

TESTIMONY OF AMBASSADOR DAVID M. SATTERFIELD
BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE
JANUARY 25, 2007

Mr. Chairman, Mr. Lugar, members of the committee, ladies and gentlemen:

Thank you for the opportunity to appear before you today to discuss implementation of the President's new strategy for Iraq, to review what we have achieved with the foreign assistance Congress has provided and to highlight the steps we have taken to improve its administration.

New Way Forward

On January 10th the President outlined the need for a New Way Forward in Iraq. On January 11, Secretary Rice provided further detail on how specifically we will pursue our new strategy. I would like to reiterate briefly both the premise of the strategy she and the President outlined and then expand further on how we plan specifically to bring our civilian resources to the fight.

There are five core principles underlying our strategy.

First, the government of Iraq is in the lead. Success will not be dependent primarily on U.S. resolve and effort, but on the commitment and performance of the Iraqi government.

Second, we will support the government of Iraq's efforts to stabilize the country, bolster the economy, and achieve national reconciliation. The Iraqis are in the lead, but they require our help in certain critical areas.

Third, we will decentralize and diversify our civilian presence and assistance to the Iraqi people. While we will continue to work closely with the central government in Baghdad, we must reach beyond the Green Zone to help local communities and leaders transition to self-sufficiency.

Fourth, we will channel targeted assistance to those Iraqi leaders regardless of party or sectarian affiliation who reject violence and pursue their agendas through peaceful, democratic means. We must isolate extremists and help empower moderates throughout the country.

Fifth, we will engage in reinvigorated regional diplomacy to try and strengthen support for the Government of Iraq. Iraq cannot emerge from its current predicament without the positive influence of its neighbors.

We will apply these principles on three critical fronts – security, economic, and political – all of which are inextricably linked to the others.

IMPLEMENTATION

As you know, the President has decided to augment our own troop levels in Baghdad and Anbar by 21,500. The mission of this enhanced force is to support Iraqi troops and commanders, who are now in the lead, to help clear and secure neighborhoods, protect the local population, provide essential services, and create conditions necessary to spur local economic development.

The Department of State is contributing robustly to this effort by expanding our present close coordination with our military counterparts in and outside of Baghdad, as well as with the Iraqi government, to capitalize on security improvements by creating jobs and promoting economic revitalization. There must be the fullest possible civilian-military unity of effort if we are to be successful.

To that end, we will immediately begin deploying greater resources alongside our military in Baghdad and Anbar. The centerpiece of this effort will be our expansion of our Provincial Reconstruction Teams. We will double our PRTs from 10 to 20, adding more than 300 new personnel. We will expand our PRTs in three phases with the first phase occurring over the next three months to complement our enhanced military efforts. In that time, we plan to co-locate nine new PRTs – six in Baghdad and three in Anbar – with Brigade Combat Teams engaged in security operations.

The Department will recruit and deploy senior-level Team Leaders for these 9 new PRTs who will work jointly with Brigade Commanders to develop plans for the “build” phase of clear, hold, and build. Well-qualified officers have already stepped forward for these assignments. These PRTs will also include USAID development advisors, as well as civil affairs officers and bilingual advisors from the Department of Defense. Although State will have the lead in recruiting and hiring staff, full interagency support and robust interagency contributions will be necessary to deploy the new staff to Iraq as quickly as possible.

PRTs will target both civilian and military resources, including foreign assistance and the Commanders’ Emergency Response Program, against a common strategic plan to sustain stability, promote economic growth and foster Iraqi self-sufficiency where we have made security gains.

In the next two phases of our PRT expansion, we will add a new PRT in North Babil and augment our existing PRTs with specialized technical personnel, such as irrigation specialists, veterinarians, and agribusiness development experts, based on local provincial needs.

PRTs will support local moderate Iraqi leaders through targeted assistance (e.g. microloans, vocational education and grants) to foster new businesses, create jobs and develop provincial capacity to govern in an effective and sustainable way. PRTs will continue to play a leading role in coordinating several U.S. programs funded by the Congress, including Iraqi Provincial Reconstruction Development Councils (PRDC) and USAID’s local governance, community stabilization, and community action programs.

