



Highlights of [GAO-04-579T](#), a testimony to Subcommittee on Oversight and Investigations, House Committee on Financial Services

## Why GAO Did This Study

Rebuilding Iraq is a U.S. national security priority. Billions of dollars are needed for Iraq's reconstruction. The U.S. government and the international community have undertaken important efforts to recover the assets of the former regime and return them to the Iraqi people. In this testimony, GAO will present its preliminary observations on the recovery effort. Specifically, GAO (1) updates its estimate of the revenues diverted from the Oil for Food Program, (2) describes the U.S. government agencies working on the asset recovery effort, (3) discusses the results of U.S. efforts, and (4) highlights challenges that the United States faces in recovering Iraqi assets.

## What GAO Recommends

As this testimony reflects GAO's preliminary observations, GAO is making no recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-04-579T](http://www.gao.gov/cgi-bin/getrpt?GAO-04-579T). To view the full product, including the scope and methodology, click on the link above. For more information, contact Joseph Christoff at (202) 512-8789 or [christoffj@gao.gov](mailto:christoffj@gao.gov) or Davi M. D'Agostino at (202) 512-5431 or [dagostinod@gao.gov](mailto:dagostinod@gao.gov).

# RECOVERING IRAQ'S ASSETS

## Preliminary Observations on U.S. Efforts and Challenges

### What GAO Found

GAO estimates that from 1997 through 2002, the former Iraqi regime acquired \$10.1 billion in illegal revenues related to the Oil for Food program—\$5.7 billion in oil smuggled out of Iraq and \$4.4 billion in illicit surcharges on oil sales and after-sales charges on suppliers. This estimate is higher than our May 2002 estimate of \$6.6 billion because it includes 2002 data from oil revenues and contracts under the Oil for Food Program and newer estimates of illicit commissions from commodity suppliers.

The United States has tapped the services of a variety of U.S. agencies and recently developed domestic and international tools in its efforts to recover Iraqi assets worldwide. Led by the Department of the Treasury, about 20 government entities have combined efforts to identify, freeze, and transfer the former regime's assets to Iraq. The United States also used the International Emergency Economic Powers Act, as amended by provisions in the USA PATRIOT Act of 2001, to confiscate the property of the former Iraqi regime under U.S. jurisdiction and vest the assets in the U.S. Treasury. Finally, U.N. Security Council Resolution 1483 required all U.N. members to freeze without delay and immediately transfer assets of the former Iraqi regime to the new Development Fund for Iraq (DFI).

U.S. efforts to recover Iraqi assets have had varying results. In March 2003, the U.S. government quickly took control of Iraq's assets in the United States. From May to September 2003, the United States transferred \$1.7 billion to Iraq to help pay for the salaries of Iraqi civil servants, ministry operations, and pensions. Within Iraq, U.S. military and coalition forces seized about \$926 million of the regime's assets. Other countries froze about \$3.7 billion of Iraqi regime assets in compliance with U.N. Security Council resolutions. As of March 2004, Treasury reported that more than 10 countries and the Bank for International Settlements had transferred approximately \$751 million to the DFI. Little progress has been made in identifying and freezing additional Iraqi assets that remain hidden. While the amount of hidden assets accumulated by the former Iraqi regime is unknown, estimates range from \$10 to \$40 billion in illicit earnings.

The United States faces key challenges in recovering Iraq's assets. First, recovering the former regime's assets was not initially a high priority in the overall U.S. effort in Iraq. Second, U.S. officials stated that many countries needed to adopt additional legislation to implement the U.N. requirements and transfer the funds to the DFI. U.S. expectations for the quick transfer of funds may have been overly optimistic given the legal capabilities of some countries. Third, the impending transfer of sovereignty to an interim Iraqi government on June 30, 2004, may further complicate U.S. efforts to locate and recover assets of the former regime. It is uncertain whether the new government will allow the United States to continue its hunt for the former regime's assets.