



## **PKSOI Perspective**

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### **Cooperation Trumps Clash: U.S. Civilian-Military Integration of Public Finance Assistance in Iraq 2008-2009** **08 August 2012**

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The United States should improve the “integration of skills and capabilities within our military and civilian institutions, so they complement each other and operate seamlessly.”--2010 National Security Strategy

Many U.S. Government (USG) agencies helped Iraq rebuild its economy during the 2008-2009 period—the U.S. Department of State, the U.S. Agency for International Development, and the U.S. Departments of Commerce, Agriculture, and Transportation, to name a few. The experiences of the U.S. civilian-military Public Finance Management Action Group (PFMAG) in Iraq identified the unique challenges of public finance and reflected the distinct perspectives of military and civilian experts and the interplay of those perspectives as Iraq struggled to rebuild and the United States sought to help in those efforts. The PFMAG’s experiences are recounted here to provide insights in regard to making military and civilian institutions involved in public finance assistance “complement each other and operate seamlessly.”

### **Background**

As Iraq began to pump and ship more oil to international markets in 2008, the time was right to begin transferring responsibility for reconstruction from the USG to the Government of Iraq (GOI). USG officials, however, doubted whether Iraq’s ministries could successfully execute a national budget. The embargo, post-invasion turmoil, de-Bathification, emigration, and bombing of the Ministry of Finance in 2007 had thinned the ranks of Iraqis who had previously managed government finances and there was a lack of experience with modern public finance.

At the direction of Ambassador Crocker and General Petraeus, a government assistance team (GAT), led by then-Colonel H.R. McMaster and Ambassador Larry C. Napper, evaluated Iraqi governance and related assistance. Concentrating on public finance, they found that U.S. assistance in this area was abundant but lacking in credibility and impact because it was uncoordinated. Their report of April 24, 2008, recommended creating a “central vehicle” to integrate and synchronize assistance on public finance at all levels of Iraq’s government, from sub-districts to ministries.

## **Public Finance was Critical to Iraq’s Reconstruction**

Why did the GAT focus on public finance? First, budget activities are fundamental to the functioning of any government. In fact, GAT member Jeremy Pam, a former U.S. Treasury attaché to Iraq, held that public finance is so important to government legitimacy in postconflict settings that it should be an organizing principle for assistance. [1] Second, successful execution of Iraq's national budget was central to the functioning of Iraq's economy. Government expenditures accounted for 80 percent of Iraqi economic activity (Gross Domestic Product) in 2008, and government investments accounted for around 90 percent of total investment. Oil revenue flowed directly into the central government's budget, which funded federal and sub-federal units and state-owned firms. Third, clear evidence of poor budget execution existed. Funds for the 2006 and 2007 budgets were not fully spent. Oil price windfalls in 2008 increased revenue, but executing the capital budget remained "problematic." [2] Without effective budget execution, more responsibility for reconstruction and security could not be transferred to Iraq. Finally, concentrating assistance efforts on the budget and public finance management promised greater efficacy in U.S. assistance programs.

## **Civilian-Military Unit Embodied Continuity and Progress**

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In June 2008, the recommended "central vehicle"—the civilian-military Public Finance Management Action Group (PFMAG)—was established and charged with three tasks: (1) integrate assistance for public finance into a coherent whole, (2) work with Iraqi authorities to improve and support budget execution, and (3) help Iraqi officials devise a framework for budgeting and banking. A joint civilian-military operation to work on issues of budget execution and public finance was novel. Civilian agencies roles and expertise were well known, but military involvement was new, a result of emerging doctrine that placed public finance as an essential part of stabilization operations.

PFMAG consisted of a Principles Committee to formulate strategy (PC), an Operations Committee (OC) to effect communications and coordination, and a Secretariat to run day-to-day operations. The PC was chaired by the Coordinator for Economic Transition in Iraq, who was the State Department's senior economic official in Iraq, with the Deputy Commanding General of Multinational Forces in Iraq (MNF-I) as the deputy chair. The OC and Secretariat were chaired by the U.S. embassy's Treasury Attaché with a U.S. military colonel serving as a deputy. The OC included representatives of U.S. civilian and military groups as well representatives of UK's Department for International Development (DFID), the World Bank, and other international lending and aid organizations. The Secretariat was composed of U.S. Treasury and DoD technical experts and military personnel from the Civil Affairs Brigade.

