United States Institute of Peace
Association for Diplomatic Studies and Training
Iraq Experience Project

CHARLES "CHUCK" COSTELLO
EXECUTIVE SUMMARY

Interviewed by: Haven North
Initial interview date: October 14, 2004

Charles Costello previously had 25 years of service with USAID Foreign Service and 4 years at the Carter Center. He served in Iraq from May 2003-May 2004 as the Deputy Chief of Party in the Local Governance Support Project with Research Triangle Institute (RTI) International.

The project sought to help build a democratic, empowered local government structure for Iraq and to help restore basic public services at the local level. In addition, engaging with the citizens to give them a voice and participation opportunities in local government was stressed. This was a result of the damage from looting, which caused the public sector to be almost non-functioning, with basic services badly affected.

Moreover, a lot of work with regard to public finance occurred, trying to help the people reestablish some kind of budget process with a bottom-up rather than top-down approach. Local government under Saddam Hussein was a farce, as all control was centralized in Baghdad. As a result, the people were extremely reluctant to make decisions or to exercise any authority independently or take responsibility for things, because under the previous regime that could be very dangerous. Mr. Costello assisted the Iraqis with building democratic citizen skills through democracy building and the establishing of local councils, for which they were rather receptive, positive, and eager to assist in.

A part of this training required teaching the citizens of Iraq that public officials needed to be accountable to citizens and that the citizens needed to have the opportunity to engage with their government officials. At the local level, the councils were accepted rather well, but at the large city or provincial level they were not because many areas did not have true elections. While the councils were receiving direct attention with democratic development, so to were citizens groups, such as how to participate in local government. Priority-setting exercises was a major part of the program, as centralization of the state never called or worked in such a manner.

Major problems with the actions of CPA resulted in a negative attitude about what was happening. CPA became so driven to by the need to get the central government functioning again that that hey began to recreate the old regime. It was unable to successfully break the centralized control over revenue flow and decision-making to the local governments. Their efforts at setting up an interim assembly were poorly designed and seen by the Iraqis as not be credible and undemocratic because they did not have the chance to vote. CPA did not want to hold actual elections so soon, as can be seen by their lack of effort to get the process of voter registration going.

Overall, the impact of the program was extremely successful. The entire effort of establishing local government structures could prove to be a waste of time, money, and effort if the proper funding and ensuring the institutions are solid is not done.

The idea of the program was great, but as contractors, they were shut out of the decision-making process, causing their strategic objective of the project to not be realized. The strategic political mismanagement of CPA was that they did not act soon enough in electoral opportunities for the Iraqis, allowing for the insurgency to take hold. The military was the only saving force in Iraq as CPA failed to get on top of things, exercising decision-making, providing the muscle and sometimes even the money to ensure that things maintained some level of cohesiveness. We must evaluate the situation and learn the lessons that come along with it because we are investing a great deal in our efforts.

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Q: Today is October 14th, 2004, and the interview is with Chuck Costello. When were you in Iraq, Chuck?

COSTELLO: I was in Iraq from May of 2003 until May of 2004, a total of one year.

Q: What was your position?

COSTELLO: I was Deputy Chief of Party for the local USAID-funded local governance project, the large local government development project.

Q: Were you with a contractor?

COSTELLO: Yes, I was with Research Triangle Institute based in North Carolina—RTI International.

Q: Where were you based all that time?

COSTELLO: I was initially based in Kuwait City for a couple of weeks and traveled into southern Iraq. Then I was based in south central Iraq in Hillah when we opened up program activities and placed staff in that region for several weeks. Then by, I think, the Fourth of July we opened up our camp, as we called it, our headquarters—our offices and living quarters—in Baghdad. So from July onward I was based in Baghdad.

Q: That's within the Green Zone, I guess.

COSTELLO: Yes.

Q: How would you describe the situation in Iraq when you first got there? How would you describe the economic and the political situation, very briefly?

COSTELLO: We were initially working in the southern half of the country because we followed a deployment strategy of working from our base in Kuwait City to start in the south and move progressively northward to initiate program activities.

The situation in southern Iraq, particularly in the main city, Basrah, was dire. The public services weren't working; the city was a mess. It's not as if it was bombed out that much, not in Basrah or elsewhere, because the war damage itself was less than we anticipated because of the use of precision bombs and that kind of armament or ammunition. You did have the party headquarters and some of the public buildings of the Baath Party as well as military bases that had been attacked. Otherwise war damage itself wasn't that great, but the damage from looting following the war was very severe that public offices were stripped of all their furnishings, light fixtures and wiring, and many of them had been set on fire. So the public sector in that sense was really almost non-functioning and basic services were badly affected as a result.

Q: Was this in Basrah?

COSTELLO: This was in Basrah and other cities in the south as well.

Q: Generally, I see. What was the reception by the Iraqis when you arrived there?

COSTELLO: The reception initially was quite favorable. For our travel we always made some kind of coordination arrangements with military forces in the area, which in the case of the south were the British forces that were in command. We stayed typically, at the very beginning, with British military bases, which had very primitive accommodations. So it would be putting out a cot or a bedroll on the floor somewhere in places that didn't have electricity or toilets or running water.

But within a matter of three or four weeks we started staying at a place in Basrah in the city where some relief agencies or UN people had stayed, and then not before long we took over a building that needed reconditioning. That's when we were able to place people in Basrah, station them after about maybe one month from mid-April, so it would be the last two weeks in May, let's say, when we were first able to station people in country.

The reception from Iraqis at that time was very positive, very favorable, so that we were able to move around pretty freely without too much concern, although it was an immediate post-war environment and so we always had some armed personnel with us, but we traveled in our own vehicles. We had bought SUV's which we had previously been renting. It was like Chevy Suburbans, that kind of thing. Somebody in the car would have at least a sidearm. But we moved pretty freely around in the area without an excessive concern for our safety. Reception among Iraqis, either on the street or in establishing contact with local government officials in Basrah and other towns, was very positive; they were very eager to work with us and certainly friendly and positive toward our presence.

Q: What was your understanding of the local government system that was there under the Saddam regime and what was left of it?

COSTELLO: The system, if we can call it that, was in terrible shape when we arrived. The state was almost non-functional. The local government, as we know the term, doesn't apply well in the Iraqi context. The so-called local government officials, such as the head of the water department, let's say, were before and, by and large, even now still are, officially employees of

some national Baghdad-based ministry, and the head of the water department is the regional head of the Ministry of Water. So they often refer to themselves as local government officials, they're locally based, but at that time the central government ministries were really not functioning at all. There was no flow of budget funds or any program direction, so that on a de facto basis everything that was being done was being done as if these people were local officials, because they were coordinating with the British military commanders in an effort to begin to restore services and to have the public sector functioning in the region. I'm tending to refer to Basrah, but this was the case in the rest of the south. Then, jumping ahead a little bit, as we moved north—and we deployed fairly quickly in the country—the same thing was true elsewhere, including Baghdad.

Q: Were there any local governing bodies, committees, councils, or anything like that?

COSTELLO: Yes, they had a so-called city council and a governor, but none of these people were elected. The council was really not a legislative body, as we would see it so much as it was an executive branch committee of these various sectors of the public service. So you might have the water, power and sewage guys that would sit on this committee or council, but you might almost refer to it as a cabinet for the governor or the mayor, and they used those terms very loosely, sometimes interchangeably. Somebody would be referred to as the mayor or the governor but he was really like the chief....

Q: What was their function generally?

COSTELLO: The mayor or the governor was responsible, I guess we would describe it, as in a coordinating function for these national ministry activities that were carried out locally. The budgets and the personnel rosters were really part of the national effort. It was a very centralized, Stalinist-style regime that was very similar to what you would find in ex-Soviet Bloc countries.

After the invasion, in the interests of trying to get things done and restart the public sector in the economy, the military supplied a lot of fresh funds—cash—to help meet the public sector payroll to get the employees back on the job and to provide overall direction to the work of either the governor or the various departments of government. At the very beginning you had military governors, so in the south the senior British officers would act as the provincial governor, but, in fact, from an early stage they tried to put somebody in place. They'd kind of search around and decide who should be named as the governor who would be their counterpart.

