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FY2004 Supplemental Appropriations for Iraq, Afghanistan, and the Global War on Terrorism: Military Operations & Reconstruction Assistance

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Foreign Affairs, Defense, and Trade Division

FY2004 Supplemental Appropriations for Iraq, Afghanistan, and the Global War on Terrorism: Military Operations and Reconstruction Assistance

Summary

In a nationwide address on September 7, 2003, the President announced that he would request an additional \$87 billion for ongoing military operations and for reconstruction assistance in Iraq, Afghanistan, and elsewhere. On September 17, the White House submitted a formal request for FY2004 supplemental appropriations of that amount to Congress. Administration officials said they would like to see congressional action completed some time before October 24, when an international donors conference was scheduled to meet in Madrid to seek pledges of economic assistance for Iraq.

On October 29, House and Senate appropriators announced a conference agreement, on H.R. 3289, a bill providing supplemental appropriations for military operations and for reconstruction assistance in Iraq and Afghanistan. The House approved the conference agreement by a vote of 298-121 on October 31, and the Senate approved the measure by voice vote on November 3. The President signed the bill into law, P.L. 108-106, on November 6.

The key issue in Congress was whether to provide reconstruction assistance to Iraq entirely as grants or partly as loans. The conference committee rejected a Senate proposal to provide about half of the Iraq reconstruction assistance as loans. On other issues, conferees eliminated a Senate provision adding 10,000 troops to the Army for peacekeeping duties; agreed to a modified version of a Senate provision to provide health insurance through the DOD TRICARE program for non-activated military reservists not eligible for employer-provided health insurance; cut the Administration request for reconstruction assistance to Iraq by \$1.655 billion as in the House bill rather than by \$1.855 billion as in the Senate bill; agreed to provide \$400 million more for Afghanistan than the Administration requested, as in the House bill; agreed to provide \$245 million for assessed costs of U.N. peacekeeping in Liberia, as in the House bill; agreed to provide an additional \$100 million for Liberia and \$10 million for Sudan for humanitarian assistance; eliminated a House provision to require that Iraq reconstruction be coordinated by a Senate-confirmed official; and did not include \$1.3 billion for veterans health benefits that was in the Senate bill (which may be provided instead in the pending VA-HUD-independent agencies appropriations bill). The conference agreement also provides \$500 million for the Federal Emergency Management Agency (FEMA) for disaster relief for Hurricane Isabel and the California wildfires.

In earlier floor action, Congress rejected proposals to roll back tax cuts to pay for the bill; to shift funds from Iraq reconstruction to domestic programs; to make release of funds conditional on specific requirements; and to transfer control of Iraq reconstruction from the Defense Department to the State Department.

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FY2004 Supplemental Appropriations for Iraq, Afghanistan, and the Global War on Terrorism: Military Operations and Reconstruction Assistance

Most Recent Developments

On October 29, House and Senate appropriators announced a conference agreement, H.Rept. 108-337, on H.R. 3289, a bill providing supplemental appropriations for military operations and for reconstruction assistance in Iraq and Afghanistan. The House approved the bill by a vote of 298-121 on October 31, and the Senate approved it by voice vote on November 3. The President signed the bill into law, P.L. 108-106, on November 6. The conference agreement rejected a Senate proposal to provide about half of the Iraq reconstruction assistance as loans.

For a review of conference action on key issues, see the section entitled “Key Issues in Conference,” below.

Overview

In a nationwide address on September 7, 2003, the President announced that he would request an additional \$87 billion for reconstruction assistance to Iraq and Afghanistan and for ongoing military operations there and elsewhere.¹ On September 17, the White House submitted a formal request for the funds to Congress. On September 21, the Defense Department provided backup material to congressional committees.² On September 23, the Coalition Provisional Authority that is administering Iraq provided information on the details of its request for reconstruction aid.

Congressional consideration of the request was completed on November 3, when the Senate approved a conference agreement on H.R. 3289 providing

¹ President George W. Bush, “President Addresses the Nation,” The Cabinet Room, Sept. 7, 2003, see [<http://www.whitehouse.gov/news/releases/2003/09/20030907-1.html>].

² Office of Management and Budget, “FY2004 Supplemental: Iraq and Afghanistan Ongoing Operations/Reconstruction,” Sept. 17, 2003, available electronically at [http://www.whitehouse.gov/omb/budget/amendments/supplemental_9_17_03.pdf]. Department of Defense, “FY2004 Supplemental Request for Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF), and Operation Noble Eagle (ONE),” Sept. 21, 2003. Available at [http://www.dod.mil/comptroller/defbudget/FY_2004_Supplemental.pdf].

supplemental appropriations of \$87.5 billion for FY2004. Earlier, congressional committees held a number of hearings on issues raised by the Administration request. Readers in congressional offices may click on the highlighted hearings listed below (in the .html version of this report) to link to hearing transcripts.

Iraq Supplemental Hearings

September 9:

Senate Armed Services Committee — Witnesses: Paul Wolfowitz, General Richard Myers, Dov Zakheim, Marc Grossman

September 16:

Senate Banking Committee — Witnesses: Alan Larson, John Taylor, Phillip Merrill

September 22:

Senate Appropriations Committee — Witness: L. Paul Bremer

September 24:

House Foreign Operations Appropriations Subcommittee — Witnesses: L. Paul Bremer, General John Abizaid

Senate Appropriations Committee — Witnesses: Donald Rumsfeld, General Richard Myers, General John Abizaid, Dov Zackheim

Senate Foreign Relations Committee — Witness: L. Paul Bremer

House Armed Services Committee — Witnesses: Paul Wolfowitz, L. Paul Bremer, General John Abizaid, and General John Keane

House International Relations Committee — Witness: L. Paul Bremer

September 25:

Senate Armed Services Committee — Witnesses: L. Paul Bremer, General John Abizaid

September 30:

House Defense Appropriations Subcommittee — Witnesses: Donald Rumsfeld, General Richard Myers, Dov Zakheim

House Foreign Operations Appropriations Subcommittee — Witnesses: Richard L. Armitage, Andrew S. Natsios

October 2, 2003:

House Military Construction Appropriations Subcommittee — Witnesses: Ray Dubois, Larry Lanzillotta, Major General Larry Lust, Major General Dean Fox

House Armed Services Committee — Witnesses: Admiral E. P. Giambastiani, Brigadier General Robert Cone.

During congressional debate, a wide range of legislative proposals addressing costs, burdensharing, and other issues were considered, including measures to

- require the Administration to provide reports on Iraq policy, giving details of plans to establish security and restore basic services;
- roll back reductions in the top income tax rate from 2005 through 2010 enough to offset costs;
- encourage greater allied contributions of troops and reconstruction aid;
- transfer control of Iraq reconstruction from the Defense Department to the State Department; and
- require fair and open competition on contracts in Iraq.

The major issue in Congress was whether to provide Iraq reconstruction funds as grants, as the Administration proposed, or as loans.

