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United States General Accounting Office
Washington, DC 20548

May 15, 2003

The Honorable Richard G. Lugar
Chairman
The Honorable Joseph R. Biden
Ranking Minority Member
Committee on Foreign Relations
United States Senate

The Honorable Henry J. Hyde
Chairman
The Honorable Tom Lantos
Ranking Minority Member
Committee on International Relations
House of Representatives

Subject: *Rebuilding Iraq*

Rebuilding Iraq is a U.S. national security priority. As part of this effort, Congress appropriated $79 billon in emergency supplemental funds for fiscal year 2003 for military operations and Iraq's reconstruction, including humanitarian relief, peacekeeping, and economic and political reform. We have issued reports on similar programs to rebuild countries in the former Yugoslavia, the former Soviet Union, and other locations (see attachment III for a listing of previous GAO reports). Based on this work, we have developed short papers to help congressional decision-makers think about and prioritize the range of issues related to rebuilding Iraq. These papers cover the following topics.

Food Aid and Humanitarian Relief

The conflict in Iraq has compromised the country's food security and its medical and water systems. In response, the World Food Program has developed an emergency plan to meet the food needs of 27 million Iraqis, at a cost of $1.2 billion, from March 25 to September 25, 2003. Other donors, including the United States, are providing medicine and potable water to many locations. In addition, as many as 1 million Arabs may be displaced in Northern Iraq by Kurds, who are retaking the homes and villages they were expelled from over the last three decades. Potential issues are the total cost of food and humanitarian aid, coordination and effectiveness of humanitarian aid, the transition from emergency aid to sustainable living, and efforts to provide for the internally displaced.

Peace Operations

The peace operation in Iraq presents significant security and political challenges for the United States. Some tasks for the peacekeeping phase are providing security,

establishing an interim authority, establishing conditions for a transition to democracy, and directing efforts to rebuild the economy. Another key task is rebuilding a professional, civilian-controlled military to help ensure stability and protect the territorial integrity of Iraq once the peacekeeping forces withdraw. Potential oversight issues include the role, structure, and transition strategy of the peace operation; progress and challenges in providing security and establishing an interim authority; the role of allies and international organizations; and the factors that could hinder the effectiveness of U.S. assistance to train and equip an Iraqi national army.

Economic Reform and Reconstruction

Building a sustainable market economy in Iraq will likely be a long-term effort. Iraq's centralized economic and political structure will require fundamental changes similar to those that are taking place in the countries of the former Soviet Union. The most immediate concern is Iraq's physical reconstruction, including building roads, schools, and power plants. Another immediate concern is Iraq's external debt and its war reparations resulting from the 1990 invasion of Kuwait—estimated to be as much as $400 billion. Additional concerns are the U.N. sanctions against Iraq and the related oil for food program, which still has more than $3 billion in escrow. Potential issues include oversight of the efficiency and effectiveness of reconstruction; the role and contributions of allies, the United Nations, World Bank, and the International Monetary Fund; the pros and cons of forgiving Iraq's external debt; and resolution of the oil for food program.

Governance and Democracy Building

Iraq lacks a democratic tradition, including a stable multiparty political structure and real opportunities for citizen involvement in government decision making. These conditions, together with sharp ethnic, religious, and regional differences in the country, present significant challenges to efforts to promote democracy. Some potential issues include the scope and effectiveness of democracy-building projects; efforts to draft a new constitution, reform existing criminal and civil codes, and develop a neutral and competent police force; effectiveness of anticorruption efforts; and the role of the allies, United Nations, and other international organizations in these efforts.

Weapons of Mass Destruction

Iraq implemented active programs to develop weapons of mass destruction (chemical, biological, and nuclear) and their delivery vehicles, but has not fully accounted for them. Uncertainties over the location of this material pose a threat to U.S. and coalition forces in country and a long-term threat of theft and proliferation to other states or terrorist groups. Iraq's past record of developing weapons of mass destruction also raises questions about the various multilateral export control arrangements and their ability to prevent the proliferation of weapons of mass destruction in countries of concern, such as Iraq, Libya, Syria, and Iran. Potential issues include the cost and effectiveness of U.S. programs to locate and destroy Iraq's weapons, the role of international organizations in this effort, and the effectiveness of international export controls.

These papers raise a number of oversight questions about rebuilding Iraq that Congress may wish to consider. Consistent with our Congressional Protocols, we encourage early discussion with us to explore whether GAO might be of assistance in this regard. If you have any questions, please contact me at (202) 512-3655 or Joseph Christoff, Director, at (202) 512-8979.

Susan S. Westin

Susan S. Westin
Managing Director, International Affairs and Trade

I. Iraq Point Paper

Source: CIA.
The United States does not maintain an embassy in Iraq.

Iraq's land area is about 432,000 square kilometers (about the size of California).

Iraq is bordered by Iran, Jordan, Kuwait, Saudi Arabia, Syria, and Turkey, as well as by the Persian Gulf. In 1990, the United States imposed sanctions on Iraq in response to its invasion of Kuwait. On March 19, 2003, the United States launched military operations against Iraq to disarm the country of its weapons of mass destruction and to remove Saddam Hussein's government from power. More than three-quarters of Iraq's population is Arab, but the country has a significant Kurdish population. Nearly two-thirds of the population is Shi'a Muslim and more than a third of the population is Sunni Muslim. In addition, more than a third of Iraq's population is under the age of 15. Under Saddam Hussein, the Iraqi government did not allow opposition parties to operate legally in the country. Iraq's economy was characterized by a heavy dependence on oil exports and an emphasis on development through central planning. Iraq has maritime and land boundary disputes with Iran.

U.S. Assistance

Between fiscal years 1990 and 2002, the United States provided about $25.5 million in food assistance to Iraq. In addition, between 1991 and 1996, the United States provided nearly $794 million in humanitarian assistance to internally displaced persons in northern Iraq. In March 2003, the United States began military operations in Iraq in part to remove Saddam Hussein's government from power. The fiscal year 2003 emergency supplemental authorized about $2.5 billion for relief and reconstruction efforts in Iraq, available through fiscal year 2004. As of April 24, 2003, the Department of State and the U.S. Agency for International Development (USAID) estimated that they would provide about $596.5 million in assistance to Iraq in fiscal year 2003. This amount does not reflect all estimated assistance to Iraq for fiscal year 2003.

U.S. Estimated Assistance, Fiscal Year 2003
(U.S. dollars in millions)

Agency and program	Amount of assistance
USAID Office of U.S. Foreign Disaster Assistance	$49.2
USAID Food for Peace	430.0
USAID Office of Transition Initiatives	2.3
USAID Asia and Near East Region	78.4
Department of State Bureau of Population, Refugees, and Migration	36.6
Total	**$ 596.5**[a]

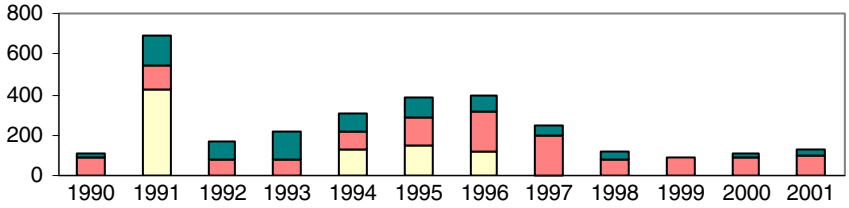
Sources: U.S. Department of State and U.S. Agency for International Development.
[a]The fiscal year 2003 emergency supplemental authorized about $2.5 billion for relief and reconstruction in Iraq.