Now, especially in the southern half, the Shiite portion of the country, most of the people who were part of the bureaucracy or the government of the Saddam regime fled because they were extremely unpopular in the south. Most senior civil servant positions, as we'd use that term, were filled by people who had high rank in the Baath Party and often were "outsiders," people who weren't from the region and weren't Shi'a from the south, and the regime was very much disliked. So the top layers within the government, including judges and police officials, that sort of thing, most of them had run off. So when you tried to restart things, we were dealing with, you know, the number two or number three or number four within the established civil service ranks, and those were the people then who kind of stepped forward, by and large to say, "We're still here," and typically they'd say, "We're from here and we've got to get things going again."

Q: How would you characterize the style of the administration under Saddam Hussein down in the local areas?

COSTELLO: The people, again like in the former Communist countries, were extremely reluctant to make decisions or to exercise any authority independently or take responsibility for things, because under the previous regime that could be very dangerous to your health. So in many, many cases we were dealing with "local government" people. They would say, "No, we can't do that without an order from Baghdad," or, "We have to get direction from Baghdad," or, "We can't spend money unless there's something from Baghdad, a piece of paper that says we can do it." So there were a lot of problems of that sort in getting things started.

Obviously, the occupation forces, first just the military and then there was ORHA (Office of Reconstruction and Humanitarian Assistance), and later CPA (Coalition Provisional Authority) presence, but in the early stages it was very, very limited. There were a few people in Basrah and in Hillah, but there was very little presence in the field other than military initially. The senior official military officers would say, "We've got to do this, we've got to do that," and in effect they would give the orders, "Yes, go do this. You act on my authority. You don't wait for anything from Baghdad." But they also had money, so they would say, "We need to get somebody out there working. Here's money. Go do it." That was what kept things moving.

Then, in all places, not just the south, we discovered it to be true elsewhere, there would be a number of people who would step forward, self-select in a way, to say, "We knew it was a mess before, and we're glad to see the regime gone. I was this," or "I was that, and now I'm volunteering to work to help on the reconstruction effort." There were quite a few people who came forward to try to help in the effort and typically were plugged in quickly, many of them more junior-level public sector employees. Then there were quite a few others who just said, "Call on me and I'll work," including a lot of people who had a self-interest either because they'd get put on a payroll or because they were contractors who would like to get some jobs, get some work. There were quite a few people who, in many cases, it was very clearly shown that they had anti-regime credentials or background. That is to say that they or their families had somehow suffered under the regime. So it was pretty well known in the community that these were people who had no connections to the previous regime and, therefore, enjoyed some instant credibility as a result.

Q: I see. What was the U.S. military in the region trying to do?

COSTELLO: I call them the civil affairs groups, both the British and the American. We first worked with the British and then it was Americans once we were beyond the southern zone of command of the British forces. In the south actually there were some of the American civil affairs units because, I think, the British were a little thin—the unsung heroes at the very beginning in coming in to really try to get things fixed, in a literal sense; you know, repairing broken water mains and doing all kinds of small-scale infrastructure repairs and in putting out fires literally and figuratively. So they typically had teams that reported to a battalion commander and would have daily morning staff action meetings. They typically divided their tasks into 10 different areas loosely described as sectors. So there would be somebody dealing

with water, some with power, another with health, and somebody with education. Those military people, who were in almost all cases activated reservists and a pretty sharp group actually coming out of civilian life in all different walks, would then say, "Here's the problem. We're trying to get the schools back open, but here's my inventory of how many school buildings have been damaged and here's what it would take," and so on and so forth. They were the ones initially who really did an outstanding job of dealing with the immediate aftermath of the situation. Some of it was war damage, but again it was much more common that this physical damage to infrastructure of public sector was as a result of that looting that was not controlled.

One of the huge mistakes made, running right to Rumsfeld, certainly, was not to instruct troops to stop looting at its early stages and then it was totally out of control. The facilities themselves, as everybody discovered, whether it was schools or whether it was power plants, things were in bad shape, so the effect of Saddam's excess expenditures on wars—starting with Iran-Iraq and then the first Kuwait, then during that whole 20-year period and the sanctions that were in place—everything was run down. There was very poor maintenance and upkeep on things so that you had very dilapidated infrastructures subject, shall we say, to the stresses of what happened in the war and, again I say, not so much actual combat damage but the overuse of equipment and no maintenance done and then all of this looting. Things were a real mess.

The telecommunications system wasn't working at all. That had been bombed as it was a military target. So throughout the country there was no operating telephone system whatsoever. We didn't have any access to telephones except the use of satellite phones.

Q: How did the Americans go about deciding what the priorities were in any particular area? Were they trying to organize groups?

COSTELLO: It was almost kind of a triage situation. It would always be "What do we have to do today to get through the day?" In the earliest stages it was always an extremely short-term focus, immediate-needs kind of thing. It was one of those things where everything needed attention so it was indeed difficult to set priorities, but people were working literally around the clock seven days a week to try to respond. We, meaning the local government team, were very welcome, as you can imagine, by the military and then by ORHA, because we were ones that they expected, too much so, to take over from them.

There was a lot of disagreement, shall we say, at the beginning until the roles were clarified because many on the military side, especially the Marines, thought that we were going to come in and take over their responsibilities. "Replacement in place," I think they called the system. They were saying, "You've got a water engineer. Oh, good. He's here to replace Major Callahan," and we'd say, "No, our people are here as part of a USAID technical assistance group and we're not here to run the sewage system in Nasiriyah. We're here to work with local officials, you know, the routine." But we did collaborate closely with all of them in helping deal with their problems initially, and it was a much more direct relationship with the military and the civil affairs groups in the earliest stages, the first few months. After that, things quieted down a bit. We stepped into our roles, and it was clear that we weren't to fill the slots of civil affairs people, and they went back to doing what they were doing. Of course over time, some of them rotated out and they weren't as active.

Our assistance in the earliest stages was also very welcome not just by Iraqis but by the military and civilian occupation officials. This resulted because we had a small grants program which we established quickly so that we could provide funding with a fast turnaround on what were usually fix-up kinds of small-scale projects.

Q: Let me come back to that in a minute. Did the U.S. military try to set up any local councils or governing bodies or anything of that sort?

COSTELLO: Yes, they did, and I'll try not to just limit this in point of geography or calendar to the early days in the south, but let's speak more generally about the work in Iraq. The military did, as a general rule, follow a pattern that I thought was a pretty good one, although they had some glaring mistakes of trying to establish a very practical, kind of common-sense governance relationship with Iraqis. So what that would mean is that after they're in place they'd start to say, "Whom should we be dealing with? We want to be able to relate to some government counterparts and to some leading figures."

So typically what they would do is they'd seek out religious leaders, business leaders, and academic leaders. They kind of put out the call, sometimes literally, going around in a neighborhood or something saying, "We're going to have a meeting. Anybody who wants to can show up." Other times it was more selective in which they would have some knowledge of who's who in a town or quickly learn that, so they would go to an Imam or someone other like that, or dealing with public sector officials and say, "Who should we be meeting with here?" and they'd get together a group. Then we started doing that quite a bit in our own work, because we helped establish a lot of local councils. They would then, by some form of crude selection in many cases, probably a majority of cases early on, these were just appointed, and so the colonel would say, "Okay, you and you and you." Then they sometimes would take that same group and say, "Well, now we want to have this expanded and we want to 'elect' some people to it." They were careful not to use the word "election"; everything was called "selection" and it was always a very limited kind of voting process.

Q: You said, while it was a good arrangement, there were some glaring faults in their approach.

COSTELLO: Sometimes, either because of the intelligence they had about who's who or the people who would come forward and say, "I really want to help. I'm the most respected guy in this area. I'm the tribal sheikh," and all of this and that. Sometimes they picked bad guys. Either they were incompetent or they were crooked. One of the most glaring examples was in Najaf, where they named the governor and he turned out to be a criminal who was already engaging in criminal activities almost at once as governor, and the Marine battalion commander ended up having to send a platoon to the governor's office and descend upon him in full armor and say, "You're out of here."

So they made a number of mistakes of that sort or they picked somebody, as they did in—I'm trying to think of examples—I think, Amarah. It turns out that somebody might be okay in and of himself, but he's from a small tribe and so larger tribes in the area, or clans, would then feel like they'd really been left out and that the occupying authorities had favored some minority for no

good reason. Consistent with patterns of behavior there, whoever came in, you would tend to see a lot of hiring of relatives and fellow clan members and that sort of thing. So sometimes if you picked somebody who sort of started to do business traditional Iraqi ways, they could become very unpopular. So the fact that there wasn't initially a broader kind of selection process with more participation by the people openly led to some very unpopular officials, if not corrupt, and then some of those got changed later on because there was a lot of public opposition to the person.