The following discussion (1) briefly reviews the basic elements of the request; (2) discusses the debate about long-term costs; (3) discusses congressional action on key legislative proposals; (4) provides an overview of funding for ongoing military operations in Iraq, Afghanistan, and elsewhere; and (5) provides an overview of funding for reconstruction and security in Iraq, for reconstruction in Afghanistan, and for other foreign policy initiatives.

Basic Elements of the Administration Request

Of the \$87 billion that the Administration requested, \$65.6 billion was for defense, and \$21.4 billion for foreign policy programs. Of the \$65.6 billion for defense, \$51.5 billion was for ongoing military operations in Iraq, \$10.5 billion for U.S. forces in Afghanistan, and the remaining \$3.6 billion for homeland defense and support to allies.³ Of the \$21.4 billion for foreign policy programs, \$20.3 billion was for security and reconstruction in Iraq, about \$800 million for Afghanistan, and about \$200 million for other Global War on Terrorism foreign policy initiatives. **Table 1** provides an overview of the request.

³ DOD has not broken down previous spending by operation, however, so it is not possible to make a direct comparison between the current request to earlier funding.

Table 1. Basic Elements of the Administration Request for Additional Funding for Iraq, Afghanistan, and Other Activities
(amounts in billions of dollars)

Defense	\$65.6
Operation Iraqi Freedom (Iraq)	\$51.5
Operation Enduring Freedom (Afghanistan)	\$10.5
Operation Noble Eagle (Homeland Defense)	\$2.2
Coalition Support	\$1.4
Foreign Policy	\$21.4
Iraq Reconstruction	\$15.2
Iraq Security	\$5.1
Other Iraq ^a	\$0.1
Afghanistan Reconstruction	\$0.8
Other Global War on Terrorism	\$0.3
Total	\$87.0

Sources: Congressional Briefing material provided by the Office of Management and Budget, the Department of Defense, the Department of State, and the Office of the Coalition Provisional Authority, September 8, 2003; Office of Management and Budget, Supplemental Appropriations Request, September 17, 2003; Department of Defense, FY2004 Supplemental Request, September 21, 2003.

Note:

- a. Includes \$61 million for U.S. diplomatic facilities and security and \$50 million for multinational division peacekeeping costs.

Administration officials said that the request was designed to cover only pressing requirements through the next year to fifteen months — the defense money through FY2004, which ends on September 30, 2004, and the Iraq reconstruction money through December 2004. The request for military operations assumed that current troop levels and the current pace of operations in Iraq, Afghanistan, and elsewhere would continue unchanged through the fiscal year. The request did not address ongoing military costs after FY2004. Presumably, if the number of troops deployed in Iraq were to change, costs would change as well.

The \$20 billion requested for reconstruction and security in Iraq finances only a part of what Administration officials estimate will be needed in the long run. Current estimates, from a variety of sources, including the U.S. government, put the figure in the \$50-75 billion range. A needs assessment released by the World Bank and the U.N. Development Program (UNDP) puts the cost of reconstruction in 14 key sectors at \$36 billion over four years, not including \$19.4 billion estimated by the U.S.-led Coalition Provisional Authority (CPA) for security, oil, and other critical sectors not covered by the Bank assessments.⁴ Total Bank/CPA projected

⁴ “UN/World Bank Present Iraq Reconstruction Needs to Core Group.” World Bank/United Nations press release no. 2004/100/S, Oct. 2, 2003. For the full text of the report online, see (continued...)

reconstruction costs through 2007 amount to \$55 billion, \$17.5 billion in 2004 alone. The White House says that the Iraqi oil revenues and “recovered assets,” along with additional international support, are expected to contribute to meet remaining needs. Officials have also said, however, that Iraqi oil revenues are expected to total about \$12 billion in the next year, and that government operations will cost about as much,⁵ leaving no Iraq oil money for reconstruction efforts in the near term.

Long-Term Costs

The request for \$87 billion for defense and reconstruction assistance comes on top of more than \$110 billion provided for those purposes since the September 11, 2001, terrorist attacks. Congress has provided \$100 billion in defense funding, over and above regular defense appropriations, for military operations in Afghanistan, for other global counter-terrorism military and intelligence operations, for homeland defense, and, most recently — in last April’s Emergency Wartime Supplemental appropriations bill — for the war in Iraq. **Table 2** provides a summary of defense funding by appropriations bill.

Table 2. Defense Funding for Iraq, Afghanistan, and Other Global War on Terrorism Activities: FY2001-FY2003

(amounts in billions of dollars)

Name of Law	Date of Enactment	Public Law Number	Defense Funding
FY2001 Emergency Terrorism Response Supplemental Appropriations Act; FY2002 DOD Appropriations Act	9/18/01; 1/10/02	P.L. 107-38; P.L. 107-117	\$17.4
FY2002 Emergency Supplemental	8/2/02	P.L. 107-206	\$13.4
FY2003 Consolidated Appropriations	2/20/03	P.L. 108-8	\$10.0
FY2003 Emergency Wartime Supplemental	4/16/03	P.L. 108-11	\$62.6
FY2004 DOD Appropriations Act*	9/30/03	P.L. 108-87	— \$3.5
Total	—	—	\$100.0

*Notes: Total may not add due to rounding. The FY2004 Defense Appropriations Act rescinded \$3.5 billion of funds provided in the FY2003 Emergency Wartime Supplemental.

⁴ (...continued)
the World Bank website at
[[http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/Iraq+Joint+Needs+Assessment/\\$File/Joint+Needs+Assessment.pdf](http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/Iraq+Joint+Needs+Assessment/$File/Joint+Needs+Assessment.pdf)].

⁵ Congressional briefing by executive branch officials, Sept. 8, 2003.

Since September 11, Congress has appropriated about \$12 billion for Iraqi and Afghan reconstruction and for foreign aid to the “front-line” states in the global war on terrorism. Of that, Congress has provided \$1.4 billion in reconstruction assistance to Afghanistan, with another \$600 million pending in regular FY2004 appropriations bills. For Iraq, the April FY2003 Emergency Wartime Supplemental provided \$2.5 billion in foreign operations funding for relief and reconstruction. Additional funding for Iraq reconstruction totals \$1.6 billion, of which \$1.1 billion is from Department of Defense funds (part of the \$62.6 billion shown above in **Table 2** from the FY2003 Emergency Wartime Supplemental), and the remainder from the regular U.S. Agency for International Development (USAID) budget (see below for a further discussion).

A large part of the debate in Congress about the Administration’s \$87 billion request focused on cost issues, including

- the impact of the new funding on the overall federal budget;
- whether the Administration was adequately forthcoming in its previous statements about costs;
- how accurate and complete the current cost projections are; and
- how great costs will be in future years.

The following sections review each of these issues in turn.