Treasury leadership was natural given Treasury's expertise in budgeting and finance and strong presence in Baghdad providing policy and technical assistance. The U.S. military's responsibilities in economic stabilization included monitoring the GOI's security budget, providing security to the Central Bank of Iraq, and selling U.S. military equipment under the

Foreign Military Sales program. U.S. military officials had access to ministers independent of other USG technical assistance and policy efforts.

By October 2008, the PFMAG had 11 civilian technical experts. Paired with each expert was a U.S. military officer, bringing the staff complement to 22. Both sides benefited from this arrangement. Military officers learned the realities and practice of budget and finance from the finance experts, who, in turn, tapped into military sources for relevant budget and finance information within the conflict zones. However, assignment issues adversely affected staffing and PFMAG potential. Military officers, who were often assigned and deployed quickly, were then too often reassigned, occasioning multiple rounds of time-consuming training and integration. On the other hand, it took five months for all the civilian experts—a mix of newcomers and veterans—to be deployed.

Nonetheless, the PFMAG successfully drew on the complementary talents of its civilian and military members and worked together as a team. Elements were assigned to work with the central ministries, including the Finance Ministry, directly or through other USG advisers; the Central Bank and private banks; and the provinces through the U.S. Office of Provincial Affairs' (OPA) Provisional Reconstruction Teams (PRTs) and military advisers.

## **PFMAG's Collaboration: Complementary and Seamless Operations**

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PFMAG operations aimed to coordinate and integrate public finance assistance, disseminate information on public finance, assist with practical operations, provide training, and advise and assist Iraqi counterparts on budgeting, banking, and security matters. In conducting these operations, the PFMAG worked with civilian and military officials in the U.S.G and the GOI as well as international financial institutions and the donor community. Insights emerged from all these areas.

### **Coordination and Integration**

Weekly meetings of the OC became a venue for the “soft coordination” envisaged by the GAT. The OC organized the one-hour sessions around topics such as provincial and capital budget execution, budget forecasts, or banking. Participants, who were experts responsible for various programs, were encouraged to speak frankly without regard to rank. Discussions centered on resolving and advising concerning specific budget and finance issues. Each meeting began with an exchange of information on budget execution developments.

Representatives of one or two agencies, the World Bank, other donors, or the Deputy Prime Minister's office would provide presentations and answer questions.

### **Dissemination of Information**

Before the PFMAG, U.S. military and civilians acquired differing information from separate and proprietary sources, pulling different and often conflicting policy levers to influence the Government of Iraq. After the establishment of the PFMAG, they possessed the larger and

common basis of understanding necessary to prioritize and impart strategic coherence to assistance.

For example, the PFMAG tapped into Treasury resources to collect information from indigenous ministries, the Central Bank, Parliament, and international financial institutions, and relied on the military's ability to move about the country to collect information from other sources. Synthesizing all this information, the PFMAG briefed the U.S. Ambassador and the Commanding General, sometimes jointly, but more often separately. Separate briefings better focused in detail on topics of specific interest in a style appropriate to the particular audience. Military officers preferred PowerPoint presentations and civilians used briefing notes and decision memos. PFMAG's Treasury Attaché, who had briefed the Commanding General and other senior officers in the Battle Update Assessment (BUA) before the PFMAG was established, provided BUA and other briefings on a regular basis. This gave the PFMAG greater credibility among the U.S. military leadership.