This led further down the road to this thing they called the "refreshment process" in which they tried to broaden out the number of people participating in selecting council members. Typically they would then say, "We're going to hold a new election on the councils for an executive official, a mayor or a governor."

Q: Let's turn to the program that you were involved in. What was the overall purpose of the program? When did the program start?

COSTELLO: Based on the offer that RTI made, it was a very rapid mobilization saying that we'd put people on the ground within two weeks of award, which we did. It was a competitive bid with a shortened timetable that was being used. Once RTI got the award at the end of March or beginning of April, within two weeks they had a team of about six or eight people, what we called the first wave, which went over there, including some very senior people. Then the second wave with myself and about seven or eight others, expatriates that is, arrived a week or so later.

According to the program design and the scope of work, we were asked to help to build a democratic, empowered local government structure for Iraq and to help restore basic public services at the local level as well as to engage with citizens to give them voice, participation, and opportunities in local government. So it was a mixture of more traditional public administration and technical components and democracy-building activities as well as work with NGO's. We, in fact, gave a lot of small grants to....

Q: How big an organization did you have?

COSTELLO: Like everything else in Iraq, it was super-sized. It was a budget of $165,000,000 in the first year, and we had a level-of-effort target of 200 international staff with offices in all the provinces of the country. In fact, what worked out was that we opened within like six months. At the six-month point I think we certainly opened up everywhere; we weren't fully staffed everywhere, but we ended up at the peak with 22 offices, which included headquarters and a couple of regional offices. Then we had 230-some international staff in country and some 200 to 500 Iraqi staff. So we went from zero to an extremely large operation fairly quickly. It was obviously quite a struggle to get everything going, but we did meet the level-of-effort target and we put teams of anywhere from six to 10 expatriates in each provincial capital. Then we had a program strategy and a work plan approved by USAID, which showed the work areas that we would concentrate in.

Q: What were the main areas that you were supposed to concentrate on?

COSTELLO: We worked a lot on public finance; in trying to help them re-establish some kind of budget process, initially to get functioning budgets, and then quickly to start to try to create a new fiscal-year budget. The national government and CPA headquarters in Baghdad, they had what we would call an emergency fiscal-year budget. I'm trying to remember—it was in September, I think, that they tried to approve an annual budget and had called for input from the field. What we did in a practical sense for day-to-day management—and then to try to recreate some kind of larger functioning public sector with a bottom-up rather than top-down approach—was to help local officials establish budgets and re-establish funds control, accounting and budget management.

Q: You were doing this in Hillah yourself?

COSTELLO: What I did in Hillah—it wasn't me, it was the ones I left behind; I was just the start-up guy. We brought in eight experts and one of them was a public administration specialist with a background in public finance. So he was our team leader, and Hillah was one of the more successful areas we were able to link up early with some good, talented Iraqi staff and plug in well. So yes, they started providing assistance in public administration and public finance and budget planning, I guess. What they did was, "Let's put together new budgets on an emergency basis. What are your next year's needs?" Then we discovered that they had in the prior regime no serious local input allowed, it was all top-down, and there was no real capital budget planning of any serious kind. That was all done out of Baghdad with little regard for local interest. Then as a practical matter, we discovered that even the national system that then filtered on downward was subject to arbitrary change anytime that Saddam or senior party officials decided that they wanted something changed. A phone call from Baghdad would be enough to make somebody in Hillah say, "Okay, I've got to do it differently now."

Q: I see. When you were setting up a budget and the finance and so on, where did the local administration get their money?

COSTELLO: Initially most of the money came through the occupying authority, so it was, speaking American, American taxpayers' money. It was a combination of commander's discretionary funds and then first ORHA and then CPA available funds. One of the things they did in Baghdad was to try to get the personnel rosters straightened out so that they could start paying public employees again, and that money came from Central Baghdad ORHA or CPA funding.

Everything was done on a cash basis. We operated with cash for at least seven months before we ever were able to have a bank account or transfer money, except by bringing it in big sacks. Using Hillah as an example then, they would say, "Okay, we've got payrolls for the ministries worked out, we think. Here's the roster. You've sent us a roster; we've crosschecked the roster. Next Friday is payday and we're going to send you 80,000 dollars in cash. You decide where you want to pay. Tell people they can show up and get their names checked off and get paid." That was all money that was coming through either what we would call appropriated dollars in the military or civilian, or sometimes they were using seized Iraqi funds. So there was Iraqi money that was held in trust that was also being expended. For some of these things it was whatever was available and could be utilized.

Q: Were there any Ministry of Finance government funds that were transferred to the local provincial areas?

COSTELLO: Later on, yes, once the system was regularized, but the whole system had broken down. In the usual Ministry of Finance system they in effect had local budget officers from the ministry who would tell 'local officials' whether they could go ahead and spend money, and then they would draw from a government account in a government bank locally. None of that was functioning. The banking system wasn't functioning at all. There was no money in the bank. Once you got things regularized, the Ministry of Finance official locally would be saying, "Okay, I've checked it," and then sign off on it, but it wasn't the old or traditional system functioning. He was just saying, "Okay, I think this is right," and I'm saying it's all right, because there is a budget that's been established in Baghdad. The operating decisions were all being made by the military and the CPA.

Q: I guess at some point you had a pretty good view of the administration across the country. How do you think it worked? I think that was your one main responsibility, right?

COSTELLO: The initial responses of the military, I thought, were quite good. You'd look at it at the time and you'd say, "My God, everything's going wrong. We can't fix anything. There's always a problem, there's always a crisis—it seemed on a daily basis," but that's the nature of things in this kind of environment, whether it's Iraq or elsewhere. But they really did quite an outstanding job of trying to deal on an emergency basis with everything that needed to get done.

What didn't happen—and it was, I think, a glaring failure—is that, as the civilian occupation authorities, that is to say CPA—there was supposed to be some kind of governmental authority exercised through civilian governing infrastructure. That was extremely slow in getting deployed and out on the ground.

Q: Do you mean the civilian American or civilian Iraqi?

COSTELLO: The civilian American. They decided that they would put a CPA representative in each province that would be sort of the senior advisor to a governor, let's say, the same way that you had senior advisors to ministers in Baghdad. It was something of a euphemism because, in fact, these were the people who were really running things, and the Iraqis were definitely their understudies or sort of trying to get back up to speed, but all the money was controlled by the CPA and the military. So the military, I think, the civilian affairs units, did their job as well as you could ask them to do, but then they weren't, by and large, people that were technical specialists in any given public administration field and they weren't people that you would think of as handling political affairs per se.

Q: There were the CPA regional people?

COSTELLO: CPA was supposed to fill that role, so this was the government of Iraq. They had the money and they had the decision-making authority, and to use the famous Iraqi verb, they were trying to stand-up the government again and get things functioning, but they were calling the shots. Then when they started to create the interim Governing Council, they were in charge

of the political vetting of candidates and the selection process, so they did political management and political decision-making about aspects of the occupation as well as what we would consider nuts and bolts, day-to-day governing decisions.

They just did not do a good job at all of getting well-qualified people who stayed out there around the country. They had TDYers, so you had a revolving door. By and large, what you would see was mid-level Foreign Service Officers being assigned on TDY for two months or something and then leaving. So you had this turnover, you didn't have senior-enough people, and you had a lot of talented people but ones who were in over their heads at a level beyond their experience. In many cases, it was a political affairs officer or a public information officer or something who was being asked to deal not only with the kinds of things that you might do in an embassy in dealing with host country counterparts, but you were actually being called upon to manage a province and, in effect, be the chief decision-maker or coordinator with the leading senior military officer there about everything that happens to manage large amounts of money. So you had people who weren't really up to it but, most of all, they didn't even get people out there very quickly and people who would stay without turning over. Even when they got them out there, they didn't have good support systems for them such as vehicles, communication, security, and they never went deep enough. So you'd have a handful of people and they just weren't enough for the task at hand.

Q: You said that there were some other dimensions of your program. I guess one of them was democracy building. Is that right?