International Aid Flows

From 1990 through 2001, international aid flows totaled about $2.9 billion. U.S. and other countries' aid totaled about $2.2 billion, while multilateral aid totaled about $772 million. Primary donors included Germany, the Netherlands, Sweden, the United States, the United Kingdom, the European Commission, and the United Nations.

Bilateral and Multilateral Official Development Assistance, 1990-2001

(Net disbursements, constant 2003 U.S. dollars in millions)



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Multilateral ODA	21.5	151.0	89.8	133.1	84.0	100.9	71.2	43.9	40.9	-3.4	17.4	21.3
Other countries' ODA	86.5	119.3	80.6	83.8	87.9	134.9	197.8	198.4	81.4	84.7	88.3	103.6
US ODA	0.0	420.0	0.0	0.0	130.8	152.0	121.1	0.0	0.0	0.0	0.0	0.0

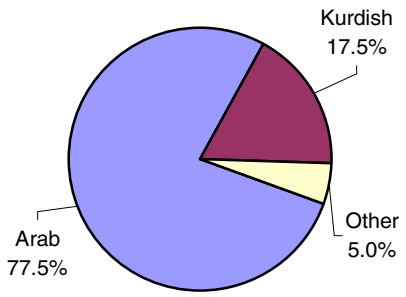
Source: Organization for Economic Cooperation and Development.
Note: Official development assistance (ODA) is defined as aid flows to a country provided by official agencies to promote economic development and welfare. ODA is reported as net disbursements and reflects total inflows of grants and loans minus total outflows of loan repayments.

Demographics

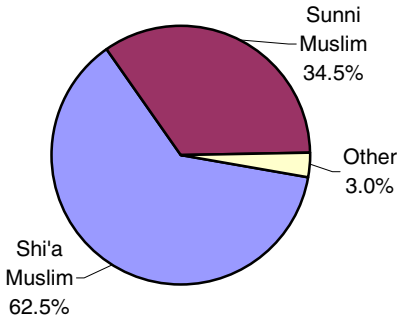
Key indicators

Population (millions)	23.0
Growth rate (percentage)	3.3
Under 15 years old (percentage)	41.1
Life expectancy at birth (years)	67.4
Literacy (percentage)	58
male	71
female	45
Seats in lower or single house held by women (percentage)	7.6

Ethnic groups



Religions



Sources: Global Insight, CIA, and the Inter-Parliamentary Union.
Note: Ethnic and religious group percentages are estimated based on information from the CIA. The CIA lists ethnic group percentages as Arab (75 to 80 percent), Kurdish (15 to 20 percent), and other (5 percent) and religious group percentages as Shi'a Muslim (60 to 65 percent), Sunni Muslim (32 to 37 percent), and other (3 percent).

Governance, Rights, and Freedoms

Type of government	Republic
Type of legal system	Based on Islamic law in special religious courts and civil law system elsewhere

Source: CIA.
Note: These indicators refer to the Iraqi government under Saddam Hussein before March 19, 2003.

Political rights and civil liberties

Economic freedom

Sources: Freedom House and the Heritage Foundation.
Note: These indicators refer to the Iraqi government under Saddam Hussein before March 19, 2003.

Economics and Trade

Key indicators	1996	1997	1998	1999	2000	2001	2002
Gross domestic product (GDP) (purchasing power parity, 2002 U.S. dollars in billions)	9.2	10.2	11.4	12.7	14.2	14.6	14.8
Real GDP growth rate (percentage)	0.0	10.0	12.0	12.0	11.0	3.2	1.5
GDP per capita (purchasing power parity, 2002 U.S. dollars)	448	479	524	571	617	656	644
Inflation (consumer prices, percentage)	34.5	45.0	45.0	43.0	40.0	28.1	24.6
Exports (2002 U.S. dollars in billions)	1.1	4.3	6.4	12.2	17.0	11.1	10.6
Imports (2002 U.S. dollars in billions)	1.2	4.9	5.4	9.4	12.9	9.5	10.4

Source: Global Insight.
Note: Lacking official data, these are estimates made in May 2002. GDP for 2002 may be revised upward.

Key Transnational Issues

- Despite Iraq's restored diplomatic relations with Iran in 1990, there are still maritime and land boundary disputes between the two countries. Outstanding issues from the Iran-Iraq War (1980-1988), including prisoner of war exchanges and support for armed opposition parties operating in each other's territory, have not been resolved.
- Dispute over water development plans by Turkey for the Tigris and Euphrates rivers.

Sources: CIA and U.S. Department of State.

Oversight for Rebuilding Iraq

Food Aid and Humanitarian Assistance

Issue

The conflict in Iraq has compromised the country's food security and its medical, water, and sanitation systems. The United States, international donors, and relief organizations are beginning to address Iraq's postwar humanitarian needs. However, the scale of the crisis, together with ongoing security concerns, make the provision of humanitarian relief a significant challenge. The Congress has appropriated $2.5 billion in emergency supplemental funding for relief and reconstruction, including funding for food distribution and humanitarian assistance. The U.S. Agency for International Development (USAID) has deployed an interagency Disaster Assistance Response Team that is coordinating the delivery of potable water, medical supplies, and other aid by nongovernmental organizations, U.N. agencies, and the military. The World Food Program (WFP) also has developed an emergency plan to meet the food needs of 27 million Iraqis at a cost of $1.2 billion through September 25, 2003. This plan uses existing WFP facilities in Iraq (see fig. 1).

Figure 1: Local Residents of Erbil, Iraq, Receiving Rations of Wheat Flour from a WFP Food Distribution Center

Source: © (2003) World Food Program.

Context

U.S. government and international organizations face challenges in managing multiple food emergencies effectively. In fiscal year 2003, the growing number of humanitarian crises (Afghanistan, Southern Africa, the Horn of Africa, North Korea, and Iraq) has forced the U.S. government to budget $2.6 billion on food aid—the highest in 25 years—with over 85 percent dedicated to emergency assistance. We have found that U.S. government management of food aid has been marked by significant weaknesses in internal controls, monitoring, and accountability. We also have reported that food aid programs have competing objectives and

management weaknesses, which hamper their ability to meet their objectives.[1] We have reviewed the U.S. government management of food aid programs in North Korea and Russia and has made a number of recommendations to improve the internal controls, monitoring, and accountability systems of these programs.[2] We expect to report on our ongoing review of U.S. food aid programs in Afghanistan and Southern Africa by June 2003.

