Open Society Institute Supports the Establishment of New Monitoring Board in Iraq; Calls for Vigilant Oversight

Prospects for the independent oversight of how the Coalition Provisional Authority manages Iraqi oil revenues were improved Friday with the first meeting of the International Advisory and Monitoring Board, says Iraq Revenue Watch, a program of the Open Society Institute.

The audit body, created in May under United Nations Security Council Resolution 1483, consists of four members representing the United Nations, the International Monetary Fund, the World Bank and the Arab Development Fund.

Today’s meeting follows five months of disagreement between the US-led Coalition and the UN over the International Advisory and Monitoring Board’s auditing role. The US had wanted to limit the Board’s auditing powers while the UN and other IAMB member organizations sought comprehensive oversight authority of oil and other assets held by the Development Fund for Iraq.

The Development Fund for Iraq, which now holds close to $5 billion, receives Iraqi oil revenues, funds transferred from the UN Oil for Food Program, and frozen assets. To date, over $1.5 billion in Iraqi oil revenues have been spent without any independent monitoring or external audit.

In an effort to garner international support for Iraq’s reconstruction, the US announced on the eve of a donor’s conference in October that the IAMB would finally be created with full auditing authority.
The oversight body is established against a background of concerns about US handling of Iraqi oil money and contracting practices. Many UN officials believe that Iraqi oil revenue should not have been spent until the IAMB was functioning. Others are also dissatisfied with the Development Fund’s lack of transparency. Members of Congress have called for an investigation into allegations that the US-led Coalition Provisional Authority allowed Kellogg, Brown and Root, a subsidiary of Halliburton, to purchase $600 million worth of fuel at inflated prices with Iraqi oil money.

Today’s meeting means that the international community now has the chance to ensure transparency and accountability in the management of Iraq’s finances. But any oversight hinges on the cooperation of the Coalition Provisional Authority, which has so far balked at opening its books to outside scrutiny. Transparent management in Iraq’s oil sector is critical to making these values take hold within the future Sovereign Iraqi Government.

Iraq Revenue Watch calls on the IAMB to include Iraqis in the audit process as provided under its regulations. So far Iraqis have been excluded from most of the Development Fund’s spending decisions. Given the accelerated handover of responsibility to a provisional government in June, Iraqis urgently need to acquire more responsibility and authority at all stages of the budgeting process.

Iraq Revenue Watch monitors Iraq’s oil industry to see that it is managed with the highest standards of transparency and that the benefits of national oil wealth flow to the people of Iraq. For more information, please visit: www.iraqrevenuewatch.org.
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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.

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