COSTELLO: Yes, and it was what I call the new style rather than the old-style local government project in the USAID world. It wasn't focused simply on the need to train the city engineers and to do the public finance function with the budget office, an audit in the city government. It was one that said, "Your government needs to improve its technical capabilities; but also public officials need to learn how to operate in an accountable fashion to the citizens and citizens need to be able to get some opportunity to engage their government officials," something that the prior regime had never allowed in Iraq. One of these was, of course, helping to set up councils that would exercise oversight and, at some later stage, originally our scope called for working with local elections....

Q: How do you go about setting up councils? You set them up at different levels, I guess.

COSTELLO: Yes, we worked in Baghdad right from the neighborhood level, but in most places, I would say, in the provinces what we did was work on helping to select councils in the largest city, the capital city of the province. That may have been called the provincial council, but it was really what we would think of as a city council. But then over time as our involvement with councils and council development increased, we reached out farther into rural areas so that in a given rural sub-district, we would help to run some kind of a selection process and get councils started. Then we did work on training the councils about their functions and how to exercise oversight.

Q: How did you go about selecting elected councils? How did you go about that process?

COSTELLO: As time went on, they began to look more like true elections, but mostly what you would do is—this is an oversimplified statement of it—you'd visit an area with Iraqi counterparts at this point and maybe somebody from CPA with one of the military officers and you would say, "Okay, you're supposed to have some say in your government public affairs here, and we want to be able to give you some help for reconstruction activities, and you should be able to decide what kinds of things you want funded." So you'd call a meeting. You'd say, "Okay, we'll be back next week. Let's go to the school and spread the word," or you'd leave leaflets and flyers or you would tell clerics and schoolteachers to pass the word. Then you'd have another meeting to discuss it and you'd say, "Who would like to be on a council?" and you'd go through a rough nominating process in which people say, "I do," or "I think Joe Blow should be on the council." Then you'd say, "Okay, we're going to have voting two weeks from now." That was sort of what you might call New England town meeting kinds of democracy or voting processes in which you would say, "All right, we're going to meet at the high school auditorium, and people who want to run, they can stand up and say whom they are and what they want to do, and then you'll have balloting." So it wasn't following a basis of established voter rolls and formal elections, and they never really met fully what we would consider the standards for elections, but they were at the local level pretty well accepted because there was a chance for everybody who was interested to be heard. As time went on, again, the procedures became more formal and there was more outreach, so they began to look more like elections.

Q: How did people accept this process?

COSTELLO: The people accepted the process pretty well, because everything was always said to be temporary: "We need interim governing structures until real elections will be held." People were very eager to see order established, so one of the things that was also part of this was to say, "Let's look at the police chief and let's look at whether the schools are fixed up and work." So a lot of the councils' legitimacy was derived not from their legal foundation but from the fact that they became an important interface between the military and civilian occupying authorities and population in trying to get public services restored and also for people to be able to participate somewhat in that process.

Q: So these councils were pretty well accepted, or not accepted by the community?

COSTELLO: That's a good question. At the very local level, as in the neighborhood or small town, I think the councils were quite well accepted, but at the provincial level or the large city level the councils weren't as well accepted over time in many areas because they didn't have true elections. There was too much sentiment that they were the people that the occupying authorities wanted to deal with and there wasn't much room or scope given for political party activity. At the larger level of a big city or province it was more evident, shall we say, that the councils lacked true authority and control over funds and, therefore, greater legitimacy.

Q: They didn't get any authority from the central government or for funds?

COSTELLO: No, they didn't really. There was a lot of talk about it, and then ultimately the Interim Constitution and the Local Government Order provided for a federal Iraq and for strong local government but only on paper, because, again—and what I think of as one of the strategic

errors of the whole effort out there—they failed to understand that they had parallel priorities that they needed to meet and instead treated them as competing priorities. By that I mean that they became so driven by the need to get the central government functioning again on a minimum basis that they began to recreate the old regime because that's what people knew how to function in or was the only thing that they could tackle. They failed to try to achieve a stated objective of creating a new governing structure that was more decentralized and in which you tried to break the old Stalinist system of simply having local representatives of national ministries stand in the place of local government and instead try to say, "We want these local government bodies and public sector officials that have been functioning with a lot of support from the military in particular as de facto local government to really get the legal authority and the budget and political authority to go ahead and start acting truly like local government.

So it was one of the problems of legitimacy and credibility, because out in the field there was no central government functioning for a long time, and that was just fine because people started to do things on their own. The military would help establish a structure, and then CPA would help to come in behind it, but in the long run it was a huge political mistake of CPA always to override with a central government paradigm the efforts to strengthen local government. They were heading towards it late in the fall of 2003, and there was quite a big build-up, a big push. Then when they panicked and moved to the November 15 political agreement as date for the transfer of sovereignty and an effort to set up interim governing procedures, which, of course, collapsed and never took hold, they turned to the UN instead. They said, "Okay, now we don't have time to do this local government stuff," or "That's not as high on the priority list in the limited time we have left." So they really, I think, failed to follow through on what was an awful lot of progress on the ground at the local level in establishing a new kind of local government in a functional sense.

Q: They didn't follow through with resources, general support, authority, and things like that?

COSTELLO: That's right. So these people out there were in limbo—the councils were in limbo. Let's say there was somebody who was the head of the sewage department in Samarra, and first the military and then the CPA and then us as RTI advisors were all saying, "Go ahead. Establish your budget. Make decisions. Do things." As they got central government ministries functioning more in Baghdad, you started getting letters coming out of Baghdad from the Director General for Sewage that were saying, "You will follow my orders and you will do this and you won't do that," that would contradict what was being said and done at the local level. So these guys started to say, "What's going on here? If I do what you say now because you're here, three months from now the Audit Department is going to say I belong in jail or the Director General's going to say, 'You didn't do what I told you. You're fired.'" Instead of getting the kind of backing that said, "No, no, no, this is how we're helping to change the structures," there was a lot of temporizing. The Interim Constitutional Local Government order said a lot of nice things but in fact never followed through. They certainly never followed through on anything resembling any local-level or gubernatorial control of budgets for public sector expenditures by province.

Q: How did these local councils operate? What did they understand of democratic processes?

COSTELLO: You know, the Iraqis are a fairly well educated populace and, in spite of being cut off from the world, they were not totally ignorant. There was a lot of positive response to the notion of being able to exercise voice and to have some local control, because part of it was not so much just democratic versus non-democratic as it was local versus national. There was an awful lot of resentment around the country, especially in the southern half of the country, about the Saddam regime and having everything dictated from Baghdad. So a lot of it was: "This is terrific. We finally get to be able to do some things on our own and tell Baghdad to bug off."

This was all in a period of time of great unrest and difficulty, so an awful lot of it was, "Can we respond quickly in the short term to what are expressed needs of communities?" So the councils became real sounding boards for whatever was seen as the need to repair a school or something else or to deal with something like an abusive police chief; there were a lot of things you would think in democratic societies that legislative bodies do as oversight as opposed to legislating, that the councils serve quite a useful purpose.

Again, this was what I see as one of the big mistakes in the way the occupation was managed or their lack of understanding really of what was needed to reconstruct politically inside that country. They kept saying, "No, no, no elections, not for a while yet. We're going to have a constitution first and then we're going to have a selected assembly first," and they kept deferring—in a political empowerment sense as well as the natural government management sense—the chance for most of these newly created structures to really take hold.

We kept pushing them, helping get them started, but as time went on—and I think this is still true, as it was certainly still true in the spring of this year when I was out there in the first three or four months—and as you got closer to the transition of June 30, Iraqis internally, people on the council, people in the know, regular, ordinary citizens were beginning to say, "Are these councils for real? Are they going to be elected, and what kind of authority will they have?" In other words, there was a lot of support for ad hoc mechanisms in the early stages just to help fix things and to get things started. Over time, they were saying, "Let's try to build some new structures here that would give support to democratic local governance," but as time went on, more and more people were saying, "Is this going to last? Is this for real?" and there wasn't enough support put in there behind that for people to have a higher level of confidence. Especially the unwillingness to let any kind of elections, true elections, be held, matched with an understandable antipathy that began to build of having foreign troops always driving around your cities in armored personnel carriers and Humvees, created a kind of political vacuum that the "bad guys" filled.