Impact on the Federal Budget

The Office of Management and Budget (OMB) mid-session review of the budget, released in July, estimated that the federal budget deficit would total \$455 billion in FY2003 and \$475 billion in FY2004, assuming congressional enactment of the Administration program for FY2004.⁶ White House officials said that the requested additional appropriations of \$87 billion for FY2004 would push the deficit to about \$525 billion for that year.⁷ The Congressional Budget Office (CBO) updated budget baseline projected deficits of \$401 billion in FY2003 and \$480 billion in FY2004.⁸ It is important to note that the CBO baseline for FY2003 included outlays from the April 2003 wartime supplemental, and CBO projections for future years assumed growth with inflation in overall discretionary spending. So, in effect, the CBO estimate of the FY2004 deficit already assumed additional supplemental appropriations for military activities in Iraq and elsewhere roughly equal to the amount provided in FY2003. (Reconstruction assistance for Iraq and

⁶ Office of Management and Budget, “Mid-Session Review of the Budget: Fiscal Year 2004,” July 15, 2003.

⁷ So OMB projects that of the \$87 billion in new budget authority, about \$50 billion would actually be spent as outlays in FY2004, with the remainder as outlays in future years.

⁸ Congressional Budget Office, “The Budget and Economic Outlook: An Update,” Aug. 2003.

Afghanistan, however, was more than three times as high in the FY2004 request as in FY2003.)⁹

Administration officials argued that the economy can readily absorb additional federal borrowing entailed by the requested supplemental, particularly since the economy is still recovering from recession. Using OMB economic projections, a deficit of \$525 billion in FY2004 would total equal 4.4% of gross domestic product — less than the 5%-6% of GDP that the government borrowed in the mid-1980s. Congressional critics argued that funding for domestic programs, though not tax cuts, has been constrained; that borrowing 20%-25% of the overall federal budget is fiscally irresponsible; and that continuing deficits will endanger the economy in the long term.

Others, including some Members of Congress, contended that, given Iraq's future oil revenue potential, reconstruction costs should be financed as loans rather than grants. In this way, they say, future loan repayments would be a source of revenue for the United States.

Earlier Administration Statements about Costs

In the months leading up to the war with Iraq, Administration officials were generally unwilling to provide long-term estimates either of the costs of a war or of subsequent post-war needs, saying that no final decision had been made to go to war and that costs could not be projected with sufficient accuracy. What little officials did say, however, became a matter of contention in Congress. In a September 9 Senate Armed Services Committee hearing, Senator Levin recalled that former White House economic advisor Larry Lindsey had said a year earlier that a conflict with Iraq could cost \$100-200 billion.¹⁰ Other Administration officials, however, notably then-Budget Director Mitch Daniels, immediately dismissed Lindsey's figures as ill-founded, and the press widely reported Administration estimates that costs would be in the range of \$50 billion.¹¹ That figure proved reasonable for the war itself and for subsequent stability operations for the remainder of FY2003, but did not take account of later post-war costs.

By March of this year, shortly before the White House submitted its FY2003 supplemental request, some legislators were complaining that the Administration was withholding cost projections so as not to weaken support for pending tax cut legislation. At one point, during the tax debate, the Senate approved an amendment to set aside \$100 billion of the of the tax cut as a hedge against unplanned war costs. Before the war began, several independent estimates of war costs and of post-war expenses were prepared, including assessments by the Congressional Budget Office,

⁹ CBO estimates that first year outlays from the Senate Appropriations Committee reported version of the supplemental, S. 1689, will total \$37 billion.

¹⁰ For Lindsey's original comments, see Bob Davis, "Bush Economic Aide Says Cost Of Iraq War May Top \$100 Billion," *Wall Street Journal*, Sept. 16, 2002, p. 1.

¹¹ See, for example, Elizabeth Bumiller, "Budget Director Lowers Estimate Of Cost Of A War," *New York Times*, Dec. 31, 2002 Pg. 1.

the House Budget Committee Democratic Staff, Yale economist William Nordhaus, the Center for Strategic and International Studies, and the Council on Foreign Relations. Several of these independent estimates projected considerably higher costs than the Administration was providing, mainly because the independent projections took account of post-war peacekeeping and reconstruction costs and, in some cases, costs of borrowing funds because the war added to the deficit. For a list of major cost studies, see “For Additional Reading,” below.

Estimates of reconstruction costs became a particular focus of attention in view of the Administration’s request for \$20 billion for Iraq. In a widely quoted statement last March, when asked about long-term reconstruction costs in Iraq, Deputy Secretary of Defense Paul Wolfowitz said that

the oil revenues of that country could bring between 50 and 100 billion dollars over the course of the next two or three years. Now, there are a lot of claims on that money, but ... we’re not dealing with Afghanistan that’s a permanent ward of the international community. We are dealing with a country that can really finance its own reconstruction and relatively soon.¹²

More recently, Secretary of Defense Rumsfeld acknowledged that the U.S. government underestimated Iraq reconstruction costs, saying,

The infrastructure of that country was not terribly damaged by the war at all. It was damaged by 30 years of Saddam Hussein, with a Stalinist-like economy, denying the people of that country the money and the funds and the resources and the investments that they could have had.... Now ... did we underestimate something? Yes. I don’t think people really fully understood how devastating that regime was to the infrastructure of the country; how fragile the electric system is, how poorly the water’s being managed, and how — the extent to which the people are being denied.¹³

Reliability of Current Estimates

Leaving aside the politically contentious issue of past cost estimates, many questions remain about the accuracy of the most recent military and reconstruction cost projections. On the military side, officials have said that they do not believe there will be any need for more U.S. troops in Iraq, first, because the security situation in the country is generally good except in areas, like the “Sunni triangle,” where diehard opposition is concentrated; second, because rapid progress is being made in organizing Iraqi security forces which, the Administration expects, will take up most of the burden;¹⁴ and, third, because of expected contributions of forces from

¹² Deputy Secretary of Defense Paul Wolfowitz, before the House Defense Appropriations Subcommittee, Mar. 27, 2003.

¹³ Secretary of Defense Donald Rumsfeld before the National Press Club, Sept. 10, 2003.

¹⁴ For a discussion of the status of efforts to reconstitute Iraq’s military forces, see Walter Slocombe, Coalition Provisional Authority Special Advisor on Security and Defense, Department of Defense News Briefing on the Status of the New Iraqi Army and Police Force, Sept. 16, 2003. Available electronically at:

other nations. Cost projections justifying the supplemental request assume that current force levels and the current pace of operations will be maintained for the next year. Whether that is sufficient, however, depends first of all on whether the security situation is improving, as Administration officials insist, or getting worse, as others argue.

There have also been some questions about specific elements of the Defense Department's supplemental funding request. In a hearing of the Senate Appropriations Committee on September 24, Senator Harkin questioned whether several requested projects were war-related emergencies that require immediate funding, including \$293 million for various military construction projects, \$329 million for R&D projects, and \$345 million for base camp housing. Others have raised the opposite question: whether the DOD request understates costs by leaving for the future projects which will later need funding. One particular issue is that the request includes relatively little money for "reconstituting" or — in the new DOD vernacular "resetting" — Army forces. The Army estimates that several billion dollars will be required to refill stocks of prepositioned materiel and repair equipment to pre-war standards, but the request does not finance these measures.