We intend to complete all three phases of our PRT expansion by the end of the calendar year. Completion, however, will be dependent both on the level of funding appropriated in the FY07 supplemental (and its timing) and circumstances on the ground in Iraq.

IRAQI EFFORTS

The Iraqi government must also do its part to invest in its own economic development and to follow through on our joint strategy. The Government of Iraq is committed to spending \$10 billion to help create jobs, to remove impediments to economic growth, and to further national reconciliation. Serious progress has been made on the vital national hydrocarbon law, which we expect will be completed very shortly and then submitted to the Council of Representatives. The Council of Representatives has taken the first steps toward holding provincial elections – essential to ensuring full participation in local governance by all of Iraq’s communities - and drafting de-Ba’athification reform legislation. They have also agreed to an impressive set of far-reaching and comprehensive economic reforms as part of the International Compact with Iraq. We expect the Compact to be completed formally in the coming weeks.

The most pressing funding challenge facing Iraqis is budget execution. Simply put, the Government of Iraq has available assets, the product of last year’s underspent budget and profits from higher than anticipated oil prices, but they do not have the mechanisms to spend them – especially when money must move rapidly, as is the case with post-military action stabilization in Baghdad and Anbar. Iraq must develop the means to put its money to use, both for short-term “build” efforts and longer-term capital investment.

To help the Iraqi government improve budget execution and take on more responsibility for Iraq’s own economic future, Secretary Rice has appointed Ambassador Tim Carney as her new Coordinator for Economic Transition. Ambassador Carney will head to Embassy Baghdad in the days ahead to help the Government of Iraq meet its financial responsibilities, specifically on budget execution, job creation, and capital investment projects.

REGIONAL DIPLOMACY

Iraq does not exist in isolation from the region. It will require the help and support of its neighbors to have a stable, prosperous, and peaceful future. As you know, Secretary Rice recently returned from travel to Egypt, Saudi Arabia and Kuwait – where she met with

the foreign ministers of the Gulf Cooperation Council (GCC) plus Egypt and Jordan to urge support for the Government of Iraq and the President's new strategy. Her interlocutors expressed their strong concern over the growth of negative Iranian involvement in Iraq and al-Qaida terror. At the same time, they made clear their concern that the current Iraqi Government was acting in a manner that reflected a sectarian rather than national agenda.

We understand these concerns, and we believe the Iraqi government understands as well. Prime Minister Maliki and his government have pledged not to tolerate any act of violence from any community or group. That means that all those engaged in killing and intimidation, whether Shi'a, or Sunni, need to be confronted.

We have already begun to see some positive steps taken by the Iraqi authorities on this front. Notably, Iraqi security forces in recent weeks have detained more than 400 JAM fighters, including some high-level leaders responsible for ordering sectarian attacks against Sunni innocents. Iraqi forces have operated in all areas, including Sadr City. However, we will need to continue to see more sustained robust action in the weeks and months ahead.

Only through new facts on the ground - tangible evidence of action against all those who pursue violence - can the Government of Iraq establish the credibility at home and abroad that it needs to chart a successful future.

While we are working with our partners in the region to strengthen peace, two governments – Syria and Iran – have chosen to align themselves with the forces of violent extremism in Iraq and elsewhere. The problem is not a lack of dialogue, but a lack of action by those states. As the President and Secretary Rice have stated, we will continue in particular to work with the Iraqis and those who support peace and stability in the region, using all our power, to limit and counter the activities of Iranian agents who are attacking our people and innocent civilians in Iraq.

SUPPORTING PHYSICAL INFRASTRUCTURE AND DEMOCRACY
WITH

THE IRAQ RELIEF AND RECONSTRUCTION FUND (IRRF)

While our focus is on the way forward, we are also determined to manage as effectively as possible the remaining funds for Iraq reconstruction.

In Fiscal years 2003-4, we received \$20.9 billion in the Iraq Relief and Reconstruction Fund (IRRF). This funding was intended to kick start the Iraqi economy, and focused primarily on helping to re-establish the Iraqi security forces and police, restore essential services like water, electricity and oil, and improve health and education. Despite challenges, including insurgent attacks, IRRF projects have made significant improvements in Iraq. We have increased access to clean water for 4.2 million Iraqis and to sewerage for 5.1 million; installed, rehabilitated or maintained 2,700 MW of electricity; and helped Iraq increase oil production over pre-war levels. Democracy programs also helped Iraq hold three elections and provided advisers to support the drafting of the constitution.