Politics, like nature, abhors a vacuum. So this clerical gangster, who is how I describe Sadr, was nonetheless able to claim a kind of legitimacy as a defender of Iraqi interests and a spokesperson for Islam and nationalistic feelings on the part of Iraqis, especially unemployed young men, and claim that he was defending the country against the occupiers. To some extent this was also the case in the Sunni areas in the center of the country. So the failure to do the political transition properly and to have a mistaken strategy that they never were willing to change because they never really understood why it was not working opened the door, unfortunately, to the insurgency. We have seen the dire consequences that came from the uprising by Sadr in the Shiite areas and then the continued growth of the insurgency in the Sunni areas. Kurdistan, of

course, is quite different in all respects, because there wasn't fighting there, there wasn't damage to infrastructure, there was a functioning regional local government system, and Kurdistan continues to be doing quite well, thank you.

Q: What you're saying is that these local councils were relatively impotent; they didn't have the power, the authority, the legitimacy to function and, therefore, that created a vacuum. Is that what you're saying?

COSTELLO: Yes, that's right. They started from zero, so just the fact that you created them, although there was something that existed before was very much a fiction because there was a highly centralized regime in which no real voice allowed. You started from zero and you had support for this, you had a sense that this is part of a new beginning, and they were helpful in channeling funding for immediate reconstruction activities so that they did, generally speaking, build up some credibility and you got a lot of good people involved, people who were really sincerely interested in helping to create a new democratic Iraq. So they did a lot of good work and did gain some legitimacy and there was a lot of interaction—there continues to be quite a bit of interaction—between these councils, what we would think of as legislative bodies and executive branches.

There was a big meeting that I remember well in Baghdad in which the neighborhood and district advisory council members came together in a large auditorium and they called on the carpet, so to speak, the chief of police for Baghdad and the head of the electricity department and grilled them. These guys had to make a public presentation about what they were doing, and they were grilled as to why things aren't getting fixed. So this kind of oversight was extremely useful in developing new habits, new democratic practices, and to some extent that's still continuing.

But, as I said a minute ago, the fact that they [CPA] didn't see or attach as much importance as they needed to as an alternative to centralized control at the time that they were trying to get central ministries functioning to a great extent left all of the processes halfway down the track but then beginning to run out of gas. I wouldn't say that they totally ran out of gas or that they failed, and then at the very end they saw that they had a problem on their hands and so they created a special fund for local-level budget support, but it was put in the hands of the CPA representative and the governor. It wasn't regularized in the way it would need to be, but they kept some money flowing on an emergency basis that helped the credibility of councils.

That process continues, and in some ways I'm still optimistic if things quiet down. However, they missed a huge opportunity to create a stronger political basis of support for the transition back to sovereignty and a new Iraq as well as the chance to start to really build and use good, strong, modern local government procedures and approaches to managing in the public sector. So those guys are very much still way out on a limb and increasingly worried that the centralists in Baghdad, be they the traditional bureaucrats or ambitious national political figures, who are going to recentralize and saw off that limb.

Q: Are these local councils reasonably representative of the community?

COSTELLO: They're reasonably representative of the community, but the "refreshment process" that was used....

Q: Describe that a little bit. What was that about?

COSTELLO: "Refreshment" was something of a euphemism for saying, "Look, we know that the councils and the governors, some of them, need changing and you need to try to weed out poor-performing or bad elements, and you also need expand, make more inclusive, the process for selecting councils and governors." So they were working towards ways in which this limited suffrage would be expanded so that you would do some caucuses, that were never fully defined but that were meant to be, I think, a larger, expanded version of town hall meetings and nominating processes, and you would get improved, in terms of their functionality, more legitimate councils and local officials.

So that was called the "refreshment process", but, at that point, they really should have gotten off this kick of saying, "We're not going to allow elections for X, Y and Z reasons." It's clear that they didn't realize that the Iraqis and our best friend in the end, Sistani, are calling for the chance to have real elections. It was getting to be very embarrassing when the Iraqis were saying to us privately, "In the United States, we know democracy means elections. Why do you keep saying we can't have elections here?" So the "refreshment process" was really a euphemism for saying, "We'll go back through this and we'll try to get broader representation, more public participation, more women, for example, greater play within that process of political parties to expand membership in many cases or just simply to reconfirm." "Refreshment" meant we will go through the selection process and say, "Okay, these are the new councils and the new governors," with an understanding that you didn't just toss out everybody who was on there, but in effect you subjected them to some kind of a review that the public could participate in. The "refreshment process" turned out not to be a particularly successful process for reconfirming governors or adding council members. It was spotty; working well in some places and not so well in others.

Q: But it was being directed by the outsiders rather than coming from the people themselves?

COSTELLO: Yes, it was quite directed, in fact. If you could see it from the inside with CPA, you would see that they were really concerned with making sure that whoever would assume positions of any importance within that system were friendly to CPA and the U.S., because people were becoming more critical about things that were going on. At that point I think, open elections would have led to people getting elected who were saying things that CPA didn't like, although I think in the end that would have been much healthier for future developments than what we've seen.

They went through the "refreshment process" towards the end of the calendar year and on into January, but this hastily-put-together November 15 agreement that was shoved down the throats of the interim Governing Council also laid out the new timetable for transfer of sovereignty. It said that there would be a selection process that would be used with caucuses to set up a transitional assembly, a governing structure that would then move towards the transfer and would also move towards starting the constitution writing. In fact, they agreed there would be an

interim constitution written and a constitutional convention would only occur with delegates who were at a later date elected, and that's what's going to be happening in January.

Q: You said something about training the councils. What do you mean by training the councils, the local councils?

COSTELLO: Let me finish one more thing.

Then the systems that they set up to try to establish the selection processes for the interim assembly were so awkward, so clumsy, so poorly designed and, by that stage, in my view, so unacceptable to the Iraqis because they were the same procedures. They were a little bit fancier, more inclusive than what had been used way back in April, May, July and onward to set up governing structures, but they were by that time not seen as really credible or, i.e., democratic enough or giving the Iraqis broadly a chance to vote. So they never ever were realized. They went for about three months talking about how it was going to get done and saying, "This is how we're going to do it," and it never materialized. As it turned out, they handed off to the UN and said, "Oh, please come in and pick the people who are going to be part of the new government and set something up for us," so there was again this political vacuum of some three months or so after the November 15 agreement. Meanwhile the U.S. grand plan for how to establish the new government to transfer sovereignty to just sat there and then ultimately collapsed. It was very damaging to the credibility of any Iraqis who held authority or would receive authority.

Q: Why didn't it happen? Why was it delayed? What was the problem?

COSTELLO: Because they were so insistent on not holding actual elections, they didn't want there to be actual elections, and because they were victims of a self-fulfilling prophecy. To do elections you should start voter registration and do other procedures with some lead time required and set dates, and they didn't want to do any of that. So in July or September, they needed to say, "Okay, we get it. You want real elections. We'll start holding real elections at the local level after November 15." Rather, they said, "Whoops, something's wrong here. We're going to do caucusing and selections to give you a government so that we can hand this over sooner than planned." They had blocked the steps that were necessary as free conditions. So they then had to try this kind of screwy caucus thing, which never took hold, and then they just said ultimately to the UN in close consultation with the U.S., "You go around in a very broad consultative process; you pick these people." So they created this legitimacy gap that has come back to haunt us.

Q: I see.

COSTELLO: You were asking, I think, about training of councils.

Q: I was asking if one of your activities was training.

COSTELLO: There was work on some of the basics of Robert's Rules of Order, running a meeting. Then there were priority-setting exercises in which you tried to get people to say, "Okay, it's clear that there are more needs out there than there are resources or human capacity

to handle right now, so you have to prioritize, and that has to be an open process in which the internal parties have a chance to talk about it. Then you reach some kind of agreement about your timeline and your priorities."

Those all seem fairly simple or common sense to us because we're used to operating that way, but they weren't. These things would all be dictated and then everything was approached as a zero-sum game. So meetings typically would turn into shouting matches or who could assert himself the strongest and dominate to get decisions made in their favor.