The PFMAG's sharing of information created another significant effect: better communication and coordination among Iraqi officials. The PFMAG helped the Ministry of Finance and the Ministry of Planning reconcile conflicting instructions on budget implementation. It convened meetings of federal and provincial officials to discuss and clarify understanding of the budget instructions. It fostered dialogue between the Ministry of Finance and the Central Bank on bank supervision so qualified Iraqi banks could handle government payments. In providing an accounting framework and manual, the PFMAG facilitated an exchange of ideas among the Board of Supreme Audit, Ministry of Finance, and the Council of Ministers. It also enriched dialogue between Parliament's Finance Committee and the Ministry of Finance and Central Bank of Iraq (CBI) on important matters, such as the role of the central bank in deficit financing and the operation of the Treasury t-bill market.

Consistent information flow and shared knowledge aided coordination, but did not and could not eliminate all differences of opinion or perspective. The PFMAG made the same information available to agencies in Washington DC, which sometimes derived their own, different budget estimates. The PFMAG did not pretend to have all the answers; however, it did maintain that a sounder understanding of the Iraqi budget was to be found closer to Baghdad than to Washington DC.

### **Operational Engagement**

The PFMAG also worked on direct aspects of budget execution. It established a Budget Execution Service Center where U.S. civilian and military advisers, or Iraqi officials, could ask about specific procurements. Run by a local firm of former Ministry of Planning officials, the Center isolated procurement bottlenecks and recommended viable solutions to the specific issues. PFMAG also monitored 25 large investment/reconstruction projects, briefed the Minister of Planning on their progress, and made recommendations to improve performance. In addition, the PFMAG worked on specific issues of interest to both civilian and military officials, such as tracking payments by the Transportation Ministry for air

controller services to keep the Baghdad International Airport open to commercial flights. PFMAG's Treasury Attaché and military colleagues routinely visited the Finance Minister, ensuring the delivery of consistent, unified messages on such issues.

## **Provincial Budgets**

The PFMAG shared information on Iraq's budget with PRTs and local military advisors—publishing bulletins, maintaining a website, translating budget-related items that appeared in the *Official Gazette*, and publishing a handbook on budget formulation, execution, and procurement. In turn, PRTs provided PFMAG with information on budget execution and reporting at their level. PFMAG military officers also helped shape briefings for field commanders assigned to PRTs. On a few occasions, federal ministries asked the PFMAG to urge PRTs to intervene with provincial counterparts on certain matters.

## **Training**

In the training of Iraqi budget experts, the PFMAG organized workshops on budget execution for various staffs from the Iraqi ministries and the provinces. To ensure that the training was practical and based on Iraqi laws and regulations, current or former officials of the Ministry of Planning, Ministry of Finance, or the Supreme Audit Board conducted the training. The PFMAG, in coordination with the Office of Provincial Affairs (OPA), trained USG PRT officials in Baghdad, in the field, and in pre-deployment classes at the Foreign Service Institute.

## **Budgeting Assistance**

PFMAG's Treasury experts, alongside advisers from the UK's DFID and the World Bank, counseled the Iraqi Ministry of Finance on budget formulation and execution, accounting, and development of a medium-term budget strategy. They also advised the Iraqi Parliament's Finance Committee on budget, central bank, and Treasury bond issues. PFMAG's military officers, usually attired as civilians, attended some advisory meetings to get a better sense of the issues and personalities involved.

## **Banking Assistance**

The PFMAG absorbed the U.S. Treasury's responsibilities with the Central Bank of Iraq, state banks, and private banks. The two large state banks, Rafidian and Rasheed, served a treasury function by channeling payments to government employees and domestic contractors. Since Iraq's national budget financed a major part of the country's economic activity, timely assurance of payments by these banks was vital for overall economic performance. The PFMAG helped the two banks begin to restructure for more efficacy in operations and financing and worked directly with the U.S. military to provide security for local cash payrolls.

The military came to appreciate branch banking because conflicts sometimes erupted when Sunni militia had to enter Shia territory to receive payrolls from existing state banks. At the urging of the military, the PFMAG worked with the Ministry of Finance to open more bank branches, with the CBI to make sure the banks had adequate cash, and with the military to

provide temporary security for new branches.