Although Iraq did not suffer complete devastation from the war, it has no functioning economy. Even before the war, 60 percent of Iraqis were dependent on the U.N. oil for food program to meet household needs. Currently, provision of potable water remains a top priority; the United Nations Children's Fund estimates that 70 percent of children's illnesses in Iraq stem from contaminated drinking water. The World Health Organization also has been actively trying to provide medical assistance to reestablish Iraq's health system.

Oversight Questions

1. What is the total cost of emergency humanitarian and food assistance necessary to satisfy Iraq's needs in the short-term?
2. How is the United States coordinating the delivery of humanitarian and food assistance among other international donors and relief organizations?
3. How effective and efficient is the delivery of humanitarian and food aid, particularly to vulnerable populations?
4. What are the monitoring and oversight procedures for humanitarian and food aid programs?
5. What are the obstacles to the effective and efficient provision of emergency humanitarian and food assistance?
6. How is the United States planning for and managing the transition from emergency humanitarian and food assistance to longer-term relief and sustainable recovery?

[1]U.S. General Accounting Office, *Food Aid: Experience of U.S. Programs Suggests Opportunities for Improvement*, GAO-02-801T (Washington, D.C.: June 4, 2002).

[2]U.S. General Accounting Office, *Foreign Assistance: North Korean Constraints Limit Food Aid Monitoring*, T-NSIAD-00-47 (Washington, D.C.: Oct. 27, 1999), and *Foreign Assistance: U.S. Food Aid to Russia Had Weak Internal Controls*, GAO/NSIAD-00-329 (Washington, D.C.: Sept. 29, 2000).

Oversight for Rebuilding Iraq

Internally Displaced Persons

Issue

After having been expelled by Saddam Hussein's government over three decades ago, Kurds are now retaking land and villages in Northern Iraq that were recently occupied by Arabs. Thousands of Arabs have already fled Kurdish-controlled areas in the north, including the major urban areas of Kirkuk and Mosul. Humanitarian officials of the United Nations and other organizations estimate the changed political landscape in northern Iraq could result in the displacement of 1 million people in the coming months, with temporary shelters and assistance being needed for them (see fig. 2).

Figure 2: Standard U.N. Tents for Internally Displaced Persons

Source: © United Nations Humanitarian Information Center for Iraq.

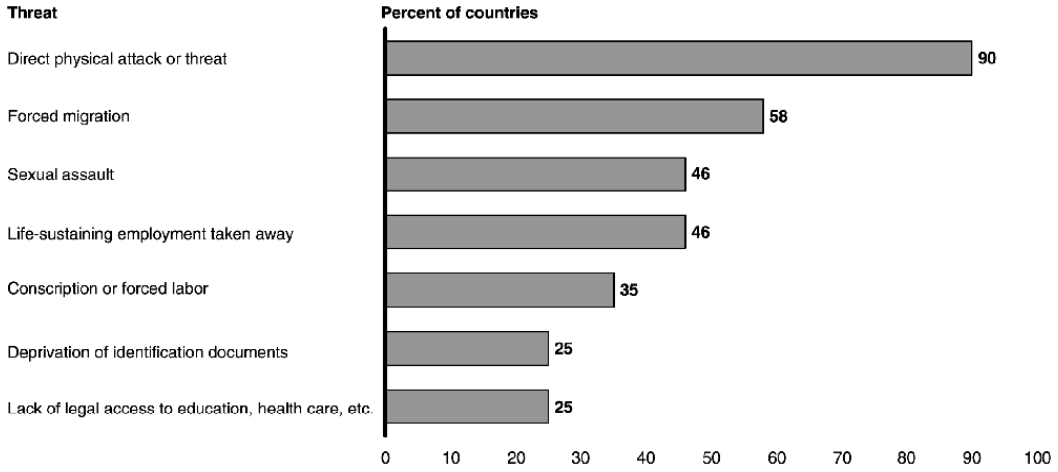
Context

We have reported that international organizations have not effectively protected internally displaced persons because they have been prevented from doing so by ongoing armed conflict, governments, or political groups.[3] Based on our survey of U.N. and humanitarian field level

[3]U.S. General Accounting Office, *Foreign Affairs: Internally Displaced Persons Lack Effective Protection*, GAO-01-803 (Washington, D.C.: Aug. 17, 2001).

officials in 48 countries, we found that the internally displaced in 90 percent of the countries, including Iraq, were at risk of direct physical attack or threat. In 58 percent of the countries, the internally displaced were at risk of forced migration. These and other incidents reflected in figure 3 below have the potential to occur in Northern Iraq.

Figure 3: Threats to Internally Displaced Persons, 2001



Source: GAO survey of 48 of the more than 50 countries with internally displaced persons. The survey includes Iraq.

We have also reported that international organizations are generally effective at delivering food, health care, shelter, and water to displaced persons to sustain life during the initial stages of displacement. However, as the displacement moves from the emergency phase into a longer-term situation, international organizations are less effective in meeting the needs of displaced populations.

Oversight Questions

1. What steps are the United States, Iraq authorities, and international organizations taking to protect internally displaced persons from physical attack or threat, forced migration, loss of employment opportunities, and access to education, health care, and services?
2. Does adequate security exist for relief workers operating among displaced populations?
3. Are the United States and international organizations meeting the basic assistance needs—food, water and sanitation, health care—of the displaced population? Do international organizations factor the long-term assistance needs of displaced populations into their planning and programming?
4. How effective is coordination among U.N., international, and nongovernmental organizations in preventing gaps and duplication of coverage?

Oversight for Rebuilding Iraq

Post-conflict Peace Operation

Issue

The U.S.-led peace operation will provide the framework for Iraq's reconstruction and political transformation; providing security and stability will be a critical task for the military aspects of the operation (see fig. 4). The operation also includes civilian aspects to establish an interim national government, foster conditions for a democratic transition, and rebuild the economy. The United States has worked with allies and the United Nations in conducting similar tasks in Bosnia and Kosovo, the largest recent peace operations. However, these entities have one-fifth the population of Iraq. The United States has not led a peace operation of the magnitude of Iraq since U.S. efforts at the end of World War II.

Figure 4: U.S. Troops Provide Crowd Control in Baghdad

Source: Department of Defense, U.S. Army (April 16, 2003).

Context

We have conducted more than 30 reviews of peacekeeping operations and have identified factors that are important to successfully implementing complex peace operations.[4] First, establishing a secure environment is necessary for economic and political rebuilding to proceed. To provide security, the peace operation needs clear objectives, adequate resources, and clear measures of success. Second, peace operations need to be structured so that they can direct and coordinate allies, the United Nations, international financial institutions, and other organizations. The

[4]U.S. General Accounting Office, *Issues in Implementing International Peace Operations*, GAO-02-707R (Washington, D.C.: May 24, 2002) and *Bosnia Peace Operation: Mission, Structure, and Transition Strategy of NATO's Stabilization Force*, GAO/NSIAD-99-19 (Washington, D.C.: Oct. 8, 1998).

structure of the Bosnia mission, where the high representative has clear authority to make and enforce decisions, has had some success in this regard. Third, peace operations are most successful when military and civilian components work together closely and involve local participation in making decisions. However, on some sensitive issues, such as the political status of volatile regions, decisions may have to be deferred so that progress can be made toward a transition.

