



Open Society Institute Calls for Vigilant Monitoring of Iraq Supplemental Spending

The Iraq Supplemental bill President Bush signed October 17 goes far in addressing key concerns regarding transparency of U.S. governance in Iraq, but close scrutiny is required, says the Open Society Institute.

Against a background of criticism over sole source contracts to Halliburton, allegations of price inflation by U.S. contractors, and the obstacles both Congress and outside observers have encountered in obtaining information about contracts for reconstruction, Congress demanded increased reporting on how U.S. funds to Iraq are spent.

The new law will create an Office of the Inspector General for Iraq to conduct audits and investigations of the Coalition Provisional Authority's management of U.S. funds, and provide much-needed oversight of American reconstruction efforts. This change is welcomed by the Iraq Revenue Watch project of the Open Society Institute, which monitors Iraq's public finances and has called for improved transparency.

The Inspector General will submit quarterly reports to Congress on U.S. activities and expenditures in Iraq, and will require the Coalition to justify any contracts awarded without a competitive bid. The Coalition Provisional Authority must also submit monthly reports to Congress on Iraqi oil production and the use of oil revenues. The reports will be published on the Coalition's website in both English and Arabic.

Further, the bill requires the Secretary of State to submit within three months a report detailing U.S. Government efforts to garner increased international support for Iraq's reconstruction.

The Department of Defense has been tight-lipped about Iraq's finances so far. Congress has now made significant moves to ensure accountability in US spending in Iraq. The Administration must follow suit.

United Nations Resolutions 1483 and 1511 demand full transparency in US management of Iraq's finances, but these requirements have been mostly ignored. The Administration must vigorously enforce the Iraq Supplemental's provisions and fully cooperate with the newly appointed Inspector General.

Anthony Richter of Iraq Revenue Watch, said: "The new bill is a belated first step toward making the American authorities accountable for Iraq's finances. American accountability is a key pillar for building peace in Iraq. Renewed vigilance will be needed to see that the high standards of transparency are met."

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Iraq Revenue Watch monitors Iraq's oil industry to ensure that it is managed with the highest standards of transparency and that the benefits of national oil wealth flow to the people of Iraq. Iraq Revenue Watch complements existing Open Society Institute initiatives that monitor revenues produced by the extractive industries.

In many parts of the world, the lack of proper stewardship over oil resources has resulted in corruption, the continued impoverishment of populations, and abuses of political power. By prompting governments to tackle these problems early, the Open Society Institute hopes to help Iraq avoid this plight.

The Open Society Institute currently supports a recently launched initiative, Caspian Revenue Watch, which monitors the development of oil production in the Caspian basin. The goal is to promote transparency, accountability, and public oversight in the management of oil and natural gas revenues.

Iraq faces even greater challenges than the Caspian region. If Iraq is to become an open, democratic society it will need to develop transparent accountable institutions for ensuring honest management of oil revenues.

There is an urgent need for Iraq Revenue Watch given the current occupied status of the country. The Coalition Provisional Authority and the Iraqi Governing Council should establish rules that ensure complete transparency regarding Iraqi oil revenues. So doing will foster a stable, democratic Iraq, and will protect the Coalition Provisional Authority from charges of misappropriation during this period of trusteeship over Iraq's reconstruction.

The **Open Society Institute**, a private operating and grantmaking foundation based in New York City, implements a range of initiatives throughout the world to promote open society by shaping government policy and supporting education, media, public health, and human and women's rights, as well as social, legal, and economic reform.

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