PFMAG and the military also worked together to defuse the “Ramadan currency crisis” of 2008. The CBI was planning to re-denominate the dinar, dropping three zeros and issuing new currency notes. In the run up to the planned launch of the new currency, the CBI had not ordered sufficient new bank notes in the old denominations. As Ramadan began, Iraqi army paymasters arrived at the Ministry of Defense to secure cash for their troops. When they told to return to their units without cash due to a shortage of bank notes, they refused. More paymasters arrived and stayed on the ministry’s grounds waiting for the cash. When PFMAG’s military officers learned of the situation, PFMAG worked with the CBI to urge state banks in the provinces to ship surplus currency notes to Baghdad. This solved the immediate problem, but more currency notes still had to be printed. Unfortunately, the European firm that printed the dinar notes could not schedule a production run at its home facility. At the urging of the PFMAG, the CBI authorized production of bills of the same quality at the firm’s plant in Africa. The immediate currency crisis was resolved and redenomination postponed to a later date.

### **Central Bank Security**

Located in downtown old Baghdad, the Central Bank had suffered several attacks and a severe fire. PFMAG worked with Multi-National Force Iraq (MNF-I) to strengthen the physical security of the bank, ranging from infrastructure to guard staff. PFMAG’s military officers took the lead, working with a private security company to plan security features for the new facilities and organizing visits to the construction site for firsthand assessments.

### **PFMAG’s Internal Struggles: Culture Clash**

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From the outside, PFMAG operations appeared seamless as all PFMAG members shared the same goals. However, within the PFMAG there was a sharp clash of cultures.

The U.S. military and Treasury shared the same objective: *effective and efficient execution of the Iraqi budget in the shortest possible time so the Government of Iraq can assume financial responsibility for the country’s security and reconstruction.* Each, however, often advocated different approaches to reach this objective, approaches that reflected their different priorities, unique organizational perspectives of “operational terrain,” and separate time horizons.

Treasury’s interests were a natural extension of its work in the USG and in assisting foreign governments with finance issues. The U.S. military’s focus was narrower, based on its recent doctrinal recognition that sound public finances are essential to stabilization and reconstruction. Military officials wanted to plot a near term course of action and then act expeditiously; after all, the Iraqi budget was to be executed *as quickly as possible.* Urgency seeks to flatten the operational terrain with a series of shortcuts and workarounds. In contrast, civilian officials more attuned to the complexity of public finance, could see obstacles their military counterparts did not have the experience to detect and knew that

shortcuts could easily become longer-term sinkholes. Patience and deliberation were required to build effectively for a stable future. For them, budget execution was to be *effective and efficient* in order to serve as a platform for a sustainable Iraqi-operated public finance management system. The following section provides a few examples of how such clashes played out.

### **Action Versus Knowledgeable Action**

In one case, in order to advance provincial budget execution, a U.S. military unit sought to train U.S. military teams of finance experts on Iraqi budget law, procedures, and associated issues and deploy them with provincial governments. PFMAG pointed out that even if enough experts were developed, such novice teams would find it extremely difficult to ensure consistent interpretation of laws, gain the confidence of local officials, and work with the PFMAG and the Ministry of Finance. In the end, the unit discarded the plan because not enough military budget experts could be found. Budget capacity building was left to USAID and the PRTs, and Iraqi determination.

### **Central Bank as Sugar Daddy**

By the end of 2008 oil prices had plunged from a mid-year high of \$145 a barrel to \$30 a barrel, drastically reducing Iraq's revenues. The oil price assumption for the 2009 budget was revised downward several times before settling at \$50 barrel. Even so, in the early months of 2009 revenues were far from matching scheduled budgeted expenditures. The Ministry of Finance reserves built in 2008 were inadequate: FY 2009 would be a tough budget year without a recovery in oil prices. The budget for 2010 promised to be even more challenging.