In addition, as a recent Congressional Budget Office assessment concluded, it is questionable whether the current force level can be maintained without further extending reserve tours and, perhaps, mobilizing even more reserves, either of which might undermine reserve personnel retention.¹⁵ Several Members of Congress have proposed increasing the size of the Army to ease pressures on the force, though CBO cautions that this would take up to five years to implement and would subsequently cost \$9-10 billion per year.

On the reconstruction side, officials acknowledge that they originally underestimated significantly the weakness of Iraq's infrastructure and overestimated potential short-term Iraqi oil revenues. Even now, however, different officials project somewhat different upper estimates of likely reconstruction costs. Moreover, how much multilateral donors will contribute to cover the current reconstruction financing gap (\$50 to 75 billion, minus the \$20 billion supplemental and perhaps \$5 to \$6 billion per year from Iraqi oil revenues beginning in 2005) is highly unclear. Undersecretary of State Larson told the Senate Banking Committee on September 16 that, while the Administration believed that bilateral donors and international financial institutions should "make a maximum effort to pay their share," he was not in a position to provide a specific figure until better estimates of reconstruction costs are available. With the Madrid donor conference scheduled for October 23-24, U.N. officials estimate that about \$2 billion for Iraq will be pledged for 2004.¹⁶ On top of

¹⁴ (...continued)

[<http://www.defenselink.mil/transcripts/2003/tr20030917-0683.html>].

¹⁵ Congressional Budget Office, "An Analysis of the U.S. Military's Ability to Sustain an Occupation of Iraq," Letter to the Honorable Robert Byrd, Sept. 3, 2003. Available electronically at: [<http://www.cbo.gov/showdoc.cfm?index=4515&sequence=0>].

¹⁶ "Donors Seen Pledging \$2 billion to Iraq in Madrid," *Reuters*, Oct. 14, 2003.

this amount, the World Bank plans to recommend to its governing board \$1 billion in concessional and market rate loans to Iraq through June 30, 2005.¹⁷

Future Costs

Of all the uncertainties about costs of U.S. operations in Iraq (and Afghanistan), perhaps the greatest is how long the United States will have to maintain a substantial military presence. Secretary of Defense Rumsfeld has said that he does not anticipate that large numbers of U.S. military forces will be required in the long term. Some legislators, however, including some supporters of Iraqi regime change, have said that the United States should expect to be involved for five years or more. Recently Lt. Gen. Carlos Sanchez, who commands U.S. and allied forces in Iraq, said “it’s going to be a few years” before the United States can withdraw from Iraq.¹⁸ How long U.S. forces will stay is the main factor affecting long-term estimates of costs. Most recently, the House Budget Committee Democratic Staff has prepared an updated report that projects “that the long-term cost of the war in Iraq and the post-war reconstruction effort will be more than \$178 billion and under plausible assumptions could exceed \$400 billion.”¹⁹ By comparison, the Vietnam war, from 1964 through 1973, cost about \$584 billion in FY2003 prices.

Issues in Congress

A number of issues were a focus of legislative attention, including both issues directly related to the supplemental request and some not directly related. Legislative measures that were proposed or acted on include

- proposals to assert congressional oversight;
- measures on taxes and domestic priorities;
- proposals to provide additional funding for various programs;
- a measure to provide health insurance for military reservists;
- competitive contracting and limitations on profits of corporations with contracts in Iraq; and
- proposals to provide loans rather than grants for Iraq reconstruction.

¹⁷ “World Bank Considers Lending \$4 Billion to Iraq,” *Financial Times*, Oct. 15, 2003.

¹⁸ James O’Shea, “Force Reduction In Iraq ‘Years’ Off,” *Chicago Tribune*, Oct. 5, 2003, p. 1.

¹⁹ Hon. John Spratt, “News Release: Spratt Statement on Potential Cost of Operations in Iraq,” Sept. 23, 2003. Available electronically at [http://www.house.gov/budget_democrats/news/iraq_cost_update.htm]. The full study is, House Budget Committee Democratic Staff, “The Cost of War and Reconstruction in Iraq: An Update,” Sept. 23, 2003. Available electronically at [http://www.house.gov/budget_democrats/analyses/iraq_cost_update.pdf].

Proposals to Assert Congressional Oversight

From the beginning of the congressional debate, a key issue was how Congress should exercise oversight over U.S. policy, particularly in Iraq. On September 9, just a day-and-a-half after the President's speech, Senator Feinstein and ten other Democratic Senators introduced a freestanding bill, S. 1594, designed to be attached to the supplemental, that would require an extensive report on the economic and security situation in Iraq. The report would be required to include information on attacks on U.S. and coalition military and civilian personnel, a detailed plan to establish security and restore basic services, current and projected costs, efforts to secure increased international participation, a timetable for restoring self-government, and projected U.S. and international military personnel requirements.

The reporting requirements in the Feinstein proposal were echoed in several other proposals that were under consideration in Congress. In floor action, the Senate has adopted a number of amendments to impose various reporting requirements on the Administration. And in its markup of its version of the supplemental appropriations bill, the House Appropriations Committee approved an amendment by Representative Hoyer to establish extensive reporting requirements. (See below under "Congressional Action" for more details.)

Taxes and Domestic Priorities

Taxes and the budget were another key focus of congressional debate. In a speech at the National Press Club on September 9, Senator Biden announced that he would offer a measure to offset costs of the supplemental by delaying implementation of tax cuts for the top 1% of taxpayers for one year, which, he said, would free up about \$85 billion. The Administration vigorously opposed any offsetting reduction in tax cuts.²⁰ On October 1, Senator Biden, along with Senators Kerry, Chafee, Corzine, Feinstein, and Lautenberg, proposed an amendment to limit the planned reduction in the top marginal income tax rate from 2005 through 2010 sufficiently to increase revenues by \$87 billion. The Senate rejected the amendment on October 2. In the House, during Appropriations Committee markup on October 9, Representative Obey proposed a substitute bill that, among other things, offset costs by reversing tax cuts. (See below under "Congressional Action" for more details.)

Funding for domestic programs was also an issue. Many legislators criticized the Administration for opposing some domestic spending while asking for larger amounts for similar programs in Iraq, including border security, schools, and prison construction. In the House, Representatives Emanuel, DeFazio and others introduced an amendment requiring parity between money for domestic needs and the amount devoted to Iraq reconstruction. On October 14, the Senate rejected an amendment by Senator Stabenow to reduce Iraq reconstruction funding by \$5 billion and transfer

²⁰ For the Biden proposal and the White House response, see Bud Newman, "Bush Calls 'Absurd' Democratic Proposal To Skip Tax Cuts to Pay for Iraq, Afghanistan," *BNA Daily Report for Executives*, Sept. 11, 2003, p. G-11. For the Emmanuel proposal, see "As Appropriators, Rank And File Digest Funding Request," *National Journal Congress Daily*, Sept. 10, 2003.

the money to domestic priorities. (See below under “Congressional Action” for more details.)