Then there were things like how do you—because it wasn't just councils that we worked with on the democratic development side, it was things like citizens groups—deal with your council, how do you petition to them or petition to executive departments to hear what you want done. In what you'd call executive legislative, meaning city department or provincial and then councils and citizens groups, we worked in a number of areas on what we in the business call visioning exercises where you would say, "We've got immediate needs here. Let's get our priority list, but let's try to look farther down the road and let's talk about what is some kind of strategic approach that is open, transparent." Then you have what we would call public hearings. You publish documents, you go on television to explain it, and you lay out costs. When you say, "Here's what we think we'll have next year," or "we hope to have for the budget," those become public documents.

We set up citizen information centers, sometimes called democracy centers, in a number of provincial capitals to try to make Internet connections available so both public officials and citizens could access information and that public documents and bidding procedures were made public. That's one thing we did in a lot of cities; Kirkuk, I'm thinking of in particular, where you established procurement boards, which would meet publicly to receive bids. They'd open bids publicly and award announcements would be made publicly. These were very radical, revolutionary kinds of things within the Iraq environment but extremely well received by the public or even by interested parties. So contractors who were used to having to pay bribes and to do all their dealing somehow behind closed doors were being exposed to a process in which you say, "Okay, you make an offer. There it is. It gets opened up, and you stand by it. And then there can be a tracking system to see to it that you performed the work and that you're getting paid. And then it can all be announced publicly." So that work with executive branch officials and councils, on the basis of oversight and various interested citizens groups, all played a big part of what we would call the democracy building components of the project; as distinct from new computer training for public officials.

Q: You found Iraqis took to these things pretty well; all these ideas?

COSTELLO: Yes. The Iraqis, I think, were very receptive. Obviously, people who were somehow real beneficiaries of the old regime or believers somehow in that system were not people who liked to step forward to work with us on these things, but public sector officials, by and large, were very keen on this. The public quite clearly began to voice accountability demands saying, "We know everything was corrupt and we don't want that again," so interest in any corruption kinds of programming ran very high.

The difficulties, of course, were that old habits die-hard. The bad ways of doing things, so to speak, especially corruptly, was very ingrained. Punishments up to and including death were meted out to people who would criticize the regime or somehow try to make their own voices heard on an independent basis, which had created a real climate of fear, so people held back. The traditional cultural patterns, which always valued taking care of your family and tribe or clan first, a kind of patronage culture, were driven in part by how the regime manipulated groups and how rewards were never given out on an even, impartial basis but always on the basis of subservience and loyalty and an incredibly intrusive security intelligence apparatus around the country. All of these things, as we know, destroy social capital; they damage very seriously the kind of civic engagement or governmental accountability that's needed to have a good, well functioning, democratic system at the local or national levels.

That's a long-winded way of saying that, yes, the Iraqis were quite receptive, and we had what I considered an excellent project that was making great progress, hurt now by all the breakdown in security but still going on and still performing well. This is not something that changes overnight, even when, you know, somebody, a foreign army, has occupied a country and says they're running the place. As it turns out, they weren't really running it nearly as much as they thought they were and they failed to put in place enough of an interim governing structure to really support the transition and the changes that were needed for the Iraqis.

So there was and still is a lot of receptivity on the part of Iraqis to our task on, of course, local level government; yet there are an awful lot of the old ways of doing business that will take quite a while to change. Some of it is what we would refer to as cultural or societal values about democracy that have not had a chance to be practiced. I don't like this notion when you say it's alien to them, because a lot of it has to do with pretty basic, straightforward kinds of notions of human dignity and honesty—the give-and-take and the 'how do you do this,' 'how do you do that' kinds of elements of a performing democratic political system. They'd never been given that chance. It's trail and error. That's the way humans learn. We knew it would take a while and it will take a while, but the kind of progress along that path has been really severely damaged by the kinds of political strategy mistakes that were made that have thrown this whole thing so much off track. I hope that it can in that sense get back on track. It's not totally off track in spite of all of the security problems, but the mistakes that were made have really made achieving the goals of that project or of the larger Iraq enterprise much more difficult.

Q: Did your project have any work at the central government level in terms of trying to introduce some of these same concepts as the role of central government in this process?

COSTELLO: Yes, but that was perhaps the most frustrating element of our project. Clearly, to be able to establish, again using development agency jargon, the enabling environment and the reformed structures for empowered democratic local government, we needed a new policy framework. I've described elements of that framework in telling you where things were done well or done poorly. But on the key areas of establishing a new legal framework for local government and then of transferring control over resources from central to local government levels, and of breaking the centralized control over the entire revenue and decision-making flow of government around the country, the CPA, the U.S., really failed to do that. Again, that's

principally because, I think, they were out of touch with what was happening around the country at local levels. It was the military that was in much better touch.

Then their CPA representatives began to appreciate that need, began to argue more on behalf of local interests over time, but, like I say, they never had enough well-qualified people with enough command of the issues out in the field. They were just much more like troubleshooters, crisis management people out there, and they were really never integrated into the decision-making structures at CPA headquarters. Those were field reps and you'd call them in once a month for a meeting and ask "What are your problems?" You had a myopia, the bubble, as we called it, inside the Green Zone, of people who never saw beyond the ministries that they were dealing with and central government needs and their efforts to say, "How do we move eighteen billion dollars in supplemental funding into projects that were never analyzed or planned or contracted for?"

So, not only did they fail to create the policy environment and make needed reforms, but they were unwilling to listen. So we contractors were completely frozen out by CPA on discussions, even when they began, about reformulating the policy framework even though we had all of the expertise, and the USAID mission that we were supporting was frozen out as well. So there was this in-group inside the governance group in CPA making all the political decisions and then starting to work with their selected group of Iraqis, and they would never let us get anywhere near it. So you had people who basically didn't know what they were talking about making a lot of these decisions and not understanding the issues or what needed to be done.

Q: There was a governance unit within CPA then?

COSTELLO: That was the governance unit within CPA, and they made in spades the most fundamental mistake of all, which was that they had one unit which was governance—political officer types or a lot of political types from the administration in Washington—doing the political management, shall we say, and then the economic types; first Peter McPherson as the czar and then Rodney Bent from OMB, but they had a heavy turnover in the budget types. They were doing all of the resource management, so even though we insisted from very early on that, if you wanted to do this right with local government, what you needed to do was to have your strategy being developed and your decisions being made through a joint working group that said, "Gee, we have political issues here and we have economic resource budget issues here, and this has to serve a single strategy." Instead, we could never even get one side of CPA to sit down with the other side of CPA and examine these issues to look at the real policy priorities, both political and economic, or one might say political-military, and then we couldn't, to the extent that CPA said we're running it, even get a seat at the table in helping to analyze those questions.

So it goes back to what I had mentioned in a more specific sense earlier on, which was that you can talk all you want about empowered strength in local government, but if you're going to have to restart a system in which local authorities have no control over resources and they don't have any plans for revenue sharing, or we don't have any plans now for locally generated fiscal revenues, it's a joke. You don't have true local government if all the money decisions down to a micro-level are in the hands of the national government ministries.

Q: Is there a ministry for local government?

COSTELLO: There was a ministry for local government under the previous regime, but it was strictly a security and political-control mechanism and it was in the Ministry of the Interior. The Ministry of Public Works had a small operating expense account to pay for some things that you would think of as "local government" admin expenses, like a small stipend for the governor and staff or some supplies and office space, but all of the capital budgets—they had three categories for budget—all of the salaries, the operating expenses and capital budget was all off of a national payroll that would run through all the individual ministries. The Ministry of Public Works did cover some "local operating expense" items, and capital budgets were all run through the national ministries.

Q: But there wasn't any sort of advocate at the central level for local government?

COSTELLO: Yes. Well, you see, they abolished that ministry when they reorganized the Ministry of the Interior because it was totally a misnomer. It was a way to keep tabs as to their loyalty…the local officials. So then it almost got lost at first and then it popped up in the Ministry of Public Works. So they picked up some of these local operating expenses, but in fact, none of that money was getting out. It took nearly a year before any of that money started to flow again.

They named a very progressive minister, a Kurdish woman, as the Minister of Public Works, and she came in with a pro-municipality, local government philosophy. She insisted on having the ministry renamed the Ministry of Local Government and Public Works so that she could focus on things other than just some public works infrastructure activities and deal with issues of local government. But she never got the political backing inside CPA to challenge, shall we say, the established role of the line ministries or of the Ministry of Finance. We saw it as a very reactionary ministry in its outlook centrally. The CPA never gave much room for a serious exercise, let alone decisions and implementation, to create the kind of new policy framework for local government that was needed, and that's still lacking.