The Minister of Finance wanted to cover budget expenditures for 2009 and husband resources for 2010. Eyeing the Central Bank's foreign exchange reserves, which totaled around \$50 billion, the Minister of Finance and Prime Minister wanted to tap into these reserves to finance the budget. Such financing, however, posed a number of ill effects. First, it would violate the Central Bank law that prohibited deficit financing by the Central Bank in order to preserve price stability. Second, using the reserves would undermine the Central Bank's ability to stabilize the dinar-dollar exchange rate, important for price stability and Iraqi consumers' purchasing power. Third, using these reserves meant that the government was spending the same money twice. The reserves represented U.S. dollars from oil sales that the government had already sold to the Central Bank in exchange for Iraqi dinars that it used to pay for salaries and goods and services. Thus, for legal, macroeconomic, and accounting reasons, the reserves were "off limits" for funding the deficit. These arguments were logical to Treasury advisers. Some senior U.S. military officials, however, sided with the Prime Minister. Eventually, senior U.S. military officials accepted the logic, although the rationale needed repeating to new arrivals and visitors, one of whom even called the Central Bank Governor to air his views (the Governor subsequently complained to the Attaché).

### **Laws are Made to be Bent, Aren't They?**

Rule of law is a development theme in Iraq and other fragile states. It usually refers to enforcement of criminal and anticorruption laws. However, budget laws are also fundamental to rule of law. A government that cannot collect revenues and manage expenditures properly is not a legitimate and functional government. Adherence to existing budget law and good public finance supports good governance and stability. Not following them circumvents rule of law, accountability and efficacy, leading to ineffectiveness and corruption that can just as fundamentally undermine the government's legitimacy as the failure to provide security.

In Iraq, payments under the federal budget must follow specific legal procedures. Iraq's Public Finance Management Law states that Iraq's Treasury can make payments only under an appropriation made in the annual budget or a supplementary budget law. Legally, the Council of Ministers (Cabinet) and Council of Representatives (Parliament) must authorize expenditures in a budget law published in the *Official Gazette*. These requirements are broadly similar to U.S. practice and represent good governance. Nevertheless, sometimes they were viewed as obstacles.

### ***Sons of Iraq Payment Quagmire***

The U.S. military had devised a program to pay the Sons of Iraq to put down their weapons and resume a peaceful life. The Council of Ministers committed to assuming responsibility for these payments toward the end of 2009 and to moving program participants into ministry jobs in 2010 so their salaries would be covered by the federal budget. However, putting this program into effect raised at least three significant issues. First, the 2009 Iraqi federal budget did not have an appropriation to pay participants. Amending the budget law to do so would be difficult for political reasons. Second, the Sons of Iraq was not a legal entity so how could there be an appropriation to pay members of a non-legal entity? Third, how could the budget incorporate the nearly 100,000 Sons of Iraq in terms of cost and ministries' ability to deliver service for value?

U.S. military officials tracked every twist and turn of debates on these issues and demanded frequent updates from PFMAG—but progress depended on the pace of Iraqi officials. When monthly payments lagged, tensions mounted. The Ministry of Finance committed to make the payments, but haggling with the Ministry of the Interior over resources impeded progress. The Interior Minister pleaded insufficient funds even though its annual budget allocations had increased. Senior U.S. military officials attached to the Interior Minister's office took up his cause as their own. Meanwhile, U.S. military personnel assigned to the Interior's budget department informed the PFMAG about potential funds that the ministry could tap. Eventually, the Minister of Finance and Prime Minister authorized the Interior Minister to proceed with the payments, assuring him that if he ran out of funds his budget would be "topped up" at year's end. Payments flowed, but were not fast, timely, or sufficient.

### ***Turbines Generate Political Sparks***

Recognizing an urgent need for electricity, the Prime Minister, the Minister of Energy,

the U.S. Commanding General, and the U.S. Ambassador all supported the purchase of electrical turbines from a U.S. producer. A purchase agreement was concluded at the end of 2008. However, as was the case with payment for the Sons of Iraq program, there was no appropriation for the purchase in the 2009 budget then going to the Parliament. Even though the Parliament would not act on the budget for at least another two months, the Council of Ministers were reluctant to insert the expenditure. To do so would have increased budgeted expenditures or required reallocation of resources in an already extremely tight fiscal year.

