrest warrant for Hazem al-Shaalan, the former defence minister, in connection with the disappearance of more than \$1bn (£550m), a senior corruption investigator in Baghdad said.

The Independent yesterday revealed that the Iraqi army was so ill-equipped in the face of well-armed insurgents because its entire procurement budget had been siphoned off. Weapons were either never supplied or were found to be useless.

Radi al-Radhi, the head of Iraq's Commission on Public Integrity, said: "I expect the court will issue the warrants in the next week, for Shaalan and other senior officials." Saying that between \$1.3bn and \$2.3bn was missing, he added: "What Shaalan and his ministry were responsible for is possibly the largest robbery in the world." Up to 50 officials would eventually be brought to justice, he said.

Mr Shaalan, formerly a businessman in London, is now living in Jordan and denies any wrongdoing. He and other Iraqi officials say that everything they did during the eight months when the alleged thefts took place between June 2004 and February 2005 was with the knowledge of the US military and American civilian advisers.

According to a report by the Iraqi Board of Supreme Audit, an Iraqi company called al-Ain al-Jariya was awarded 43 out of 89 contracts worth \$949m. So confident was the company that it would sign supply contracts in Poland before receiving a no-bid contract in Baghdad.

Document IND0000020050920e19k0001z

## Aid to Iraq Ministries To Shift to Pentagon

State Dept. Lacks Resources, Officials Say

By Bradley Graham and Robin Wright  
Washington Post Staff Writers  
Monday, September 26, 2005; A19

BAGHDAD, Sept. 25 -- The U.S. military plans to take over responsibility from the State Department for providing assistance to Iraq's Defense and Interior ministries, following a determination that greater resources and technical expertise are needed.

Getting the ministries to exercise effective control over Iraq's fledgling security forces remains key to enabling those forces to operate on their own and allow the withdrawal of U.S. troops. But while the number of Iraqi forces has grown steadily to more than 192,000, the ministries have yet to put in place many of the budgeting, contracting, personnel management and other systems necessary to administer the country's military and police units, U.S. military officers and diplomats said.

"Nobody would disagree with the characterization that ministerial development has lagged force generation," said Army Lt. Gen. Martin Dempsey, who recently assumed command of the U.S. effort to train Iraq's security forces.

Responsibility for the ministries has rested with the State Department's Iraq Reconstruction Management Office, while the Pentagon has overseen training of Iraq's fielded forces. This division of tasks was intended to reinforce the principle of civilian control of the security services, according to officials here, but it has led to some gaps.

The State Department office has struggled to fill all the adviser slots allotted to it, especially at the Interior Ministry, where at least 10 of 51 positions remain vacant. Several U.S. military officers also said that a number of advisers had tended to play only limited roles, helping Iraqi authorities to identify problems but not to solve them.

In addition, charges of corruption and fraud have recently swirled around Iraq's Defense Ministry, with an audit indicating that up to \$1 billion was missing or unaccounted for under the interim government that served from June 2004 until this spring. The former defense minister, Hazim Shalan, who now lives as a private citizen in Jordan, has denied wrongdoing and called the accusations politically motivated.

Military and State Department officials confirmed that a tentative agreement had been reached to transfer authority over the Iraqi ministries to the Pentagon, although they said the move was not a reflection on the State Department's performance. They described the change as an effort to consolidate assistance under a single organization and take advantage of the Pentagon's larger pool of resources.

Under the plan, which is still subject to Washington approval, overall policy direction would remain with the U.S. ambassador in Iraq. But the job of advising the defense and interior ministries would shift to Dempsey's command, known as Multinational Security Transition Command--Iraq. The State Department would still be responsible for providing advisers to other Iraqi government ministries.

"We now have the opportunity to have one organization control the entire process, from foot soldier

and policeman to minister," Dempsey said. "We have a police force, we have an army, and so we think that now is the time to make the change to a single organization that sees the entire scope of work."

Officials here with the State Department reconstruction office declined public comment. But a department official in Washington said the Iraqi defense and interior ministries posed especially tough challenges for U.S. authorities, given the ambitious scale of the effort to establish a new set of Iraqi security forces.

The State Department official said that a traditional approach would let Iraqis establish their own systems and proceed more slowly. But in this case, the effort "is being overwhelmed by how much stuff is being ordered and how many people have to be trained," driving the Pentagon to favor a more hands-on approach.

"The problem is that nobody knows the answer," the official said. "It's uncharted territory to move this far this fast."

Another State Department official said transferring the mission to the Pentagon had "a certain logic" because it should "enhance coordination" between the ministries and Iraqi forces in the field.

"We haven't been able to fill all the positions, since some civilians were reluctant to go," he said. "Maybe the military can fill them all."

Dempsey said a number of shortfalls now evident at the ministries had emerged with the growth of Iraq's military and police forces and could not have been addressed sooner. "Clearly, we now know a lot more about what we have to do," he said.

He also noted the difficulty of completely rebuilding the ministries in which top-level staff positions have changed several times since the U.S.-led invasion in 2003. Another change is expected after elections for a new government in December.

U.S. military statistics show more than 115 Iraqi Army and special police combat battalions now rated as being combat-ready. But fewer than three dozen of them are considered ready to lead counterinsurgency operations, and only a handful can be characterized as prepared to operate fully independently of U.S. forces.

"Level 1 is being totally independent, and we know they're not going to be there in large numbers for a while," Gen. George Casey, the top U.S. commander in Iraq, said in an interview. "But they're already getting to level 2, which means they can get into and lead the fight."

Limiting the capabilities of many units is a lack of homegrown logistical support. In the interest of getting Iraqi soldiers into the fight quickly, U.S. commanders concentrated over the past year on creating infantry units at the expense of forming the support units -- truck drivers, engineers, medics and logisticians -- that normally go with them.

While Iraqi combat forces now number about 77,400 regular and special operations troops, support troops total only about 9,700, a ratio of about eight to one. By contrast, the ratio for the U.S. Army is closer to one to one.

Iraq's military will likely need far less logistical support than U.S. forces because it will not face the demands of worldwide deployments. But at the moment, Iraqi troops remain heavily dependent on

the U.S. military for supplies, repairs and other support.

In recent months, U.S. and Iraqi authorities have stepped up formation of Iraqi military support units, training maintenance specialists, supply clerks, drivers and medics at a new institute at Taji, north of Baghdad. The Iraqi army is also establishing at least 10 supply and repair hubs around the country.

*Wright reported from Washington.*

© 2005 The Washington Post Company