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Summary

Following a possible war in Iraq, the United States would be likely to launch a program of foreign assistance there to help reconstruct the country. This report considers the amount of aid potentially required, how long it might be needed, and the purposes to which it might be put, among other issues. It will not be updated.

If military action is necessary, the United States and our allies will help the Iraqi people rebuild their economy, and create the institutions of liberty in a unified Iraq at peace with its neighbors.

President George W. Bush (October 7, 2002)

However difficult the looming military confrontation with Iraq may appear, any post-war role of the United States in that country could be as challenging and important to achieving U.S. objectives. Whether U.S. objectives are pacification of the country, establishing democratic government, launching the country on a path to economic growth, or insuring that Iraq becomes a constructive force in the region, the United States, as it has elsewhere, may call on one or more elements of its foreign assistance program to help achieve its aims. To help prepare for the use of aid, a post-war planning office was established on January 20 by a presidential directive. The Office of Reconstruction and Humanitarian Assistance, although located in the Defense Department, is staffed by officials from agencies throughout the government. For further, more recent, information, see CRS Report RL31833, *Iraq: Recent Developments in Humanitarian and Reconstruction Assistance*. For more on the politics of Iraq, see CRS Report RL31339, *Iraq: U.S. Regime Change Efforts and the Iraqi Opposition*.

In the past, Congress has often used its authorizing and appropriations authorities to influence U.S. foreign policy direction and behavior. An Iraq Freedom Support Act, along the lines of authorizations for aid to the former Soviet Union or more recently to Afghanistan, while not necessarily needed to support the provision of assistance, is a possible vehicle Congress might use to express its preferences on the shape of a post-war Iraq. Foreign aid appropriations – initially in a possible FY2003 supplemental – might establish any level of U.S. aid and uses to which it is put.

Potential Types and Purposes of Assistance

U.S. assistance would in large part depend on the requirements of a post-war situation – the level of physical damage and human casualties resulting from the military confrontation, the movement of refugees, and the possible outbreak of disease. The level and breadth of humanitarian assistance would especially hinge on such circumstances. Long-term reconstruction requirements would be strongly affected by the length of the war; the extent of destruction caused to oil production infrastructure; possible efforts of groups, such as the Kurds, to achieve autonomy or independence; and the level of cooperation provided by Iraqi citizens and government bureaucrats. Availability of oil resources for reconstruction purposes and level of participation by other donors would help determine any potential assistance needs facing the United States.

The shape of reconstruction aid would in large measure spring from still-forming U.S. policy decisions. The Administration has indicated that, at least at the beginning, it would rely on military rule. This would give the United States broad control over the Iraqi government and economy until a progressive transition to Iraqi administration is initiated.[1] While responsibility for administering a post-war Iraq would fall to General Tom Franks, Commander of U.S. Central Command, the Office of Reconstruction and Humanitarian Assistance would be expected to produce plans for his use in filling that role. At the same time, the Office would implement U.S. assistance efforts in Iraq. Initially, as head of the Office, retired Army Lt. Gen. Jay M. Garner, would direct humanitarian efforts. An American civilian is expected to direct any subsequent reconstruction efforts.[2]

These policymakers might draw on a menu of assistance programs provided by other government organizations. Economic aid through the Agency for International Development (USAID), food aid through USAID and the Agriculture Department, commercial aid through the Overseas Private Investment Corporation and the Export-Import Bank, Peace Corps and State Department exchange programs, and World Bank loans are among possible sources of U.S.-supported assistance. These and other types of aid have been used in reconstruction efforts at one point or another with varying degrees of success. U.S. aid in Iraq might be used to meet the following objectives:

Urgent Humanitarian Needs. The U.N. has projected as many as 1.5 million refugees could flee Iraq, 2 million people might be left homeless inside the country, 10 million might require food aid, and half the population might lose access to water during a war.[3] Food and medical aid, and provision of refugee camps would address some of these immediate post-war concerns. The United States has already made available more than $82 million to support early U.S. preparations for delivery of humanitarian aid,

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[1] Colin Powell, Interview with Spanish TV, February 20, 2003. Undersecretary of State for Political Affairs Marc Grossman, Testimony to Senate Foreign Relations Committee, February 11, 2003.