In seeking a way to pay this obligation, the Minister of Finance and the Prime Minister pressured the Central Bank Governor to use the Central Bank's foreign exchange reserves. The Prime Minister even threatened to remove the governor from his post. The Parliament acknowledged the importance of the payment, but added a provision in the budget law requiring the Ministry of Finance to secure Parliament's unanimous approval before issuing any Treasury bonds to finance the payment.

In this case, a "win-win" situation turned into an intense political struggle that threatened budget discipline and Central Bank leadership. PFMAG explained the issues to the U.S. Commanding General and U.S. Ambassador and sought resolution with the Ministry of Finance, Parliament, and the Central Bank. In the end, the Parliament allowed the Ministry of Finance to issue a special T-bill purchased by the state banks in Iraqi dinars. The Central Bank used its foreign exchange reserves to convert the dinars raised by the T-bill to U.S. dollars for the payment. Five months past the due date, the Minister of Finance signed the order for payment in the presence of the Treasury Attaché and the U.S. Army General responsible for PFMAG. [3]

Such cultural and civilian-military clashes often played out within PFMAG. Violating the budget law because "this is Iraq" undermined the very goal of USG assistance: promote and instill sound governance of public finances. Tensions between military and civilian agencies were not new in Iraq. Through PFMAG, many of these tensions were absorbed and defused so as not to impede consistent, factual information and recommendations that were credible to both senior military and civilian officials. In this way, PFMAG was able to facilitate communication on important budget issues.

### **Frustrated by Facts, Known and Unknown**

An important issue in the transition to Iraq-led reconstruction was whether the Government of Iraq could assume the cost of its own security—military and police—quickly and in a manner the U.S. military deemed sufficient. The issue intensified as budget demands for salaries, education, health and other needs understandably increased as peace began to settle in. The challenge consisted of two major components: overall budget resources and effective formulation and implementation of the Iraq Ministry of Defense budget.

On overall budget details, PFMAG did not have the same visibility as when the Central

Provisional Authority (CPA) was responsible. After the Strategic Framework Agreement (SFA) took effect in January 2009, the Ministry of Finance shared less information on revenue and expenditures. Revenues could be reasonably estimated by the price of oil but information on expenditures could be gained only from GOI sources. Within PFMAG, a debate arose as to whether to pressure the Government of Iraq to supply details on expenditures. As a sovereign nation, Iraq could not be compelled to do so although they did open their books to the International Monetary Fund to secure lending.

Despite the U.S. military's interest in the security budget and its good relationship with the Ministry of Defense (MoD), it did not collaborate directly with the MoD on budget matters. Instead, the U.S. military turned to PFMAG for information on the formulation and execution of security budgets. An idea discussed toward the end of PFMAG's existence was to work on a threat assessment with the Iraqi authorities and suggest allocating budget funds to meet the highest threats. It is not clear that the ministry would have welcomed such assistance. In any event, PFMAG's budget estimates based on the available information did not support U.S. hopes that the Iraqi government could quickly assume its own security costs.

### **Budget Maneuvering for Foreign Military Sales**

The U.S. military sought to sell top quality U.S. hardware at the best possible price to the Government of Iraq under the U.S. Foreign Military Sales (FMS) program. U.S. military hardware is usually superior and preferred to that of others, but is sometimes more expensive. In a tight budget, justification for any purchases needed to be very strong. Moreover, even though U.S. goods acquired under the FMS program may be not be delivered for months, or even a year or more, FMS requires payment when the goods are ordered. This accounting procedure conflicted with Iraq's cash-based system, which is based on an annual budget cycle. Any cash outlay for military equipment delivered after the current budget year forced the government to carry these obligations into another budget year, and was contrary to the public finance law.

PFMAG did not weigh in on the merit of FMS purchases, however budget decisions involving such high value purchases affected PFMAG estimates of funds available for security. Further, PFMAG explained the importance of carrying over FMS obligations to the Ministry of Finance, the Supreme Audit Board, and Parliament. Provisions permitting such carryovers were included in the budget laws of 2008 and 2009.