The Iraq peace operation differs from recent ones in that the United States, rather than the United Nations, will direct operations. Also, the United States will likely provide more troops than in previous operations. For example, in the first year of the peace operation in Bosnia, the United States provided approximately 18,000 troops. Several sources estimate the United States will have to deploy 70,000 to 100,000 troops or more during the first year of stability operations in Iraq.[5] To lighten the U.S. load, the United States is consulting with allies regarding their possible role in post war Iraq. For example, in the past NATO has helped provided security (see fig. 5).

Figure 5: NATO Forces Provide Security at a Checkpoint in Bosnia

Source: GAO.

Oversight Questions

1. What are the objectives of the peace operation? Are the U.S. and international resources available to the operation adequate to accomplish the tasks and objectives? What are the measures of success?
2. How is the peace operation structured? What are the respective roles of the military and civilian components of the operation? What are the roles of allies and international organizations? How effectively are U.S. agencies, allies, and international organizations coordinating their efforts?
3. What is the transition strategy, and how is it being implemented? What issues, if any, are being deferred? What are the time frames for the transition?
4. What progress is the peace operation making in providing security, establishing an interim government, and rebuilding the economy? What are the challenges?

[5]Center for Strategic and Budgetary Assessment, *Background Paper: Potential Cost of a War With Iraq and Its Post-War Occupation* (Feb. 25, 2003).

Oversight for Rebuilding Iraq

Training and Equipping an Iraqi National Army

Issue

A key component to ensure stability and protect the territorial integrity of Iraq is the establishment of a professional, civilian-controlled military. The United States is presently playing a role in training and equipping the Afghanistan national army and has done so for other militaries in the past (see fig. 6). While the U.S. role in training and equipping an Iraqi military is presently unclear, past endeavors have had to address several issues, including the host military's capability to absorb, integrate, and maintain the training and equipment it receives, as well as determine how the training and equipment are ultimately used.

Figure 6: U.S. Special Forces Issue Uniforms to New Recruits at the Afghan National Army Training Site in Kabul, Afghanistan

Source: Department of Defense, U.S. Army (May 14, 2002).

Context

The Departments of State and Defense manage assistance programs that attempt to identify and address the requirements of selected foreign militaries. These programs frequently include some mix of foreign military financing of equipment and training, international military education and training, joint exercises, and provision of excess defense articles. The United States does not provide this assistance in a vacuum; other nations often provide similar types of assistance to foreign militaries. In some cases, these nations have aims and security objectives similar to those of the United States. Even when those aims and objectives are compatible, the United States's and other nations' military traditions, doctrine, and equipment may not be compatible. This raises questions about whether the assistance provided by allies and other organizations

reinforces or counters our efforts, thus calling into question the value, sustainability, and effectiveness of U.S. assistance to foreign militaries.

While our recent evaluations have not focused on building, training, and equipping entire foreign militaries, we have evaluated selected U.S. assistance efforts. For example, our review of defense drawdowns to Bosnia and Jordan highlighted the importance of ensuring that countries have sufficient funding to maintain or operate the defense articles provided.[6] Our reviews of U.S. efforts to train and equip Colombian Army and national police counternarcotics units showed that U.S. assistance had been of limited utility for several reasons.[7] For example, there were long-standing problems in planning and implementing U.S. assistance, such as inadequate operations and maintenance funding. Further, we had concerns about the appropriateness and timeliness of the assistance. Moreover, the effectiveness of U.S. assistance was hampered because the Colombian government had little control over large parts of its territory.

Questions have been raised about the adequacy of U.S. planning for post-conflict assistance to Iraq and the timeliness of these efforts. Although U.S. efforts to train and equip an Iraqi national army will likely be broader and more extensive than U.S. efforts in Colombia, many of the oversight and evaluation issues associated with U.S. efforts will be quite similar.

Oversight Questions

1. What is the plan to build, train, and equip the Iraqi national army, and how does it fit into broader objectives for achieving security in Iraq?
2. What have been the costs associated with this plan, and what are the estimates of future costs?
3. What measures have been taken to ensure that U.S. assistance is used for intended purposes and that donor assistance is coordinated?
4. To what extent have lessons learned been identified and applied to improve the effectiveness of efforts to train and equip the Iraqi military?
5. What factors, if any, hinder the provision and/or effectiveness of U.S. assistance, and what steps have U.S. officials taken to address these factors?

[6]U.S. General Accounting Office, *Foreign Assistance: Reporting of Defense Articles and Services Provided through Drawdowns Needs to be Improved*, GAO-02-1027 (Washington, D.C.: Sept. 20, 2002).

[7]U.S. General Accounting Office, *Drug Control: U.S. Assistance to Colombia Will Take Years to Produce Results*, GAO-01-26 (Washington, D.C.: Oct. 17, 2000).

Oversight for Rebuilding Iraq

Economic Transition Issues

Issue

The administration has stated that the creation of a competitive private sector within a democratic political system is one of its primary goals for Iraq. Although near-term economic assistance will focus on humanitarian and reconstruction needs, fostering long-term economic stability will require fundamental changes in institutions and laws that underpin market economies. Based on experience with other economic transitions, this transition is likely to face substantial challenges and will take a long time. For example, a major challenge facing Iraq is whether and how to privatize Iraq's vast oil resources for the long-term benefit of all the Iraqi people. Some oil production is already coming back on-line (see fig. 7).

Figure 7: American, British, and Iraqi Oil Workers Complete Reopening of Four Wells in the Rumeila Field

Source: Department of State (April 2003).

Context

Since the mid-1990s, our reports on U.S. and international efforts to assist economic transition in Russia and other former Soviet Union countries have highlighted challenges in moving from economic and political upheaval to long-term sustainable economic growth.[8] For example, we found that moving countries from state control to market economies rooted in democratic

[8]U.S. General Accounting Office, *Foreign Assistance: International Efforts to Aid Russia's Transition Have Had Mixed Results*, GAO-01-8 (Washington, D.C.: Nov. 1, 2000); *Former Soviet Union: U.S. Rule of Law Assistance Has Had Limited Impact*, GAO-01-354 (Washington, D.C.: Apr. 17, 2001); *Former Soviet Union: Information on U.S. Bilateral Program Funding*, GAO/NSIAD-96-37 (Washington, D.C.: Dec. 15, 1995).

institutions has taken longer, cost more, and been considerably more difficult than anticipated. Because transition periods are often associated with increased economic hardships, maintaining public support for long-term goals can be especially difficult. Specific lessons have been learned from these transitions: (1) local "ownership" of reforms is necessary for long-term success; (2) coordinating international efforts to promote reform efforts has been a significant challenge; and (3) lack of program focus, poor design, and implementation problems have undermined efforts.

U.S. and international efforts to promote economic and democratic transitions have relied on the consent of the countries, and little progress has been made without the support of the recipient country. This major barrier may not be as significant an issue in post war Iraq, because Iraqi authorities have indicated their interest in reviving the economy and needing the help and cooperation of the United States and international organizations.