Even now that there's much, much more time, we're finding a sort of very worrisome backsliding on the part of Iraqi officials in place who tend to be centralizers in a worrisome way. And CPA even now still doesn't realize the mistake it made or the changes it needed to make to try to establish a new democratic political base and a functioning local government system, because for all the talk about the old centralized system and its political evils, people seem to assume that it worked. Well, guess what. It didn't work very well. It was like the Soviet system. It didn't work well at all. It was very bad choice to try to recreate that system.

Q: I have the feeling that maybe the rise in the security problem tended to reinforce the desire for a strong central government. Is that correct?

COSTELLO: Oh, yes, that's very correct, and that's why I refer to it as they were then framed as competing priorities when they were in fact complementary priorities. In fact, one of the things that was most fought over in discussions about realignment of central versus local government roles was the Interior Ministry, and it began to focus very controversially over how police chiefs

at the regional level would be appointed and removed or controlled. Some of these things that were put into place were attempts to say local councils could veto senior-level appointments of ministries at the provincial level, and that gets to be very detailed. We don't have time to talk about it now, but there was a huge back-and-forth on that as to whether local councils could name and remove the officials at the local level versus having them named and removed or what level of oversight local councils could have over these ministry officials.

The most controversial of all was over police, and they were insisting in Baghdad that that all be very centralized authority. They finally, at least on paper, wrote in some local control elements, but the military commanders, again counter-intuitively you might say, were some of the strongest proponents of local control because they wanted to have trusted, reliable counterparts at the local level, many of whom they themselves had put in place or kicked out or changed when needed, that they could go in to and say, "We've got a problem; we need to do something about it," without having it kicked upstairs to Baghdad before action could be taken. They ultimately did decide on a fairly centralized approach, and I'm still not convinced that that was the best approach, because, again, counter-intuitively they might have had better success at the local level in dealing with security problems, first of all, if they had more legitimate local government in place and then more local control over police to try to say, "Okay, let's go after these guys."

Q: Looking across the whole project, maybe there's some other area that you worked on that we didn't cover. Looking across it, since you were countrywide, how would you characterize the impact of all the activities you were doing across the country, and some sort of sense of scale of what was accomplished?

COSTELLO: Well, the scale was huge. That's one of the reasons I decided to go there, not just to seek glory or something but because as a development professional, the challenge and the opportunity of taking on a task that large and seeing that the needed resources in fact would be applied was a unique opportunity. As you know, typically they give you a $100,000,000 task and they give you $7,000,000 to work with, but we had—I'm exaggerating a bit—virtually unlimited money the first year. It was a very ambitious program design and funding was there, although it was dribbled out a bit too much at first on kind of a phony weekly performance basis. We had no resource constraint—I'll put it that way—in year one to try to accomplish our program objectives. We had $11,000,000 in small grants money, later increased to $20,000,000 in small grants, and we had up to this unheard level of 200 expatriate personnel and, in overall budget terms, the cost of Iraqi labor was amazingly low. It was a real bargain, and we had a lot of qualified people that we could get into our organization quickly. So it was very exciting; extremely demanding given the environment we were working in, very difficult, but the chance was there to really have a huge impact.

I think if you measure the project in terms of what kinds of impact it's had at the micro-level all around the country, it's an unqualified success. There are all kinds of good things going on all around the country. With no false modesty, I think we put together a really good team and RTI performed well. Another person I'm sure you know was at the head, Peter Benedict. If you were just able to add all of those up and you've got national impact, I think it was extremely successful, but you can't just add it all up because you need the national framework.

So our work, the country of Iraq, or the U.S. interest was not well served, and I still fear that all of the good work all around the country at the local level could be wasted and to a great extent go down the drain if they do not carry through and do what they did only on paper but otherwise failed to do during the time of occupation; of creating the right structures and really making them solid and seeing to it that funding really flowed into the hands of the local governments.

Q: You're suggesting that all this good work that was done around the country in setting up councils and training administrative people and all those processes is very fragile and might fall apart?

COSTELLO: Oh, yes indeed, it's very much at risk. Because we've seen that as the classic definition of failure in USAID projects around the world in which you make good technical input or even now in new-style programming what I would call you'd make good political development input, like in Africa and district development planning project, that sort of thing. Then, you find that, at the national political level, all of that is blocked; that what needs to be put in place by way of political reform with strong political will and then the challenge of implementing it all, if that's not there, the others all dissipate and, in the long run—will get overridden as the old guard, so to speak—is able to reassert itself.

Q: Do you have any sense that any of the local programs will be sustained?

COSTELLO: I think that ultimately, and rightly so, it's the Iraqis' decision. We always said in all of this work, "This is all interim, and it's up to you guys to decide how you want to create your constitutional structure." People in CPA used the excuse, a phony one, that "We can't decide this for the Iraqis," but we're deciding everything every day for the Iraqis, and they ultimately decided it again in writing the local government order and the interim constitution—that it's really now going to be up to the elected, at last elected, you know, at least six to eight months too late, the elected Iraqi representatives to sit down in a constitutional convention and decide what federalism means to them and how much authority and power they want to see in the hands of local government.

There has been a huge opportunity, to a great extent wasted, as with so many other areas, in which how to win the post-war wasn't well thought out or well managed. Everything should have been really in place as a foundation and a strong push in the first year or 18 months. There's like a huge gap there after the first six or eight months, and now Iraqis on their own will have to sit down and say, "Well, what do we write into the new constitution, and how do we want to try to make the system work?" Then you've got another whole difficult year, 2005, with another interim government before you get an election that says, "Okay, here's the real government." What we argued was, "You'd better change it and help set it up in a new way while you can, because permanent bureaucracy in Baghdad is going to try to assert its interests," and that's also a Sunni-dominated group; and if you don't help show them that you support in a real sense new structures, then they'll say, "We'll just do it the only way we know how, which is the way we've done it before."

Q: Is any of this local government development program continuing?

COSTELLO: Oh, yes. The program was seen as quite successful. Of the major contracts it was the only contract that was awarded the first option year, the second year of the program, without re-bidding. It continues at a high level of funding, although the security situation has deteriorated so much that, of the 22 offices, I think it's probably down to 17 now. The expatriates are restricted in movement so they're only working in Baghdad headquarters and three regional offices and the other provincial offices, which were our real strength because we were on the ground in force all over the country; those are still going except in some of the most difficult provinces but staffed by Iraqis only. The project is continuing. It shrunk in size, and some of that was because they didn't come through with as much money, but I don't think that, given the circumstances, the conditions would have permitted implementation in year two at 100 percent of the originally planned level. I think the project's still a good project and still going quite well given the circumstances; it's a matter of whether security will improve.

The U.S. didn't follow through, but if the Iraqis follow through on a system in which local government is meant to play an important role because they can do a better job of providing services, there's real citizen control, a democratic base to the political system, then we'd consider this as a good outcome. But from the looks of it, you're not going to see that kind of key political will in decisions made for local government until after these elections and the constitutional convention starts debating them. Then, of course, that's not the operating government. Unfortunately, by and large, the operating government continues, I think, strengthening the old structures; recreating them in ways that will be very damaging and make it very difficult for actual implementation of even good new constitutional provisions.

One last thing I would cite, Haven, is that we always had a limited civic education and NGO development role built into the project; but because it turned out that only RTI, our project, had really fully developed well-functioning infrastructure delivery capacity for assistance all over the country, CPA—it was really CPA, not USAID—after the November agreement, turned to us first. Then again, in February, at the time of the new constitution, and then the run-up to transfer of sovereignty in June to say, "Will you manage a large-scale program," that we would call traditionally civic education. The name that was used was civic dialog program. We did that starting in November and then really ramping up after the first of the year. We did that on a very large scale.

Q: What did it cover?

COSTELLO: We added 750 new Iraqi staff, who were all then trained by training professionals and who then in a cascading system went out and covered to the tune of some thousands of "civic dialog" events around the country, including at a larger level provincial town hall meetings, televised sessions, and national conferences of NGO interest groups. What we were really asked to do then was something that was not just our work with citizens and officials at the local level about how does democratic local government work or should work and what do you need to know to do it; you know, roles of citizens and of government officials. We were asked really to say, a bit too much in a salesman's fashion, at first "Get the word out to the Iraqi people at a local level with face-to-face contact about what's in the November 15 agreement and then later what's in the constitution. Get them talking about what these things mean to them and solicit their views, their opinions, and help to prepare Iraqis for the transition to sovereignty; in

other words—it sounds patronizing but I don't mean it that way—help them build democratic citizen skills. We deliberately refrain from calling it civic education and instead the whole thing was structured around key themes through the use of facilitation with our trained facilitators to get them to engage.