We have obligated 98%, or \$18.08 billion of IRRF II, and, as of January 9, have disbursed \$14.7 billion (79.9%). The remaining funds under IRRF II are 'expired,' and will be used to cover any unanticipated increases in costs in ongoing projects. We expect to complete most ongoing IRRF II projects during the course of 2007.

We have made significant improvements in essential services available to the people of Iraq, of which U.S. taxpayers and the Congress can be proud. But we know that not every project has progressed as we would have wished. Some projects have deservedly attracted attention, including from the Congress and from Special Inspector General for Iraq (SIGIR), with whom we work very closely. In all such cases, we have taken action to get them moving back in the right direction and have moved over the past eighteen months to put in place management oversight structures to help ensure that similar problems do not occur.

SUPPORTING IRAQ'S TRANSITION TO SELF-SUFFICIENCY WITH THE FY06 SUPPLEMENTAL AND FY07 BUDGET REQUEST

We carefully designed the FY06 Supplemental and the FY07 budgets as two parts of a coordinated whole. The FY06 Supplemental was designed to be integrated with the military's counter-insurgency operations, recognizing that economic development cannot take place without a secure environment, and that better economic and political prospects would undermine the recruiting efforts of the insurgency. The FY06 Supplemental addressed the urgent programs needed to support military counter insurgency programs, while the FY07 budget contained the programs needed to create and sustain economic, political and rule of law improvements.

We received \$61 million in the FY06 budget, and an additional \$1.6 billion in the FY06 Supplemental budget at the end of FY06. Of total funding in FY06 (Base and Supplemental), we have obligated \$1.4 billion (86%) for programs in the security, economic and political tracks of the President's strategy. Of this funding, more than \$500 million is allocated to support programs coordinated by the Provincial Reconstruction Teams (PRTs) to build the capacity of local and provincial governments to provide services for the Iraqi people. Over \$300 million is being used for programs to enhance the rule of law; governance, civil society, and political party development; and Iraqi ministerial capacity. Other programs in the FY06 Supplemental are also helping Iraq improve the protection of its critical oil and electricity infrastructure.

We directed the \$771 million in the FY07 budget request to support a new phase of policy engagement with the first full-term Government of Iraq (GOI) on a range of programs, including rule of law, democracy and economic reforms essential to Iraq's transition to self-reliance.

NEED FOR FY07 FOREIGN ASSISTANCE

While we are currently applying FY06 funds to begin implementation of our new strategy, we will need additional funds very soon. Under a Continuing Resolution (CR), we are now requesting \$538 million to avoid a shutdown of mission critical programs for which we requested funding eleven months ago.

Delaying funding of these programs until future budget requests would undermine our ability to support our military counterparts and our Iraqi partners. Without funding for our PRT expansion and programs to support economic development and assistance to moderate Iraqi leaders, it will be difficult to achieve the unity of effort we need to be successful.

ACHIEVING SUCCESS

The Iraqi government must meet the goal it has set for itself – establishing a democratic, unified and secure Iraq. We believe the Iraqi government understands very well the consequences of failing to make the tough decisions necessary to allow all Iraqis to live in peace and security. President Bush has been clear with Prime Minister Maliki on this, as have Secretary Rice and other senior officials. We expect the Prime Minister to follow through on the pledges he made to the President to take difficult decisions.

A political solution in Iraq is indeed critical to long term success, but since al-Qaida launched the Samarra attack a year ago, extremists and terrorists have been able to hold the political process hostage. The President's strategy is intended to lower the level of sectarian violence and to ensure that Iraq's political center has the space it needs to negotiate lasting political accommodations through Iraq's new democratic institutions.

The President has made clear to Prime Minister Maliki that America's commitment is not open-ended. The Government of Iraq must – with our help, but with their lead – articulate and achieve the political, security and economic goals that are essential to the success that is so critical for Iraq and for the United States.

Thank you very much. I look forward to your questions and ideas.