Oversight Questions

1. What role does the United States plan to play in promoting economic transition in Iraq? To what degree will the United States be responsible for directly writing and implementing new laws and procedures; how will the United States ensure the support and "buy-in" of Iraqi officials?
2. How long is U.S. involvement in Iraq's economic transition expected to last? How much will it cost the United States?
3. How will the transition for specific sectors, such as oil, be carried out? What will be the mix of private and public ownership and control in such sectors?
4. What will be the respective roles of other foreign governments and international institutions in fostering economic reform in Iraq? How will coordination be handled among U.S. federal departments and agencies, and among the United States and other governments and organizations?
5. If other institutions (e.g., the World Bank and the International Monetary Fund) are involved in covering the social costs, what role will they play in developing and implementing the programs?
6. To what extent will former Ba'ath Party members be allowed to participate in the new governing and judicial institutions? What authority will the United States and other donors have to ensure the implementation of economic reform efforts?

Oversight for Rebuilding Iraq

Reconstruction

Issue

The United States will spend a significant amount of money to help repair and rebuild Iraq's infrastructure and social sectors. The Congress has appropriated $2.5 billion in emergency supplemental funding for relief and reconstruction. The U.S. Agency for International Development (USAID) will play a major role in the reconstruction of Iraq and has awarded several grants and contracts to help rebuild Iraq, including contracts for public health, capital construction, and local governance. The Department of Defense has been delegated overall responsibility for Iraqi relief and reconstruction and has begun some initial efforts (see fig. 8), but the precise roles of USAID and Defense in the reconstruction are unclear.

Figure 8: U.S. Navy Seabee Engineers Refurbishing the Al Nasiriyah Police Headquarters Building

Source: Department of Defense, U.S. Air Force (April 2003).

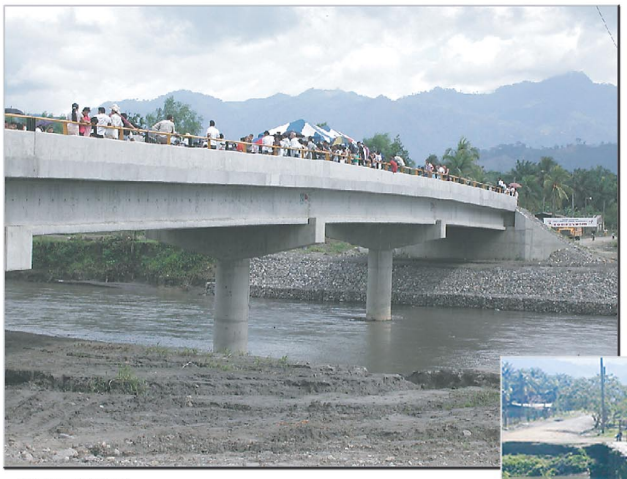
Context

USAID traditionally provides short-term, quickly disbursed emergency relief and long-term development assistance designed to bring about sustainable economic growth and improvements in health, education, governance, and other sectors. However, USAID also has been asked to provide large amounts of short-term disaster recovery assistance in efforts that differ from its usual mandate. For example, USAID provided $553 in hurricane reconstruction assistance over a 2 and a half-year period in Latin America. This work included infrastructure repair and construction, efforts not traditionally within USAID's purview (see fig. 9). During our review of that assistance, we made recommendations to USAID to develop mechanisms to quickly relocate

or to hire the staff needed to oversee a large reconstruction program with a relatively short time frame.[9]

Figure 9: Longer-term USAID Project Provided for Bridge Reconstruction in Honduras

After



Guaymon Bridge

Before

Temporary bridge erected after hurricane

Source: GAO.

In Iraq, USAID may be responsible for disbursing billions over the next few years—some analysts estimate an annual cost of $20 billion to fund reconstruction and maintain the U.S. presence--and could face several problems even more challenging than those involved in hurricane reconstruction. First, although USAID will likely play a major role and has already entered into some contracts for Iraq, the President has delegated overall responsibility for relief and reconstruction to the Department of Defense. Second, project implementation and oversight will depend to a large extent on the security situation in country. Third, the amount of funding is projected to be much larger, and questions may arise about whether the Iraqi economy will be able to absorb it.

Oversight Questions

1. How will the Department of Defense, USAID, and other U.S. government agencies involved in the reconstruction program ensure that funds are spent for intended purposes?
2. What are USAID's plans for staffing the reconstruction effort in a timely manner?
3. How will U.S. government agencies coordinate with one another and other international donors to minimize duplication and overlap?

[9]U.S. General Accounting Office, *Foreign Assistance: Disaster Recovery Program Addressed Intended Purposes, but USAID Needs Greater Flexibility to Improve Its Response Capability*, GAO-02-787 (Washington, D.C.: July 24, 2002).

Oversight for Rebuilding Iraq

U.N. Oil for Food Program

Issue

The oil for food program provided goods and services to every sector of the Iraq economy—food and agriculture, water, sanitation, education, power generation, transportation, oil processing, and housing.[10] Since 1996, the program has employed more than 44,000 people, required a national economic and distribution plan, and accounted for about 70 percent (based on 2002 estimates) of Iraq's gross domestic product. The Security Council has renewed the program until June 3, 2003. However, when to transfer control of Iraq's oil resources from the United Nations to an Iraq authority and how to ensure a smooth transition are major issues. Figure 10 shows the physical location for monitoring Iraq's oil exports and its imports—an element of the program to be eliminated.

Figure 10: Exit and Entry Points for Oil for Food Imports and Exports

Source: GAO analysis based on information from the United Nations.

Context

Since 1996, the U.N. oil for food program has generated $64 billion from oil sales and has been the primary provider of food for 60 percent of Iraqis. Oil exports under the program have

[10]U.S. General Accounting Office, *Weapons of Mass Destruction: U.N. Confronts Significant Challenges in Implementing Sanctions against Iraq*, GAO-02-625 (Washington, D.C.: May 23, 2002).

averaged nearly $10 billion per year since 1997. However, Iraq has not exported oil since March 2003. Despite this, as of May 2003, the program had about $3.2 billion dollars in uncommitted funds and another $10.1 billion of funds that had been committed for goods not yet delivered to Iraq. The $10 billion had not yet been paid out. Some of the goods to be delivered included $2.4 billion in food commodities and $506 million in water and sanitation equipment (see fig. 11). In addition to the above, the program approved but has not funded about $7 billion in contracts that were signed by the former Iraqi government.

Figure 11: Oil for Food Program Funded the Construction of a Water Station in Northern Iraq

Source: © United Nations (March 2003).

The program's rationale—allowing Iraq to provide for its essential civilian and humanitarian needs, while preventing the purchase of goods to develop weapons of mass destruction—has now largely ended. However, transitioning such a large program and its remaining funds and functions to a U.S. or Iraqi authority that can effectively undertake reconstruction remains a challenge.