Additional Funding for Various Programs

Several measures to provide funds for various domestic and international programs were matters of continuing debate in Congress, and some were offered as amendments to the supplemental. Some Members advocated additional funding for homeland security, while Senator Mikulski discussed adding \$100 million for AmeriCorps. An amendment by Senator Durbin, tabled by the Senate on a vote of 56-43, would have added \$880 million for international HIV/AIDS, bringing the total U.S. commitment in FY2004, as included in other pending bills, to \$3 billion. The House measure added \$345 million for Liberia peacekeeping and reconstruction and for Sudan, in line with an earlier Dear Colleague letter from Representative Payne and others. The Senate-passed measure included \$200 million for Liberia, while the enacted bill provides \$200 million, plus \$245 million for a contribution to U.N. peacekeeping operations in Liberia. A key issue was whether to add \$1.4 billion to the bill for veterans health benefits.

Health Insurance for Military Reservists

The Senate approved an amendment to the FY2004 defense authorization bill that would offer health insurance to non-active duty reservists (of which there are about 800,000) and their families through the DOD TRICARE program. Non-active duty reservists would be allowed access to TRICARE by paying premiums substantially below the average cost of private health insurance. CBO estimated that the provision would cost about \$500 million in FY2004 and over \$2 billion a year by FY2008 as more reservists signed on. The Administration threatened to veto the authorization if it included this provision. Supporters said that they might offer the measure as an amendment to the supplemental if it were not enacted in the authorization. On October 2, the Senate approved an amendment to its version of the supplemental bill providing health insurance to non-activated reservists, though only to those who are unemployed or ineligible for employer provided insurance. (See below under “Congressional Action” for a discussion of Senate action on this issue. Also see the discussion of “Military Personnel Benefits” below.)

Competitive Contracting and Corporate Profits in Iraq

A particularly sensitive political issue was whether companies like Halliburton, which have been awarded non-competitive contracts for support of U.S. forces and for reconstruction activities in Iraq, may be earning excessive profits. Some legislators mentioned measures to address the issue – Representative Maloney, for example, introduced the Clean Contracting in Iraq Act of 2003 (H.R. 3275). In its markup, the Senate Appropriations Committee approved an amendment by Senator Leahy to stiffen penalties for fraud and profiteering on contracts for Iraq. The House version of the bill included a measure to limit non-competitive procedures for reconstruction contracts, and during House floor debate, Members adopted amendments by Representatives Kirk and Slaughter tightening reports and information regarding non-competitive contracts. A third amendment by

Representative Sherman required oil infrastructure procurement to follow normal competitive bidding procedures. A combination of these proposals was included in the enacted legislation (see “Congressional Action” below).

Loans Rather than Grants for Iraq Reconstruction

Several Members drafted amendments to require portions of the \$20.3 billion Iraq reconstruction request to be guaranteed by Iraqi oil or extended as loans rather than grants. The Administration’s proposal called for all assistance to be provided on a grant basis.

Although most of these efforts failed or were not offered, a Senate-passed amendment by Senators Bayh, Ben Nelson, and others drew strong objections from the White House. On October 16, the Senate adopted (51-47) language that would convert \$10 billion of Iraq reconstruction funding to loans. The U.S. would treat these loans as grants, however, if foreign creditors cancel 90% of Iraq’s debt. This was one of the key issues during congressional conference deliberations, although it was dropped from the enacted bill.

Other unsuccessful attempts to shift grants to loans included amendments by Senator Dorgan, tabled during both Committee markup (15-14) and floor consideration (57-39), creating an Iraq Reconstruction Finance Authority that would obtain financing for infrastructure rehabilitation by collateralizing the revenue from future sales of Iraq oil. The full Senate also tabled a similar amendment by Senator Landrieu during floor debate (52-47). Representative Wamp offered, but withdrew under White House pressure, a proposal during House Committee markup that would have made half of the reconstruction available only after an elected government was in place and only on a loan basis. A similar amendment by Representative Pence was ruled out of order during House floor consideration.

Senator Hutchison and others introduced, but did not offer, an amendment (S.Amdt. 1798) directing \$10 billion of the proposed \$20.3 billion supplemental to an Iraq Reconstruction Trust Fund, to be created within the World Bank, that would issue loans and loan guarantees to implement economic development projects in Iraq. Any U.S. contribution to the Fund would require a matching pledge from other bilateral donors. After six months, if the Trust Fund had not been established, the \$10 billion would transfer to the CPA and be used for reconstruction loans to the Iraq Governing Council.

There were, however, legal questions as to who could assume responsibility in the near term for accepting sovereign loans and concerns raised by the Administration, of increasing Iraq’s already large and currently unserviceable debt. (For more discussion, see below under sections on Congressional Action and Iraq Reconstruction Issues.)

Congressional Action

The Senate Appropriations Committee marked up its version of a bill, S. 1689, on September 30, and the Senate began floor debate on October 1. On October 9, the House Appropriations Committee marked up its version of a supplemental appropriations bill, H.R. 3289, providing funds for ongoing military operations and for reconstruction assistance in Iraq and Afghanistan. Floor action began on October 15. Both the House and the Senate approved their versions of the bill on October 17. On October 29, House and Senate appropriators announced a conference agreement, on H.R. 3289. The House approved the conference agreement by a vote of 298-121 on October 31, and the Senate approved the measure by voice vote on November 3. The President signed the bill into law, P.L. 108-106, on November 6.

Senate Appropriations Committee Markup

As proposed by Committee Chairman Ted Stevens and as agreed to by the committee, the reported bill provided the amounts requested both for defense and for foreign operations, though with some shifts of funds among various activities.

For defense, the bill provided \$65.560 billion, equal to the amount requested. The committee bill made some minor changes in requested equipment funding and, most notably, rejected an Administration proposal to revise military personnel benefits. In action on some key issues, the Senate committee bill

- Extended through FY2004 an increase in Imminent Danger Pay and in Family Separation Allowances that Congress provided in the April 2003 Wartime Emergency Supplemental. The Administration proposed eliminating these increased benefits after December 31, 2003, and instead using an increase in amounts of Hazardous Duty Pay to provide the same amounts to troops deployed in conflict areas (see below for a further discussion).
- Provided an additional \$962 million for Army operations and maintenance and procurement funding for materiel and activities such as body armor for soldiers in Iraq and Afghanistan, battlefield ordinance cleanup, transportation of damaged combat equipment to depots, communications equipment, and replenishment of Army repositioned stocks used in combat. These increases were offset by reductions in Air Force, Navy, and Defense-Wide accounts.
- Provided the Defense Department with the authority to transfer up to \$2.5 billion among defense accounts without advance congressional approval rather than \$5 billion as requested by the Administration. The bill also, however, provided authority for DOD to transfer an additional \$5 billion subject to approval by the House and Senate Appropriations Committees. Senator Byrd proposed measures to limit the funding flexibility the bill provided.