[2] Undersecretary of Defense Douglas Feith, Testimony to Senate Foreign Relations Committee, February 11, 2003.

[3] "Iraq war could put 10 million in need of aid, U.N. Reports," *Washington Post*, January 7, 2003.

including stockpiling of supplies in strategic locations.[4] The World Food Program is expected to play a significant role utilizing the existing Iraqi oil-for-food distribution network.[5] The U.N. has warned of the need to raise $90 million for its own humanitarian operations in the war zone. (See CRS Report RL31814, *Humanitarian Issues in Post-War Iraq: An Overview for Congress*.)

Democratization. Efforts to support the development of democracy in Iraq would likely receive substantial attention. According to Defense Secretary Rumsfeld (February 14, 2003), "the goal would not be to impose an American style template on Iraq, but rather to create conditions where Iraqis can form a government in their own unique way." Officials have stated that the United States would not immediately recognize an Iraqi provisional government, but would utilize a U.S.-appointed "consultative council" of Iraqis to provide advice.[6] Pro-Saddam elements in government would be removed (a process being referred to as "de-Baathification") and Iraqi commissions would be formed to address rule of law, including institution of an independent judiciary and writing a new constitution. Aid might be further used to revamp the electoral process; encourage independent media; and strengthen civil society, including the role of minority communities.

Economic Reform and Growth. Although lifting of long-standing sanctions that restricted Iraqi exports and foreign investment may stimulate economic growth, aid programs might also address current Iraqi government policies that retard economic development. Advice and credit can be provided to fledgling private sector business. Loan guaranties and risk insurance can encourage trade and U.S. foreign investment. Economic infrastructure – roads, bridges, ports, telecommunications – may require repair and upgrading.

Provision of Health and Human Services. The past ten years have seen a serious decline in Iraqi health indicators, including increases in infant mortality and lack of potable water. The quality of health care, sanitation, housing, and social safety nets can be improved through expert advice, training, and provision of medical supplies. Assistance in this sector is often viewed as an important means to reach the majority of people directly, help cushion the impact of difficult policy reforms, and, in the occupation scenario, might gain increased public acceptance.

Other Possible Goals. If Saddam Hussein were to destroy oil wells during a war, large-scale financial assistance might be required to restore them. Aid could address Iraq's current dependence on external food imports through agricultural programs. Any use of biological or chemical weapons could require a serious and costly health and environmental mitigation effort. Educational programs could be used to increase the appreciation for democratic processes and, through exchanges, build a better understanding of the United States.

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[4] Andrew Natsios, Briefing, U.S. Department of State, February 25, 2003.

[5] "U.S. military lays out post-war Iraq plan", *Washington Post*, February 12, 2003.

[6] "Full U.S. control planned for Iraq", *Washington Post*, February 21, 2003.

Issues for Congress

Cost of the Aid Program. The cost of any aid program for Iraq would depend on the scope of U.S. objectives and the damage incurred in the war. Any amount currently mentioned in the press or by officials is highly speculative. A review of recent reconstruction programs in other countries suggests a wide range of potential costs to the United States. In addition to differing goals, variations depend on relative size of population, economy, and geography as well as longevity of the program and participation by other donors. U.S. contributions to Kosovo from 1999 to 2001 reached $316 million out of a total donor program of $2.1 billion. Since the war in Afghanistan in late 2001, U.S. assistance has already reached $558 million, and needs assessments suggest a minimum total cost of $15 billion over ten years from all donors.[7] (See CRS Report RL31759, *Reconstruction Assistance in Afghanistan: Goals, Priorities, and Issues for Congress*.)