Oversight Questions

1. What are the options for dealing with the oil for food program's $3.2 billion in available funds and $7 billion in contracts signed by the former Iraqi government?
2. To what extent are the $10 billion in undelivered commodities coordinated with U.S. and other humanitarian and reconstruction plans?
3. How will the United Nations ensure a full accounting and reporting for a closeout of the program's funds and assets?
4. How will the United States ensure that the functions of the oil for food program—food distribution, medical services, etc.—continue as needed?
5. What are the plans for and challenges to effectively transitioning the oil for food functions to an Iraqi authority and within what time frame?
6. What oversight will be in place to ensure that the transfer of the program and the future use of oil revenues are effective and without corruption?

Oversight for Rebuilding Iraq

Financing External Debt

Issue

By some estimates, Iraq's external debt and war reparations from 1991 may be as high as $200 billion and $227 billion, respectively. The large debt burden could significantly hinder humanitarian and economic reconstruction efforts. In addition, it is unclear whether Iraq should be made to honor its external obligations or whether creditors and others should relieve this burden.

The precise amount of Iraq's external debt is unknown because firm data are not available from some creditors or from the Iraqi government. Estimates vary widely—ranging from $42.1 billion to $200 billion (see table 1), making it difficult to know how much debt is owed to multilateral institutions, foreign governments, and the private sector. The Center for Strategic and International Studies projects that Iraq owes most of its debt to non-OECD countries, including Kuwait, other Gulf States, and Russia, which includes both governments and the private sector. Since Iraq ceased to service its debt to most creditors in 1990, it also has significant accumulated interest charges (see fig. 12).[11]

Table 1: Estimates of Iraq's External Debts

Source	Amount (U.S. Dollars in billions)	Comments
CIA World Factbook (2001)	$62	Does not provide a breakdown
U.S. Energy Information Administration (2003)	$100-200	Does not provide a breakdown
Center for Strategic and International Studies (2003)	$127	Includes some creditors and accrued interest
Government of Iraq (1991)	$42	Does not include interest and $30b in loans from Gulf states
Former Iraqi Central Bank (2002)	$130	Does not provide a breakdown
OECD (2001)[a]	$11.5	Includes debt owed only to OECD members

Source: GAO analysis.

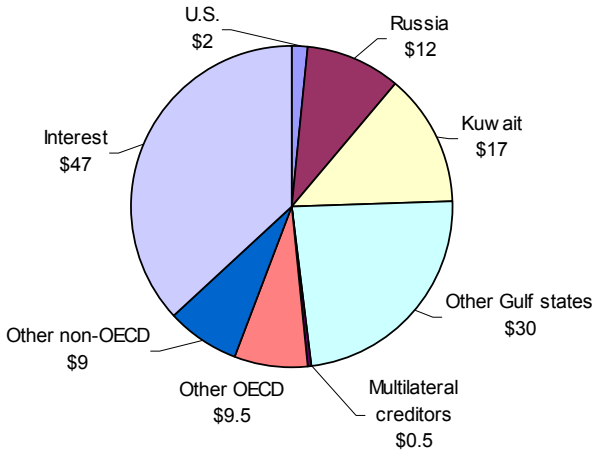
[a]The Organization for Economic Cooperation and Development (OECD) is composed of 30 industrialized countries.

Context

As of March 16, 2003, the United Nations estimates that Iraq still has unpaid or unsettled claims of $227 billion owed to individuals, families, companies, governments, and international organizations for different types of losses, such as personal injury, death, property, business, and nonpayment of goods and services (see fig. 13).

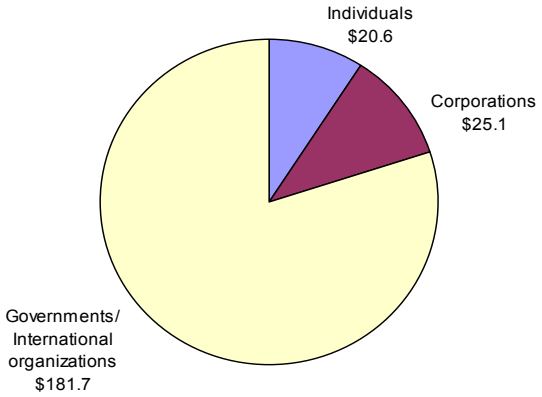
[11]Iraq owes U.S. government $2 billion deriving from loan guarantees made by the Agriculture Department's Commodity Credit Corporation.

Fig. 12: Iraqi External Debt ($127 billion)



Source: Center for Strategic and International Studies, OECD, and GAO analysis.

Fig. 13: Unpaid or Unsettled Reparations Claims ($227.4 billion)



Source: U.N. Compensation Commission.

The current forum for rescheduling or relieving Iraq's official bilateral debt is through the "Paris Club,"[12] which is generally composed of members of the OECD. However, a large portion of Iraq's debt is owed to countries that are not members of the Paris Club, and it is uncertain whether these countries would conform to a Paris Club framework. Relief of commercial debt is usually through the "London Club."[13] Furthermore, it is unclear how to address a request for the pardon of Gulf war reparations, nor whether such a request would include claims that have been settled but not yet paid.

Oversight Questions

1. What is a realistic estimate of Iraq's external debt? What is the composition of this debt by creditor?
2. If debt relief is pursued, will there be full participation of all creditors, including multilaterals, Paris Club, non-Paris Club, and commercial creditors? Will any relief package result in comparable terms of forgiveness and equitable burden sharing to all creditors?
3. How are war reparations claims to be resolved? Is this process open to modifications by the U.N. Security Council, which established the resolution governing the war reparations claims?
4. What are the lessons learned from recent experience in relieving external debt of former regimes?
5. How does Iraq's external debt burden affect its ability to attract new investments? Does the manner in which the existing debt and claims are resolved affect future investment decisions?

[12]A group of bilateral creditor countries that meet to negotiate sovereign debt rescheduling and debt relief.

[13]A group of commercial creditors that meet to restructure sovereign debt owed to commercial banks.

Oversight for Rebuilding Iraq

Developing a Commercial Strategy

Issue

Rebuilding Iraq is expected to be the largest reconstruction effort since World War II. The reconstruction will occur in many sectors, including environmental clean-up; oil well repairs and refinery improvements; construction of schools, water systems, roads, railroads, airports and seaports; telecommunications networks; and hospital equipment. U.S. firms can play a leading role in promoting economic stability by providing local employment and helping Iraq transition to a market economy. However, past reconstruction efforts indicate that U.S. trade agencies need to coordinate their efforts to identify and develop commercial opportunities that can be available to a wide variety of U.S. businesses (see fig. 14).

Figure 14: A Compressed Earth Block Machine Intended to Help Build Schools in Kabul, Afghanistan

Source: Overseas Private Investment Corporation.

Context

As we noted in our recent work, U.S. agencies play separate but integrated roles in the development of post conflict countries.[14] Initial USAID assistance can lead to commercial

[14]U.S. General Accounting Office, *Export Promotion: Mixed Progress in Achieving a Governmentwide Strategy*, GAO-02-850 (Washington, D.C.: Sept. 4, 2002).

opportunities for U.S. firms, particularly in the water and environmental sectors. To pursue these opportunities, the Trade and Development Agency funds U.S.-contracted studies that help foreign governments determine the design of infrastructure projects. Commerce's Foreign Commercial Service informs U.S. businesses of project opportunities and coordinates with other U.S. agencies to help win projects and see them to completion. To help a business compete for a project, the Overseas Private Investment Corporation mitigates the risks businesses face in post crisis countries by providing project insurance and finance. The Export-Import Bank helps businesses export products, such as the equipment used in reconstruction, by providing loans and guarantees on exports.