- Allowed DOD to transfer \$150 million into unplanned military construction projects rather than the \$500 million requested.
- Provided \$200 million to provide training and equipment to the new Iraqi Army and the Afghan National Army. The Administration had requested the funds for forces in Iraq, Afghanistan, and “other nearby regional nations.”
- Provided \$1.0 billion for “coalition support” to reimburse Pakistan, Jordan, and other cooperating nations for logistical and other support to U.S. operations. This is \$400 million less than the Administration requested.

Although there was some debate about the defense request, most of the debate during the Senate markup concerned reconstruction funds. The committee rejected an amendment by Senator Byrd to eliminate most of the reconstruction funds — except for amounts for security — leaving reconstruction to be considered later in a separate measure. The committee also rejected an amendment by Senator Byrd to limit the transfer authority for defense programs that the bill provides.

For Iraq and Afghanistan reconstruction and other global war on terrorism, S. 1689, as reported, provided \$21.445 billion, as requested, supported the full request for Afghanistan, and made small changes in other areas.

Regarding Iraq reconstruction, the Senate Appropriations Committee supported the total funding request of \$20.3 billion and provided the President with the flexibility to allocate resources to any federal account. This would allow the Coalition Provisional Authority, headed by Ambassador Bremer who reports to the Secretary of Defense, to continue its coordination role and control over reconstruction funding. The Senate-reported measure, however, deleted the \$60.5 million requested for U.S. diplomatic facilities in Iraq, noting that these funds were previously provided in the FY2003 emergency supplemental measure (P.L. 108-11). The Administration, however, had planned to use these supplemental resources for what it considered as more urgent needs for an interim USAID mission in Kabul and training for the Afghan transitional government. Instead, S. 1689 provided a separate \$60.5 million appropriation for USAID’s Capital Investment Fund to meet the requirements in Afghanistan, making the FY2003 supplemental funds available for U.S. facilities in Baghdad.

Other additions and changes made by the Senate panel were to

- earmark \$100 million of the \$20.3 billion total for democracy-building activities in Iraq;
- require full and open competitive contracting procedures (waivable);
- apply current and future USAID standards related to meeting the needs of disabled persons to activities in Iraq and Afghanistan;
- ensure that a new Iraqi constitution preserves full rights to religious freedom;
- prohibit any funds from being used to repay debts incurred by the former government of Saddam Hussein; and

- impose fines and criminal charges against persons engaged in war profiteering and fraud relating to military action, relief, and reconstruction in Iraq.

Also during Senate Committee markup, the panel tabled (15-14) two amendments by Senator Dorgan related to reducing U.S. costs of rebuilding Iraq. The first would have created an Iraq Reconstruction Finance Authority that would use future Iraq oil revenues to secure financing for reconstruction projects. Senator Dorgan argued that the Iraq Governing Council had sufficient authority to create such a facility and to raise money that could reduce the size of proposed U.S. expenditures. Senator Dorgan subsequently reintroduced the amendment for Senate floor debate, at which time the Senate tabled the proposal 57-39. The second Dorgan amendment considered during Committee markup would have converted the reconstruction package from grants to loans. Opponents of the Dorgan amendments maintained that adding to Iraq's already sizable debt obligations would enormously complicate the difficult task of stabilizing the economy. Also tabled during markup (15-14) was a proposal by Senator Harkin that would have reduced reconstruction funds to \$10 billion and delayed submission of additional requests until the President had reported on contributions made by other donors and submitted a detailed reconstruction plan.

For other matters concerning the global war on terrorism, S. 1689, as reported, approved the President's request for a \$100 million emergency fund for complex foreign crises. The Senate Appropriations Committee expressed support for using the contingency fund for peace and humanitarian efforts, such as those required in Liberia. The bill further authorized the use of \$200 million for Pakistan debt relief pending in the regular FY2004 Foreign Operations bill and extends through FY2004 the waiver of foreign aid restrictions that applied to Pakistan prior to September 11, 2001. Beyond agreeing to \$50 million proposed for Emergencies in the Diplomatic and Consular Services for rewards for Osama bin Laden and Saddam Hussein, S. 1689 adds \$41 million for two other specific purposes:

- reimbursement to New York City for additional costs of protecting foreign missions and officials since September 11 (\$32 million); and
- costs of the 2003 Free Trade Area of the Americas Ministerial meeting (\$8.5 million).

The Senate measure further included \$40 million, as requested, for USAID operating expenses in Afghanistan and Iraq, plus an additional \$60.5 million for construction and upgrades of more secure overseas USAID facilities.

Senate Floor Debate and Amendments

The Senate began floor consideration of S. 1689 on October 1 and continued on October 2, 3, and, after recess, on October 14, 15, 16, and 17.

Amendments Considered. The major debates on the Senate floor were over

- an amendment by Senator Byrd to eliminate \$15.2 billion of the \$20.3 billion requested for Iraq reconstruction in order to review the

proposal more closely and consider it at a later point (rejected by a vote of 38-59 on October 1);

- an amendment by Senator Biden that would have suspended a portion of tax reductions in order to pay the costs of Iraq security and reconstruction (tabled by a vote of 57-42 on October 2);
- an amendment by Senators Daschle and Graham of South Carolina (S.Amdt. 1816) to offer health insurance under the Defense Department-run TRICARE program to reservists and their families who are either unemployed or who are not eligible for employer-sponsored health insurance (adopted October 2);
- various amendments to provide some or all of the Iraq reconstruction funds as loans (the Senate adopted the Senators Bayh-Ben Nelson-Ensign-Collins-Clinton-Dorgan-Snowe-Graham amendment to provide \$10 billion as loans by a vote of 51-47 on October 16);
- a Reed-Hagel proposal to add 10,000 active duty personnel to the Army (rejected a motion to table the amendment by 45 to 52 on October 15 and adopted the amendment without objection on October 16);
- an amendment by Senators Dorgan and Wyden to cut \$1.655 billion from specific Iraq construction projects, as in the House committee version of the bill, and to cut an additional \$200 million for Iraqi oil imports (agreed to on October 17);
- a Durbin amendment (S.Amdt. 1879) to reduce Iraq reconstruction funds by \$879 million and provide the same amount for HIV/AIDS prevention, treatment, and research (tabled by 56-43, October 17); and
- an amendment by Senators Chafee and Leahy to add \$100 million to funds available to assist Liberia (agreed to on October 17).

Reconstruction Transfers as Loans. Perhaps the most extensive discussion during Senate deliberation came on the issue of whether Iraq reconstruction funding should be financed strictly on a grant basis, as proposed by the President, or whether some of the money should be loaned to Iraq. On October 17, over strong White House objections, the Senate adopted (51-47) an amendment (S.Amdt. 1871) by Senators Bayh, Ben Nelson, and others to provide \$10 billion as loans. Should international creditors subsequently agree to cancel 90% of Iraq's debt, the President could convert the loans into grants.

