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How has the US been spending other people's billions?



World briefing
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Henry Waxman is an awkward customer. For 30 years, this California congressman has probed, badgered and embarrassed US administrations of every hue.

As the senior Democrat on the House of Representatives' government reform committee, Congress's principal standing investigative panel, he is a difficult man to ignore. Right now, Mr Waxman has

a question on Iraq. In fact, he has several — and in typically robust fashion, he is demanding answers. What he wants to know is whether the Bush administration has been fiddling with Iraq's oil revenues.

He wrote to the Republican chairman of the reform committee on July 9, suggesting there was a serious case to answer. Subpoenas should be issued, he said, "to investigate potential mismanagement of the Development Fund for Iraq (DFI) by the United States".

The DFI was set up after last year's invasion as the depository for Iraq's multi-billion-dollar oil revenues and was administered, until June 28, by the US-led Coalition

Provisional Authority (CPA) — with notional UN oversight.

In particular, Mr Waxman is curious about "the (Bush) administration's last-minute 'draw-down' of billions of dollars from the DFI for unspecified expenses" prior to last month's transfer of sovereignty. "For example, \$1bn [about £550m] was withdrawn from the DFI during the last month of the CPA's existence for unspecified 'security' purposes."

The administration provided no information about how these funds would be spent, Mr Waxman says, and has yet to do so.

He is concerned about apparent attempts by the then CPA chief, Paul Bremer, to mandate and direct the spending of a further \$4.6bn

in Iraqi oil funds after the handover.

He is also exercised by the results of a belated audit of the DFI's accounts that concluded they were "open to fraudulent acts" and lacked "transparency". In all, the CPA earmarked more than \$6bn of Iraqi funds in the last two months of its existence.

He wants to know whether CPA officials obstructed the auditors, KPMG, who were employed by the UN-created International Advisory and Monitoring Board (IAMB).

And he also asks why the White House has "failed to comply with numerous IAMB requests [for information about] payments of approximately \$1.5bn in DFI

funds to Halliburton" — the Texas-based oil services company formerly headed by the vice-president, Dick Cheney.

Mr Waxman is not alone in asking questions. In April this year, the chairman of the IAMB, Jean-Pierre Halbach, wrote to Mr Bremer saying the awarding of three contracts to Halliburton without a competitive bidding process was "a source of concern". His letter appears to have had little effect.

The IAMB is now reviewing the CPAs overall conduct and must decide whether a full investigation is necessary.

Given the problems over alleged misappropriation and fraud that engulfed the UN's oil-for-food programme in Iraq from 1997 to 2003,

and which are now under investigation, swift, rigorous action in this instance may also be deemed essential.

Officials from Congress's financial watchdog, the general accounting office, have pointed out meanwhile that while the CPA was keen to appropriate Iraqi oil revenues, it was much more reluctant to spend bilateral US aid funds.

Nearly all of the \$20bn in the DFI was spent or allocated by June 28 — but only 2% of the \$18.4bn promised by the US for reconstruction was actually spent. According to White House figures, for example, and despite all the rhetoric about building a new Iraq, not a cent of America's own money had been spent on construction, healthcare,

sanitation and water projects as of last month.

Last month, Iraq Revenue Watch, part of the Soros Foundations network, accused the CPA of "committing billions of dollars to ill-conceived projects" using Iraqi rather than US funds, effectively pre-empting budgetary decisions that should have been left to the interim Iraqi authority.

This is a charge also voiced by senior Iraqi officials in Baghdad, quoted anonymously this month by the Washington Post; and, intriguingly, by British government aid officials who reportedly blocked spending projects proposed by Mr Bremer in the dying days of the

CPA. But at Westminster, only the Liberal Democrats have formally called for an investigation.

Such matters are plainly extremely sensitive as the US presidential election approaches — especially for George Bush and Mr Cheney. In this context, two facts may be of interest:

Halliburton was the largest single recipient of Iraqi oil funds during the occupation, according to the Army Corps of Engineers' figures released last month. And among US politicians, according to the Center for Public Integrity, Mr Bush has been the largest single recipient of US oil and gas industry campaign contributions since 1998 — his total stands at \$1,724,579.