U.S. trade agencies routinely face challenges when participating in newly developing markets of transitional countries. In the Former Soviet Union (FSU), they have coordinated the development of an oil pipeline through the FSU and Turkey, and more recently have been doing market development in Southeast Europe. In a recent Department of Commerce survey, U.S. businesses cited the need for U.S. agencies to better coordinate the early identification and development of projects. In an effort to improve coordination and identify project opportunities, Commerce's Foreign Commercial Service, the Overseas Private Investment Corporation, and the Trade and Development Agency have colocated in offices in Croatia and Turkey. The benefits of this approach have not been evaluated. Plans to rebuild Iraq will benefit from an examination of the lessons learned in prior U.S. government reconstruction efforts.

Oversight Questions

1. How has the Foreign Commercial Service coordinated with other U.S. agencies in identifying business opportunities in post conflict countries, including Iraq?
2. How effective were USG commercial strategies in post conflict countries and regions of interest?
3. What lessons can be learned from past U.S. efforts to develop business opportunities in post conflict countries and regions of interest? How can these lessons be integrated into the reconstruction of Iraq?

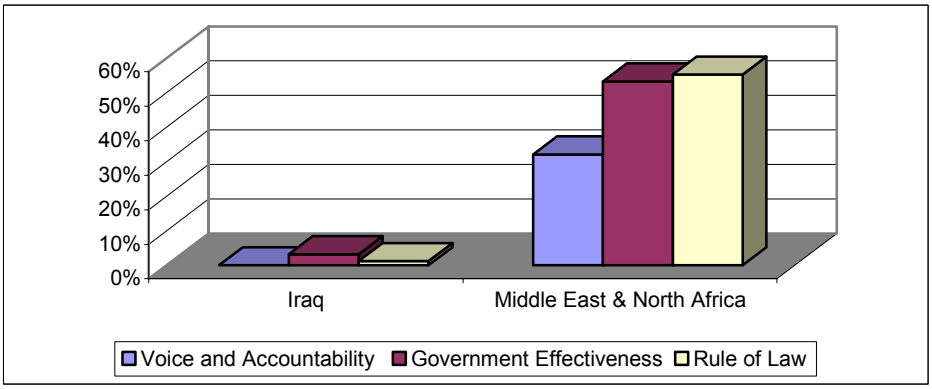
Oversight for Rebuilding Iraq

Promoting Democracy

Issue

The administration has linked regime change in Iraq with the opportunity to promote democracy and create a model for the spread of democratic values in the Middle East. However, Iraq's underlying conditions, including the lack of a democratic tradition and sharp ethnic, religious, and regional differences, will likely present significant challenges to democratization efforts. World Bank indicators measuring broad dimensions of governance in individual countries demonstrate the challenge of transforming Iraq. Iraq ranked lower than virtually all other countries in the world on three crucial measures of good governance. The average ranking for countries in the Middle East is also considerably higher than for Iraq (see fig. 15).

Figure 15: Ranking of Iraq and the Middle East Region on Good Governance Indicators, 2000-2001



Source: GAO analysis of World Bank data.

Context

In figure 15, voice and accountability measure political rights, civil liberties, and media independence; government effectiveness measures government abilities to implement sound policies and provide public services; and the rule of law measures crime, judiciary effectiveness, and the enforceability of contracts.

We have reported that democratic reform is a slow and challenging process and that a long term U.S. commitment is necessary if U.S.-supported reforms are to be sustainable and have an impact. U.S. assistance generally has had greater success in helping countries administer elections and draft and enact new legislation. However, the more difficult challenges have been to develop an underlying culture for democratic reform and building institutions to implement reforms that lead to meaningful long-term change. U.S. assistance supporting democratic reforms in the Former Soviet Union (FSU) and Latin America has had mixed results in creating more transparent and accountable governments and increasing citizen participation in political

life.[15] Factors affecting the results of this assistance have been the host country commitment to and resources provided for reform and the effectiveness of coordination among U.S. agencies and other international donors.
Conditions in Iraq will present a number of significant and unique challenges to democratic development:

- Establishing a common national identity as a foundation for democratization appears to be a more difficult challenge than that faced in the FSU or Latin America. Iraq is characterized by significant religious, regional, and ethnic divisions. An additional dilemma is how to rid the new government of the influence of Ba'ath party functionaries, who may be extensively imbedded in the existing bureaucracy.
- Iraq currently lacks a rule of law, a multiparty political structure, separation of powers, and a democratic tradition. Iraqi exile figures appear to be largely distrusted within Iraq. In addition, new leadership will have to be built from the ground up.
- U.S. policymakers also face the dilemma that democratic development in Iraq and the Middle East could have the result of empowering Islamist groups that have widespread popularity and are unfriendly to U.S. interests.

Oversight Questions

1. How are U.S. agencies planning for democracy-building activities in Iraq? What are the short- and long-term objectives of these efforts? What is the nature of these assistance efforts and their related costs?
2. To what extent are U.S. agencies involved in post war democracy-building activities coordinating their efforts to ensure that they have common objectives and provide assistance efficiently and effectively? How are these agencies coordinating with other donors?
3. Are U.S. agencies applying lessons learned from previous U.S. democracy-building efforts in post conflict societies?
4. To what extent are democracy-related foreign aid programs linked to high-level U.S. diplomatic efforts to encourage democratic development in Iraq?
5. What are the administration's plans for linking democratization in Iraq to wider democracy-building efforts in the Middle East?

[15]See U.S. General Accounting Office, *Foreign Assistance: U.S. Economic and Democratic Assistance to the Central Asian Republics*, GAO/NSIAD-99-200 (Washington, D.C.: Aug. 11, 1999), and *Foreign Assistance: U.S. Democracy Programs in Six Latin American Countries Have Yielded Modest Results*, GAO-03-358 (Washington, D.C.: Mar. 18, 2003).

Oversight for Rebuilding Iraq

Weapons of Mass Destruction

Issue

During the 1990s, Iraq developed weapons of mass destruction (WMD)—chemical, biological, and nuclear—and their delivery vehicles, including ballistic missiles (see fig. 16). However, Iraq did not fully account for this material and for its WMD infrastructure, as required by U.N. resolutions. Uncertainty about the location, type, and quantities of these materials and related technologies poses an immediate threat to U.S. and coalition forces in country. The possibility of unsecured WMD also poses long-term threats of theft and proliferation to other states or terrorist groups.

Figure 16: Al Samoud 2 Missile Facility Near Baghdad

Source: © (2003) United Nations.