Iraq may require more aid than these examples if the United States intends a long-term nation-building exercise. One analyst, reviewing a variety of predictions, suggests a cost of between $30 and $105 billion over ten years for full reconstruction. He further estimates humanitarian aid at between $1 and $10 billion.[8] UNDP Administrator Mark Malloch Brown has predicted that reconstruction costs could total $30 billion in the first two and a half years.[9] At a February 11 Senate Foreign Relations hearing, Administration officials reportedly "declined repeatedly to discuss cost estimates...asserting that too much remains unknown."[10]

Although this report focuses on foreign aid to Iraq, there may be other associated foreign aid demands in the event of a war. One additional area is the amount that might be provided to nearby countries to cover their presumed losses as a result of trade and other disruptions. Thus far, Israel is seeking $4 billion in military and economic assistance and $8 billion in loan guaranties above normal aid levels. Jordan has reportedly been promised $1 billion and Turkey has been offered $5 billion in grants and $10 billion in guarantees.[11]

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[7] Office for SouthEast Europe, *Donor Pledges to Kosovo*, May 2002. "Donors receive estimates of Afghanistan's reconstruction ahead of Tokyo Conference", UNDP Press Release, January 15, 2002.

[8] On the low end, the reconstruction figure is based on a 1991 U.N. estimate of the cost of bringing Iraq back to prewar condition, and, on the high end, it is based on a Marshall Plan-like nation-building effort, applying Marshall Plan-expenditure per capita to Iraq. Both high and low-end humanitarian figures extrapolate from experience in Bosnia, and depend on length of time crisis continues and number of people affected. William D. Nordhaus, "The Economic Consequences of a War with Iraq" in *War in Iraq: Costs, Consequences, and Alternatives*, American Academy of Arts & Sciences, 2002, p. 66-67.

[9] "UN estimates rebuilding Iraq will cost 30 billion," *New York Times*, January 31, 2003.

[10] *Washington Post*, February 12, 2003, p. A21.

[11] "U.S. hears Israel's plan for billions in arms aid", *Washington Times*, January 7, 2003; "Jordan to get $1 billion in U.S. aid", *Defense News*, January 20, 2003; "Aid to Turkey bends Bush's tough line", *Washington Post*, February 21, 2003.

Who Will Pay for Assistance? To the United States, the cost of post-war aid would be considerably higher if few other donors contribute. Given resistance of major aid donors France and Germany thus far to support military action and their perhaps related failure thus far to contribute to a U.N. emergency fund for potential Iraqi war humanitarian relief, it is possible that the United States would be required to provide the bulk of reconstruction assistance. That might be the case especially if a U.S. military occupation did not leave many opportunities for other donors to influence events within Iraq. Should the United States be joined by few other donors, the impact on the U.S. fiscal deficit or the rest of the U.S. foreign aid budget could become issues. Funds diverted to Iraq might negatively affect priority concerns elsewhere.

Some have proposed that Iraqi oil be used to pay for development and/or an occupation regime. U.N. holdings under the oil-for-food program, some suggest, might also be drawn upon to pay for reconstruction needs.[12] The Administration has stated that a priority would be restoring and increasing the amount of Iraqi oil production in order to "support the Iraqi people's needs" (indicating that oil would be used primarily for reconstruction and not for the administration of the U.S. occupation).[13] One analyst has pointed out that large additional claims on Iraqi oil reserves – debt arrears, infrastructure repair, and domestic fuel use, for example – would leave little money for many occupation and reconstruction requirements.[14] Others have stated that, due to the decrepit condition of the industry, it may take some years to substantially increase the flow of oil. Some believe, however, that the expectation of future Iraqi oil wealth may be enough by itself to encourage significant official and private sector lending for reconstruction.