## **Transition: Time to Say Good Bye**

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PFMAG's utility waned as the U.S. Embassy normalized relations with the Government of Iraq. Military officials met the Minister of Finance only in sessions organized by the Treasury Attaché. Under the SFA both governments agreed that civilian committees and working groups would address economic issues, including public finance. The World Bank stepped up its activity, negotiating a budget assistance program with the Ministry of Finance

and becoming the focal point for donor discussion on budget matters. As the transition to civilian-led engagement with Iraqi authorities accelerated, PFMAG disbanded through mutual agreement of the State and Treasury Departments and the U.S. military in October 2009. At the request of the military, the U.S. Treasury continued providing briefings and advice on economic issues to senior military officers.

## Conclusion

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PFMAG improved coordination of and advice on budget execution through its credibility among the U.S. military general officers and other U.S. and Iraqi senior leaders, by bringing greater coherence to diverse Iraqi public finance activities, and through its amelioration of much of the natural tensions between U.S. civilian and military personnel responsible for economic development in Iraq.

PFMAG's credibility with U.S. military general officers stemmed from (1) its dual civil-military composition, (2) general officers' vested security interest in economic and public finance issues, and (3) regular and credible briefings of the Commanding General. The careful balance of military officers and civilian expert advisers kept the PFMAG from being overpowered by military perspectives and allowed it to work more collaboratively with USG civilians, international agencies, and Iraqi authorities.

PFMAG made the USG's support of Iraqi public finance activities more coherent by disseminating clear, consistent information and providing regular briefings. Its involvement in operational matters was inevitable given its knowledge of government operations and officials. Even if it could not resolve some issues, it made sure that USG and Iraqi decision makers understood the issues and options for resolving them.

Tensions in PFMAG were most evident in questions of action versus deliberation. The military saw civilian slowness to act as evidence of not caring or, worse, incompetence. Civilians saw military quickness to act as reckless or, worse, destabilizing. PFMAG's internal debates mirrored these concerns. Nonetheless, PFMAG's briefings for military and civilian audiences helped defuse tensions in the USG agencies, civilian and military. A recurring insight of these briefings was that expedient action may not be in the best, long-term interest of Iraq's public financial management—an area ruled by law as well as politics.

The PFMAG experiment drew on the complementary skills of military officers and civilian experts and operated mostly seamlessly despite clashes in corporate cultures. It was able to do so because of the willingness of PFMAG military and civilian personnel to learn from each other and because of the individual personalities of PFMAG leaders. Civilians and military in the PFMAG sought to understand the interests and objectives of each other, allowing them to fashion effective commentary and approaches to public finance that resonated with military and civilian leaders outside of PFMAG.

What could make the next civilian-military operation more successful? First, at the

pre-deployment stage, develop and brief team members on a comprehensive plan assigning responsibilities, establishing workloads, managing communication, and developing understanding of the distinct military and civilian perspectives bearing on mission objectives. Second, after the team is deployed establish an ongoing training program, supplemented by lectures and workshops, to keep new hands and old informed on and communicating about the issues. Third, ensure military action officers are assigned to the PFMAG for longer periods of time in order to take full advantage of on-the-job training with civilian counterparts. Fourth, ensure PFMAG civilian members are deployed quickly, preferably at the same time as the military action officers. Finally, plan for terminating the PFMAG operation. With the advent of the SFA, the transition to more “normal Embassy” engagement with Iraqi authorities became apparent. A PFMAG, by design, is a transitional organization. A sunset clause built into its mandate would facilitate a more smooth transition to civilian-led USG engagement on public finance.

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[1] Oral Statement of Jeremiah S. Pam before the Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform, U.S. House of Representatives, July 14, 2009, page 4.

[2] The Special Inspector General for Iraq Reconstruction (SIGIR) Quarterly Report to the U.S. Congress, January 20, 2008, page 123.

[3] The payment authorization document was sent to the Ministry of Finance for two more signatures. The next day, the Ministry was destroyed by a blast that claimed the lives of more than twenty people. The senior official responsible for processing the payment walked back into the wrecked building the day after the explosion, dusted off the still intact payment document, signed it and secured the other signature, and took it to the Central Bank of Iraq for payment to the U.S. company.