

**TESTIMONY OF JOSHUA B. BOLTEN  
DIRECTOR  
OFFICE OF MANAGEMENT AND BUDGET  
BEFORE  
SENATE FOREIGN RELATIONS COMMITTEE**

July 29, 2003

Chairman Lugar, Senator Biden, Members of the Committee: I appreciate the opportunity to appear here today, along with Deputy Secretary Wolfowitz and General Keane, to testify on the status of and prospects for reconstruction in Iraq.

Two weeks ago, I submitted to Congress, on behalf of the Administration, the second in a series of reports required under Section 1506 of the Emergency Wartime Supplemental Appropriations Act, 2003. That report provides an update through June 30 on United States activities and our strategy related to reconstruction in Iraq. Before I discuss highlights of that report, I would like to review briefly some of the planning done prior to combat operations in Iraq, which prepared the way for our current relief and reconstruction operations.

Pre-War Planning

Beginning last October, a senior interagency team was convened to develop a baseline assessment of conditions in Iraq and to define sector-by-sector relief and reconstructions plans in the event of regime change in Baghdad. The group included representatives from the Departments of Defense, State, and Treasury; USAID; CIA; and, from the White House, staff of the National Security Council and the Office of Management and Budget. Additional agencies were called upon as expertise was needed.

The team developed plans for immediate relief operations and longer term reconstruction in ten sectors: health; education; water and sanitation; electricity; shelter; transportation; governance and rule of law; agriculture and rural development; telecommunications; and economic and financial policy.

Each sector was assigned a lead agency that produced an action plan with benchmarks to be achieved within one month, six months, and one year. The President's guidance was clear: He expected defined milestones by which we could measure progress in improving the lives of the Iraqi people. As these plans evolved, Administration officials briefed your staffs, who I understand made valuable contributions. As finally developed, these plans laid the foundation for the work underway today.

Progress and Current Mission

Consistent with our early planning, the United States and our Coalition partners in Iraq have moved from an emphasis on immediate relief operations to a wide variety of reconstruction activities. These activities are detailed in the Section 1506 Report submitted to Congress two

weeks ago and amplified and updated in excellent remarks last week by Ambassador Bremer, the Presidential Envoy to Iraq and Administrator of the Coalition Provisional Authority (CPA).

The Section 1506 Report and Ambassador Bremer's remarks reflect, first, a situation in Iraq in which, although security problems persist, widespread humanitarian disaster has thus far been averted. There is no food crisis, no refugee crisis, and no public health crisis.

While disaster has been averted, enormous challenges remain – most of them the product of three decades of devastation inflicted by Saddam's regime on Iraq's physical, social, and economic infrastructure. To address these challenges and restore sovereignty to the Iraqi people, the Section 1506 Report and Ambassador Bremer's remarks lay out a plan with four core missions:

- θ Security: establishing a secure and safe environment;
- θ Essential services: restoring basic services to an acceptable standard;
- θ Economy: creating the conditions for economic growth; and
- θ Governance: enabling the transition to transparent and inclusive democratic governance.

Let me highlight just a few specific areas of important progress:

Public safety. The CPA is vetting, hiring, and deploying an Iraqi police force to restore order and safety. 30,000 policemen have been recalled to duty, and police stations and training academies are being restored. Former New York City Police Commissioner Bernard Kerik leads a team whose mission is to promote well-trained and responsible public safety forces in Iraq's police, fire, border, customs, and immigration organizations.

Health. Consistent with plans developed before the conflict, the health sector is being systematically evaluated and a national data base is being built to monitor and manage ongoing needs. Medical facilities are under repair, more than 1,500 tons of supplies are restocking medical shelves, and basic services have been restored. Today, nearly all of Iraq's 240 hospitals, 10 specialty centers, and more than 1,200 clinics are open and receiving patients.

Power. Pre-war planning limited damage to the electrical system during the conflict, but restoring electricity has been a major challenge because the pre-war power infrastructure was so dilapidated and because of continuing targeted sabotage. Nevertheless, much of Iraq, with the exception of Baghdad, is now at or above pre-war power availability. Ambassador Bremer expects to restore power fully to pre-war levels within the next 60 days, though that will still leave a substantial shortfall in Iraq's projected power needs.

Oil. In addition to rebuilding critical infrastructure, rapid restoration of Iraqi oil production is a high priority. Crude oil production already exceeds one million barrels per day. Future production levels will depend on many variables, including the availability of adequate power and security of the oil infrastructure.

Economy. Ambassador Bremer identified the CPA's broader task in the economic field as two-fold: First, to stabilize the current economic situation – which they are doing in part by continuing payment of public-sector salaries and pensions and by funding a range of

infrastructure construction projects. Second, to promote long-term growth – which they are doing through measures designed, for example, to establish a sound currency, to create an independent central bank, and to build a modern banking system.

### Funding for Iraq Relief and Reconstruction

To pursue these and other important ongoing efforts in Iraq, we began with approximately \$7.7 billion from a number of sources: approximately \$600 million was provided from DoD accounts to support CPA operations; approximately \$3 billion was appropriated by Congress in the War Supplemental, of which about \$500 million was provided to the Department of Defense for oil field repair; roughly \$500 million was drawn from appropriated 2003 foreign assistance accounts. Added to these appropriated funds are: about \$1.7 billion in Iraqi state assets frozen in the US (“vested” assets); about \$800 million in cash and other assets found in Iraq (“seized” assets); and finally over \$1 billion in oil receipts were transferred by the United Nations into a new Development Fund for Iraq (DFI). We expect additional resources frozen in other countries eventually to be transferred to the DFI.

The recent Section 1506 Report provided Congress a status of these funds as of June 30. I will briefly highlight some of the key numbers – what we’ve spent so far and on what – the details of which are available in the report. Through the end of June, the US Government has allocated slightly more than \$2.7 billion. Of that \$2.7 billion, approximately \$750 million came from seized and vested Iraqi state assets; the remainder from funds appropriated by Congress.

The \$2.7 billion allocated so far includes funding for the following activities:

- θ \$730 million for relief efforts to reestablish food distribution, provide medical supplies, purchase fuels, and provide other humanitarian efforts.
- θ \$400 million for emergency payments and salaries for civil servants and other workers in various sectors and for pensioners.
- θ \$1.37 billion for reconstruction activities including reestablishing critical services (such as water, sanitation, and electricity), ministries, oil production, and security forces.
- θ \$200 million for activities that support the operations of the CPA in Baghdad.

As a result of these allocations, roughly \$5 billion in funds remain available. The picture as of June 30 looks like this:

- θ Of the original \$4.1 billion in funds appropriated by Congress, approximately \$2.2 billion remained.
- θ Of the original \$2.5 billion in seized and vested Iraqi state assets, approximately \$1.8 billion remained.
- θ Approximately \$1 billion remained in the DFI.

### Conclusion

Thanks to the dedication, courage and sacrifice of our men and women in uniform, we have liberated Iraq. Now, our mission in your words, Mr. Chairman, is “to win the peace.”

The President agrees. After meeting with Ambassador Bremer last week, he reaffirmed the Coalition's determination to help establish a free, sovereign, and democratic Iraq. He understands that rebuilding Iraq will take a sustained commitment if we are to improve security, restore essential services, generate economic development and secure democracy for all Iraqis. Building on plans that were developed even before combat operations began in Iraq, the Coalition Provisional Authority is implementing a comprehensive strategy to move Iraq toward a future that is secure and prosperous. We look forward to working with this Committee and the rest of Congress to ensure fulfillment of that vision.