Other donors may contribute to total aid costs. However, in similar crises, the aid pledges of key donors have been slow to materialize. Congressional concerns regarding the failure of key European donors to promptly provide assistance in Kosovo led to a legislative prohibition restricting U.S. contributions to 15% of total donor funding. Although donor coordination is often attempted, the type and purpose of aid provided by other donors is out of U.S. hands; other bilateral and multilateral donors have their own agendas.

Program Longevity. No official prediction has been made regarding the length of a U.S. aid commitment. The Administration has indicated that the United States is committed to stay in Iraq as long as necessary, "but not one day more".[15] The length of any aid program, a factor in determining costs, would depend on the nature of overall U.S. intentions. Based on previous experiences, some have questioned the American commitment to long-term "nation-building".[16] Others argue that U.S. nation-building in Iraq could be expected to be more hands-on and intensive than in other developing nations, largely because many believe that the initial expenditure of military and political

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[12] "War's aftermath would be challenge", Steven Hunt, *Associated Press*, January 30, 2003; "Multibillion aid plan for West to win the peace", *London Times*, February 4, 2003; "U.S. plans interim military role in postwar Iraq", *Washington Post*, January 17, 2003.

[13] Douglas Feith, February 11, 2003, testimony, Senate Foreign Relations Committee.

[14] William D. Nordhaus, *The Economic Consequences of a War with Iraq*, p. 67.

[15] President Bush, speech to American Enterprise Institute, February 26, 2003.

[16] "Bush backs into nation building", *Washington Post*, February 26, 2003.

capital would require that the Administration work hard to prevent an unsuccessful outcome.

Security Concerns and Role of Military. There would likely be many obstacles in the path of a successful aid program in Iraq. Perhaps the most important of these is a lack of security. Although some aid groups work in countries in conflict, neither grassroots organizations like the Peace Corps nor many of the non-governmental organizations (NGOs) that implement aid programs are prepared to enter an unsafe country. Experience in Afghanistan has already demonstrated that long-term reconstruction may be severely limited in geographic scope and impact if programs are not able to function in a secure environment. Part of the Administration's rationale for bringing humanitarian and reconstruction aid coordination under the wing of the Pentagon is to link the aid officials to security providers and information.

The current Administration plan for Iraq is that military commanders, assisted by civilian disaster assistance response teams (DART), will be responsible for food distribution in the early stages. Afghanistan raises another cautionary note. There, driven by the need to show positive results from the ousting of the Taliban, the U.S. military has been employed in reconstruction activities outside of the secured capital of Kabul. But this has raised the concern that local citizens will not be able to distinguish between military personnel and civilian development advisors, putting the latter at greater risk.

Implementation and Coordination Concerns. Officials in the Pentagon's Office of Reconstruction and Humanitarian Assistance – civilians apparently in charge of any necessary humanitarian relief, reconstruction, and civil administration – could face a flood of critical decisions in coming months regarding the shape and implementation of development projects. The relative priority to be given the aid objectives noted earlier, coordination with U.N. and NGO humanitarian and development efforts, and the security concerns noted above are among the many issues they may confront. Aid officials may also play a role in dealing with such concerns as the drafting of a new constitution, the role of exile Iraqis, and the vetting of personnel in the government and in aid projects to insure that Saddam allies were removed. However, these are issues that would also deeply interest the military government, and the lines of responsibility between it and the aid coordination operation are not clear.

More than a dozen U.S. agencies are likely to participate in reconstruction efforts, making coordination of assistance a particularly desirable goal. Choosing an aid coordinator may be helpful, but experience in the former Soviet Union suggests that it alone is insufficient, and, in the Iraq situation, the unusual lead aid role of the Pentagon, more commonly played by the Department of State in other situations, might further complicate the coordinator's task. Any coordinator could need strong executive and congressional support allowing his office sufficient authority to make final decisions with regard to interagency disputes. Strong coordination may be critical at all levels of the implementation process – within sectors (democracy, economic growth, etc.) and within and among agencies.

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