Of course, to some extent that continues now on a somewhat smaller scale and it is designed to say, "Think about these things when you're going to vote." There will be now, I'm sure, though not necessarily through RTI, a voter education component for the upcoming election. It was really designed to say, "Speak out with your neighbors and with council members." A lot of events were run with councils, but an awful lot of them were just neighborhood groups of one kind or another. "Okay, what does democracy mean to you? What do you think of the November 15 agreement? What do you think of what's in the new constitution? What kind of future do you want?" It was extremely successful.

We luckily had anticipated some work of this kind. We had some skilled people. I've done a lot of that kind of work in my years at USAID and in the last five or 10 years at the Carter Center. So it was an activity that was way, way over and above the kind of thing that was in a limited sense built into our scope of work, and it became very much a key component of the transition; political development activities as part of the transition to sovereignty. We made it a necessity, if you will, because there was no way that we could extend the security envelope for our expatriate or even our local staff out on that much of a huge outreach program, all around the country. So it from the very beginning had an almost totally Iraqi face to it, the supervisors and the facilitators. They just said, "We know that you can't give us security. We don't want it. The kind of security you'd give us with shooters is probably counterproductive, and this is our job. It's Iraqi." In that sense, it really weathered the up-rise in violence quite well, except in a few isolated areas, and it had a much greater kind of Iraqi ownership of that process from the very beginning. As the council structure, the NGO work, and the free media developed in Iraq, there were a lot of ways to plug in.

That was done on a very large scale and, I think, very successfully, although I must qualify it by saying that there was too much effort on the part of CPA to sell the CPA point of view in all of this, although in the way we implemented it we made sure we weren't just trying to tell people, "Here's what you should think." It was done on too much of a hurry-up basis; there's much more of a long-term, continuing need there to supplement assistance programs. Like the other things I described, if the whole situation is turning against you, then it's much harder to do this and do it successfully if it is, in any way, seen as part of the foreign occupation.

Q: Is there any other area we haven't touched on?

COSTELLO: No, I've about talked myself out, I think.

Q: You've done well. What we like to do at the end—but you've done it all the way through—for you to identify what you would say are four or five key lessons learned from your experience that related to what you were trying to accomplish? You've already identified some things, but maybe we could sum up that way.

COSTELLO: At least in my little slice of Iraq plus my views of the whole pie is that the local government's objective as part of this was a very worthy, well chosen objective, both in terms of just straight helping the country get back on its feet, deliver public services more efficiently and productively for Iraqis and, ultimately, to create new democratic political structures; it was really a good design. In that sense the project has been successful, but, as I said, there were some real serious limitations to that.

So it was a really good program as part of an overall strategy but then one in which the contractor, which had greater presence around the country really for most of the time than CPA itself, was still relegated to this "'You're contractors' role, so don't speak up unless you're called upon" both within the USAID mission, in which we're managed by mid-level TDYers and severely underutilized some of the most important impacts that the program designed and then we as contractors could help to provide weren't realized well because we were shut out too much by USAID—in fact, I'm sure USAID would tell you they were shut out by CPA, which was to a great extent true—and within CPA mainly in the governance division, so that ultimately the strategic objective in our project couldn't be realized unless CPA could say, "We understand that it's both the resources and the political structures, and we'll approach it that way," and they never did. It was very compartmentalized.

Then their strategic political mismanagement, especially denying any electoral opportunities for too long to the Iraqis, created the opening for the insurgency to take hold.

There was a lot of goodwill. I'm not saying we were greeted as liberators and people were throwing flowers in the streets in front of you, but certainly the whole southern half of the country and certainly the Kurdish north were very, very positive. Generally speaking, the whole country was very positive about the overthrow of the regime, not to say that anybody likes to have foreign armies in there doing what you know really should have been done by yourselves, but it couldn't have been done for now. There was a tremendous goodwill, and that's the great tragedy, not just that in my view it was inevitable to get to where we are now, but that serious strategic, political mistakes by civilian leadership—not the military, they've done their job—have squandered that goodwill, dragged out the transition keeping the Iraqis out for too long, and let a real insurgency take hold.

Q: That's a very important and major lesson. What about at the operating level? Were there some things that stood out in your mind in terms of just running the program or the way you approached things? I suppose there were hundreds of lessons.

COSTELLO: One is that—I guess it's been recognized; what I've seen is a bill that Senator Lugar introduced and this task force at State Department that Carlos Pasqual is now heading—I think they realize that they get failing grades in Iraq for an inability to actually take, not just a failed state but an invaded failed state, and managed that complex emergency and put in place people and needed skills to get the place going again. They really did not do that successfully in Iraq, and as a result the Iraqis, who perhaps unrealistically thought the Americans could do everything, our money, our skills, and all the rest, they began to say, "What's going on here? You guys can't get the lights back on and, beyond that, the country's security situation is going to hell."

I think the real ultimate lesson is that, if this is the world we face today and that the U.S., with or without the United Nations or, let's just say, the international community, there are going to be more things like this with or without invasions per se, then you've got to be able, especially in the face of bad guys who want to exploit this, you've got to be able to say, "We have credibility in being able to manage that situation," in this case, replace on a temporary basis the governing structures and decision-making until they get it going on their own, whether it's Iraq or Liberia or Afghanistan.

Q: So our input on the civilian side was not strong enough to really manage this circumstance?

COSTELLO: Put bluntly, CPA never got on top of it, and they did not do their job to a passing grade level. It was only because the military was there in such numbers and still continued to exercise such decision-making and provide the muscle and sometimes even the money at the local level that the whole thing didn't come unstuck.

I thought highly of Bremer and hesitate to criticize him, and yet he took bad advice and acted on it on a couple of big issues and failed to see, I think, that he needed to really clean out his staff about halfway through; and that, even though he had the right instincts and was a very hard-working, good manager and all, in the end you've got to hold him accountable and say, "Guess what. You guys did not get the job done."

Q: Was this bad advice within the CPA system or from abroad, if you can know?

COSTELLO: The original one about levels of troops and about not stopping the looting, that was Rumsfeld in Washington, and I think Bremer just wants to get out on the record now, but some of the other ones about abolishing the security forces or the way the de-Baathification program ran or the unwillingness to allow elections before you have a new constitution, those, I think, lie at Bremer's feet. Up until the November 15 agreement an awful lot of the decision making operationally, even on the big, important issues was, I think, Bremer, but when he got called back to Washington in early November on an emergency basis and came back and announced a whole new approach, I think from November on he was just an administrator, they were calling the shots in Washington and not improving the quality of the decision-making in the process.

Q: I don't know whether there's time to get into this more, but as for the operational field level in terms of the kind of work you were doing, in terms of the councils and the training and administration, were there any lessons in that area that stand out?

COSTELLO: The council development work, as it started out, went pretty well, but within six months' time it needed to get the underpinnings of real elections and it needed to get the underpinnings of actual control at the local level over resources and over some central government activity.

Q: In terms of the technical assistance work that you were doing, were there any practical things that worked well or didn't work well in trying to bring this about?

COSTELLO: We could have used more people in our skill mix with particular skills of that sort. That wasn't fully anticipated in the project design or scope of work, and so we were a little bit thin on that. We were thick on relief and logistics type people that they thought were going to be needed, so we probably had too many of those kinds of people in initially, and then we had to play catch-up to try to be able to get more people who had political development, local government strengthening, council managements kinds of background.

Q: Does that pretty well cover it?

COSTELLO: That pretty well covers things.

Q: Well, it's a great interview, very interesting.

COSTELLO: I'm glad to have a chance to talk about it. I hope that we do in fact look closely at what was done and try to get useful lessons learned from it, because there's a huge investment by our country in the most basic ways, people's lives and huge amounts of money, and it's still something where, regardless of one's view about the war, I think it's really critical that it turn out more or less well, somehow successfully. For any future kinds of situations we need to know some of this is kind of real-time feedback and lessons learned that still need to be fed back into the process.