Context

We reviewed U.S. programs intended to help the FSU secure and destroy its WMD stocks. These programs also tried to ensure that WMD scientists are employed in peaceful activities to discourage them from selling their skills to countries of concern or terrorist groups. We found that securing and destroying weapons of mass destruction can take longer and cost more than expected.[16] Moreover, human proliferation of WMD knowledge is a significant concern. In this regard, State lacked complete information on the number and locations of senior scientists who

[16]U.S. General Accounting Office, *Weapons of Mass Destruction: Effort to Reduce Russian Arsenals May Cost More, Achieve Less Than Planned*, GAO/NSIAD-99-76 (Washington, D.C.: Apr. 13, 1999).

once developed nuclear, chemical, and biological weapons and missile systems for the former Soviet Union.[17]

The most significant difference between the U.S. experience in providing disarmament assistance to states of the former Soviet Union and Iraq is that the Russian government had to agree to participate in the U.S. Cooperative Threat Reduction programs. Issues over Russian cooperation and access to facilities have slowed U.S. efforts to help secure Russia's arsenal of weapons of mass destruction.[18] These same issues may not arise with a strong U.S. presence in Iraq.

Oversight Questions

1. What role should international organizations and the U.S. government play in disarming Iraq and in locating, securing, and destroying stockpiles and equipment related to chemical, biological, and nuclear weapons production? Are U.S. government agencies and American contractors with relevant experience and expertise involved in this process?
2. What are estimates of the size of Iraq's stockpiles of available chemical, biological, and nuclear materials and facilities? What U.S. funds will be needed to secure such stocks from theft or diversion and, ultimately, to destroy them?
3. How many Iraqi scientists have WMD expertise, and where are they now? What steps should be taken to limit the proliferation of their expertise?
4. What military and dual-use items were exported to Iraq in violation of the U.N. embargo, and how did Iraq acquire these items? What companies and countries provided the items? How has the U.S. government responded to apparent violations of the embargo?
5. What lessons could be learned from the United Nations' inspection experience that would be relevant to U.S. or international WMD inspection procedures?

[17]U.S. General Accounting Office, *Weapons of Mass Destruction: State Department Oversight of Science Centers Program*, GAO-01-582 (Washington, D.C.: May 10, 2001).

[18]U.S. General Accounting Office, *Weapons of Mass Destruction: Additional Russian Cooperation Needed to Facilitate U.S. Efforts to Improve Security at Russian Sites*, GAO-03-482 (Washington, D.C.: Mar. 24, 2003).

III: Related GAO Products

Below are selected examples of recent GAO products related to reconstruction.

Humanitarian Relief and Food Aid

Food Aid: Experience of U.S. Programs Suggests Opportunities for Improvement. GAO-02-801T. Washington, D.C.: June 6, 2002.
Humanitarian Affairs: Internally Displaced Persons Lack Effective Protection. GAO-01-803. Washington, D.C.: Aug. 17, 2001.
Foreign Assistance: U.S. Food Aid to Russia Had Weak Internal Controls. GAO/NSIAD-00-329. Washington, D.C.: Sept. 29, 2000.
Foreign Assistance: North Korean Constraints Limit Food Aid Monitoring. T-NSIAD-00-47. Washington, D.C.: Oct. 27, 1999.

Peace Operations

Issues in Implementing International Peace Operations. GAO-02-707R. Washington, D.C.: May 24, 2002.
Bosnia: Crime and Corruption Threaten Successful Implementation of Dayton Peace Agreement. T-NSIAD-00-219. Washington, D.C.: July 19, 2000.
Balkans Security: Current and Projected Factors Affecting Regional Stability. GAO/NSIAD-00-125BR. Washington, D.C.: Apr. 24, 2000.
Bosnia Peace Operation: Mission, Structure, and Transition Strategy of NATO's Stabilization Force. GAO/NSIAD-99-138. Washington, D.C.: Oct. 8, 1998.
United Nations: Limitations in Leading Missions Requiring Force to Restore Peace. GAO/NSIAD-97-34. Washington, D.C.: Mar. 27, 1997.

Economic Reform and Reconstruction

Foreign Assistance: Disaster Recovery Program Addressed Intended Purposes, but USAID Needs Greater Flexibility to Improve Its Response Capability. GAO-02-787. Washington, D.C.: July 24, 2002.
Foreign Assistance: Implementing Disaster Recovery Assistance in Latin America. GAO-01-541T. Washington, D.C.: Mar. 21, 2001.
Foreign Assistance: International Efforts to Aid Russia's Transition Have Had Mixed Results. GAO-01-08. *Washington, D.C.: Nov. 1, 2000*.
World Bank: Management Controls Stronger, but Challenges in Fighting Corruption Remain. GAO/NSIAD-00-273. Washington, D.C.: Apr. 6, 2000.

Governance and Democracy Building

Foreign Assistance: U.S. Democracy Programs in Six Latin American Countries Have Yielded Modest Results. GAO-03-058. Washington, D.C.: Mar. 18, 2003.
Cambodia: Governance Reform Progressing, But Key Efforts Are Lagging. *GAO-02-569. Washington, D.C.: June 13, 2002*.
Former Soviet Union: U.S. Rule of Law Assistance Has Had Limited Impact and Sustainability. *GAO-01-740T. Washington, D.C.: May 17, 2001*.
Foreign Assistance: Peru on Track for Free and Fair Elections but Faces Major Challenges. *GAO-01-496T. Washington, D.C.: Mar. 14, 2001*.
Foreign Assistance: U.S. Rule of Law Assistance to Five Latin American Countries. *GAO/NSIAD-99-195. Washington, D.C.: Aug. 4, 1999*.
Foreign Assistance: U.S. Economic and Democratic Assistance to Central Asian Republics. *GAO/NSIAD-99-200. Washington, D.C.: Mar. 11, 1999*.

Security Assistance and Agreements

Central and Southwest Asian Countries: Trends in U.S. Assistance and Key Economic, Governance, and Demographic Characteristics. GAO-03-634R. Washington, D.C.: May 9, 2003).

Foreign Assistance: Reporting of Defense Articles and Services Provided through Drawdowns Needs to Be Improved. GAO-02-1027. Washington, D.C.: Sept. 20, 2002.

NATO: Progress Toward More Mobile and Deployable Forces. GAO/NSIAD-99-929. Washington, D.C.: Sept. 30, 1999.

Weapons of Mass Destruction

Weapons of Mass Destruction: Additional Russian Cooperation Needed to Facilitate U.S. Efforts to Improve Security at Russian Sites. GAO-03-482. Washington, D.C.: Mar. 24, 2003.

Weapons of Mass Destruction: Observations on U.S. Threat Reduction and Nonproliferation Programs in Russia. GAO-03-526T. Washington, D.C.: Mar. 5, 2003.

Arms Control: Efforts to Strengthen the Biological Weapons Convention. GAO-02-1038NI. Washington, D.C.: Sept. 30, 2002.

Biological Weapons: Efforts to Reduce Former Soviet Threat Offers Benefits, Poses New Risks. GAO/NSIAD-00-138. Washington, D.C.: Apr. 28, 2000.

Weapons of Mass Destruction: U.N. Confronts Significant Challenges in Implementing Sanctions against Iraq. GAO-02-625. Washington, D.C.: May 2002.

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