Other proposals, however, were either defeated or not offered. Earlier in the debate, there was substantial discussion of an amendment introduced by Senator Hutchison and others (S.Amdt. 1798) requiring that the Secretary of the Treasury negotiate with the World Bank and member nations of the Bank to create within World Bank an Iraq Reconstruction Trust Fund. Under the terms of the Hutchison

amendment, the Fund would be governed by a Board of Trustees made up of a U.S. official and five others representing the top country contributors to the Trust Fund. The Board would use Trust Fund contributions to extend loans and loan guarantees for projects advancing economic development in Iraq. Of the \$20.3 billion appropriated Iraq reconstruction, the amendment would have directed \$10 billion to the Trust Fund, although the U.S. contribution could not exceed the total amount pledged by other nations. After 6 months, if the Trust Fund had not been established, the \$10 billion would be transferred to the Coalition Provisional Authority, which would loan to, or guarantee loans made by, the Iraq Governing Council. Senator Hutchison, however, did not bring up her amendment for a vote.

Another proposal by Senators Bayh and Nelson (S.Amdt. 1815) would have required that prior to the obligation of non-security reconstruction funds, each country that is owed debt incurred during the Saddam Hussein regime forgives such debt. Otherwise, after 6 months, reconstruction appropriations would be transferred to an account for use as a loan to the Iraq Governing Council. This amendment was not debated, although, as noted above, the Senate adopted an alternative Bayh/Nelson amendment on October 16 addressing the same theme.

Amendments Adopted. Overall, during the seven days of debate through October 16, the Senate acted on more almost 50 amendments, adopting 47 and rejecting 16. Those adopted included amendments

- by Senators Collins and Wyden (S.Amdt. 1820) to require all contracts over \$1 million military purposes and reconstruction in Iraq to use full and open competition procedures unless the executive agency responsible for the contract justifies the reasons for using a non-competitive process (October 2);
- by Senators Murray and Durbin (S.Amdt. 1822) requiring that a number of women's issues be given priority in reconstruction programs in Iraq and Afghanistan (October 2);
- by Senators Voinovich and Lott (S.Amdt. 1808) requiring a report within 6 months on efforts made by the United States to increase contributions by other nations and organizations for Iraq reconstruction, the status of pre-war Iraqi debt, and the prospect for repayment of infrastructure costs by Iraq (October 2);
- by Senators Daschle and Graham of South Carolina (S.Amdt. 1816) to offer health insurance under the Defense Department-run TRICARE program to reservists and their families who are either unemployed or who are not eligible for employer-sponsored health insurance (October 2) (see below, under "Military Personnel Benefits," for a description of the specific proposal); and
- by Senators Reed and Kennedy (S.Amdt. 1812), to increase by \$191.1 million the amount provided up-armored High Mobility Multipurpose Wheeled Vehicles offset by a cut in funds in the Iraq Freedom Fund (October 2)

- by Senator Ensign (S.Amdt. 1839) to prevent reconstruction funds from being used to repay foreign debts (October 15);
- by Senator Reid (S.Amdt. 1836) and by Senator Hollings (S.Amdt. 1870) to permit citizens held as POWs or as “human shields” in the 1991 Gulf War to pursue damages in court (October 15 and 16);
- by Senator McConnell (S.Amdt. 1863) to permit the export of lethal military equipment to reconstituted Iraqi military forces (October 16);
- by Senator Nickles (S.Amdt. 1876) to express the sense of the Senate that foreign countries should forgive Iraqi debt (October 16);
- by Senator Nelson of Florida (S.Amdt. 1858) to provide \$10 million for a National Guard family assistance program (October 16);
- by Senator Warner (S.Amdt. 1880 and S.Amdt. 1867) to provide funds for defense facilities damaged by Hurricane Isabel (October 16);
- by Senator Feingold (S.Amdt. 1852) to all military personnel to take leave to attend to deployment related business (October 16);
- by Senator Durbin (S.Amdt. 1837) to require the federal government to make up any difference between what federal employees who are members of the military reserves activated for service will earn when activated and what they would normally earn in basic pay (approved 96-3, October 17);
- by Senator Boxer (S.Amdt. 1843) to make retroactive the relief of hospitalized members of the uniformed services from the obligation to pay for food and subsistence while hospitalized (99-0, October 17);
- by Senators Dorgan and Wyden (S.Amdt. 1887) to cut \$1.655 billion from specific Iraq construction projects, as in the House committee version of the bill, and to cut an additional \$200 million for Iraqi oil imports (October 17);
- by Senators Chafee and Leahy (S.Amdt. 1807) to add \$100 million to the \$100 million available in the committee bill for assistance to Liberia (October 17);
- by Senator Harkin (S.Amdt. 1860) to provide up to \$13 million for conflict resolution, rule of law, and democracy activities (October 17);

- by Senator Boxer (S.Amdt. 1845) to prioritize the equipping of aircraft enrolled in the Civil Reserve Air Fleet when counter-measures against the threat of shoulder-fired missiles are deployed for homeland defense (October 17);
- by Senators Bond and Mikulski (S.Amdt. 1825) to provide an additional \$1.3 billion for in medical care funds for the Department of Veterans Affairs (October 17); and
- at least 15 amendments to require various reports on Iraq reconstruction and security and on other issues.

Amendments Rejected. The Senate also rejected amendments

- by Senators Leahy and Daschle (S.Amdt. 1803) to place the Coalition Provisional Authority under the direct authority and foreign policy guidance of the Secretary of State (tabled 56-42, October 2);
- by Senator Dodd (S.Amdt. 1817) to provide an additional \$322 million for safety equipment for United States forces in Iraq offset by reducing the amount provided for reconstruction (tabled by 49-37, October 2);
- by Senator Bingaman (S.Amdt. 1830) to authorize the award of the Iraqi Liberation Medal as a campaign medal for members of the Armed Forces who serve in Southwest Asia in connection with Operation Iraqi Freedom (rejected 47-48, October 14);
- by Senator Stabenow (S.Amdt. 1823) to reduce Iraq reconstruction funds by \$5.03 billion and to provide an equal amount of additional spending for domestic education, veterans, health, and transportation programs (tabled by 59-35, October 14);
- by Senator Dorgan (S.Amdt. 1826) to require that Iraqi oil revenues be used to pay for reconstruction in Iraq (tabled by 57-39, October 14);
- by Senators Byrd, Leahy, and Kennedy (S.Amdt. 1818) to allow only \$5 billion of non-security Iraq reconstruction funds to be used prior to April 1, 2004; after April 1, the remaining funds would become available if the President issues certain certifications and Congress approves a subsequent appropriations law approving the additional funds (tabled by 57-42, October 16);
- by Senator Leahy (S.Amdt. 1868) to prohibit contracts with corporations that owe deferred compensation to specific U.S. government officials (tabled by 65-34, October 16);

