Congress of the United States
Washington, DC 20515

Questions about the President's New Iraq Contracting Strategy

January 10, 2007

Dear Colleague:

Tonight, President Bush will reveal his new strategy for Iraq. As part of this strategy, the President appears likely to propose giving large sums of U.S. taxpayer dollars to decrepit and possibly corrupt state-owned Iraqi companies.

The Administration has already spent over $30 billion in U.S. taxpayer funds and another $20 billion in Iraqi funds under its control. Yet despite the vast expenditures, the reconstruction effort has produced little of lasting value. The nonpartisan Government Accountability Office reported yesterday that "Iraq's oil production and exports have consistently fallen below U.S. program goals" and that "10 percent to 30 percent of refined fuels is diverted to the black market or is smuggled out of Iraq and sold for a profit." Reconstruction efforts have also faltered in the electricity, health, and other sectors.

In considering the President's new spending proposal, it is critical that Congress obtain answers to several key questions:

- ***How will the President's plan ensure that taxpayer funds don't fuel the insurgency?*** The President reportedly wants to use taxpayer dollars to rehabilitate dysfunctional Iraqi ministries and state-owned enterprises, such as the General Company for Vegetable Oils, the State Company for Battery Manufacturing, and the al-Mishraq Sulfur Industry Company. But the Administration previously failed to account for billions it already handed out. As head of the Coalition Provisional Authority, Ambassador Paul Bremer delivered more than $8.8 billion in cash to Iraqi ministries. Subsequent audits found there was virtually no tracking of this money, much of which went to "ghost employees."

- ***How will the President's plan monitor the effectiveness of these funds?*** Over the last three years, the raging violence in Iraq has prevented the Army and major U.S. reconstruction contractors from physically visiting local construction sites to ensure that work is done properly. For example, the Parsons company testified that it could not get to the Baghdad Police College, where a subcontractor was performing construction work. When the Special Inspector General for Iraq Reconstruction finally did conduct an on-site inspection, he found feces and urine leaking from the plumbing and ceilings onto cadets. According to the IG, this lack of oversight was "a disaster."

- ***Why should U.S. taxpayers foot the bill when the Iraqis have unspent billions?*** Yesterday, GAO issued a 120-page critique of the President's current strategy for Iraq. According to GAO, the Iraqi government has over $6 billion in capital funds reserved for reconstruction projects. Yet this money remains in Iraqi coffers.

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- ***Do the Iraqis really support this proposal?*** An article in the *New York Times* today raises serious questions about whether the Administration adequately consulted Iraqis about this proposal and whether Iraqis support it. Mehdi Hafedh, a member of Parliament and a former planning minister, stated: "The Americans should have made some consultations because this is ridiculous, frankly." He added that most of these ministries "produce little or nothing" and "are filled with no-show jobs."

I hope you will keep these questions in mind as we consider whether to approve the President's new request for funding reconstruction efforts in Iraq. Too often, the Administration has failed to learn from its mistakes in Iraq, wasting billions in taxpayer dollars. We should not make the same mistake ourselves.

Sincerely,

Rep. Henry A. Waxman
Chairman
Committee on Oversight and Government Reform