- by Senator Daschle (S.Amdt. 1854) to require that any future funding for Iraq be matched by foreign contributions (tabled by 55-44, October 17);
- by Senator Landrieu (S.Amdt. 1859) to establish an Iraq Reconstruction Finance Authority (tabled by 52-47, October 17);
- by Senator Durbin (S.Amdt. 1879) to reduce Iraq reconstruction funds by \$879 million and provide the same amount for prevention, treatment, and control of, and for research on HIV/AIDS (tabled by 56-43 nays, October 17);
- by Senator Corzine (S.Amdt. 1882) to establish a National Commission on the Development and Use of Intelligence Related to Iraq. (tabled by 67-32, October 17);
- by Senators Byrd and Durbin (S.Amdt. 1819) to shift \$600 million from the Iraq reconstruction to the Army to secure and destroy weapons in Iraq (tabled by 51-47, October 17);
- by Senator Byrd (S.Amdt. 1886) to prohibit involuntary deployment overseas in support of Operation Iraqi Freedom of members of the National Guard and Reserves who have been involuntarily deployed for more than six months during the preceding six years (tabled by 82-15, October 17);
- by Senator Byrd (S.Amdt. 1888) to eliminate the flexibility given to the President to reallocate Iraq reconstruction funds without approval by Congress (tabled by 49-46, October 17);
- by Senator Brownback (S.Amdt. 1885) to reduce the amount appropriated for reconstruction in Iraq by \$600 million and to increase the amount available to the Iraqi Civil Defense Corps by \$50 million, the amount available for Afghanistan by \$400 million, and the amount available for Liberia (tabled by 55-43, October 17); and
- by Senator Byrd (S.Amdt. 1884, to S.Amdt. 1819), to shift \$1.655 billion from Iraq reconstruction funds to reconstruction assistance to Afghanistan, destruction of conventional weapons in Iraq, disaster relief in Liberia, and repair or Hurricane Isabel damage to military and Coast Guard facilities (fell when Byrd-Durbin S.Amdt. 1819 was tabled, October 17).

Also Senators Reid and Lincoln withdrew an amendment (S.Amdt. 1835) to permit concurrent receipt of military retired pay and veterans administration disability benefits after a compromise on the issue in the conference on the FY2004 defense authorization bill was announced. In addition, an amendment by Senator Schumer regarding appointment of a special counsel was ruled out of order and not reconsidered.

House Appropriations Committee Markup

The House marked up its version of a supplemental appropriations bill (H.R. 3289) on October 9. As approved by the House Appropriations Committee, the bill

- provided \$86.9 billion in total, \$184 million below the request;
- provided \$18.65 billion for Iraq reconstruction, \$1.65 billion below the request;
- provided \$1.2 billion for Afghanistan reconstruction, \$400 million above the request;
- moved \$858 million from the defense part of the bill to the foreign operations part to cover operating expenses of the Coalition Provisional Authority in Iraq; and
- added \$544 million to the defense part of the bill to cover Hurricane Isabel damage at military facilities.

In the defense part of the bill, the committee bill also

- added funds for force protection and unexploded ordnance clearing, offset by cuts elsewhere;
- allowed the Army to contract out for security guards at military facilities in the United States to replace 7,000 to 10,000 reserve personnel mobilized for those duties;
- as in the Senate version of the bill, extended through FY2004 increases in Imminent Danger Pay and Family Separation Allowances provided in the April 2003 Wartime Emergency Supplemental and rejects the Administration proposal to instead use Hardship Duty Pay to increase pay to deployed personnel;
- provided the Defense Department with the authority to transfer up to \$3.0 billion among defense accounts without advance congressional approval rather than \$5 billion as requested by the Administration (the Senate bill provides \$2.5 billion for transfer without advance congressional approval plus \$5 billion subject to prior approval by the defense appropriations subcommittees);
- allowed DOD, as requested, to transfer up to \$500 million into unplanned military construction projects, rather than the \$150 million allowed in the Senate bill;
- provided \$100 million to provide training and equipment to the new Iraqi Army and the Afghan National Army, rather than the \$200 million provided in the Senate bill — the Administration had requested \$200 million for forces in Iraq, Afghanistan, and “other nearby regional nations;” and
- provided \$1.3 billion for “coalition support” to reimburse Pakistan, Jordan, and other cooperating nations for logistical and other support

to U.S. operations, rather than the \$1.4 billion requested or the \$1.0 billion in the Senate bill.

In the Iraq/Afghanistan reconstruction part of the bill, the committee bill

- provided all Iraq reconstruction in the form of a grant, as requested;
- cut Iraq reconstruction by reducing by \$300 million funds for proposed prison modernization and construction, \$153 million for recommended solid waster management programs (including trash trucks), \$335 million for transportation and communication projects (including zip codes), \$100 million for 7 new housing communities, \$150 million for a new children's hospital in Basra, and \$200 million for an American-Iraqi Enterprise Fund (see **Table 5**, below, for more details on sector and project adjustments);
- provided full or near-full funding for security and law enforcement (\$3.2 billion), electrical generation and distribution infrastructure (\$5.56 billion), and oil infrastructure (\$2.1 billion), and adds \$100 million for modernizing medical facilities (\$493 million total) and \$90 million for education programs;
- increased funding for Afghan reconstruction from \$799 million proposed to \$1.2 billion, adding resources for road construction, private sector development, power generation, education, and improved governance;
- limited the use of non-competitive contracts for Iraq, but with a presidential waiver;
- continued the organizational structure for Iraq reconstruction of Ambassador Bremer reporting to the President through the Secretary of Defense; and
- prohibited the use of funds to pay Iraq's foreign debts.

The Committee bill further added several items unrelated to Iraq and Afghan reconstruction issues concerning Pakistan, Liberia, and victims of September 11:

- The Administration had requested authority (but not money) to use \$200 million in Economic Support Funds (ESF) pending in the regular FY2004 Foreign Operations Appropriation (H.R. 2800 and S. 1469) for Pakistan debt reduction. The House Committee granted this authority, plus provides \$200 million in ESF to fund debt restructuring;
- Responding to international calls for additional humanitarian relief aid and finances for a U.N. peacekeeping force in Liberia, the House measure added \$100 million for disaster and famine support and

\$245 million for a U.S. contribution to a U.N. peacekeeping operation. The disaster relief money can also be used in Sudan; and

- The House Committee included \$15 million for the Department of Justice September 11 Victims Compensation Program.

During the markup, the committee agreed to a manager's amendment by committee Chairman Bill Young that —

- added \$150 million for Hurricane Isabel storm damage at military and Coast Guard facilities to the \$413 million in the chairman's mark, for a total of \$544 million; and
- prohibited the use of any funds in the bill for defense or reconstruction activities "coordinated by any officer of the United States Government" not subject to confirmation by the Senate.

The latter provision was a response to the White House decision, announced on October 6, to give White House National Security Advisor Condoleezza Rice responsibility for coordinating Iraq reconstruction activities. The issue for Congress was that officials not subject to Senate confirmation are not readily available to provide congressional testimony. (See below for a further discussion of issues regarding management of reconstruction funds.)

The committee also accepted a number of other amendments, including proposals

- by Representative Hoyer to require the President to submit a quarterly report on reconstruction in Afghanistan and Iraq, the security situation, troop requirements, and other matters;
- by Representative Wolf requiring the General Accounting Office to review most reconstruction contracts;
- by Representative Lowey to shift \$90 million of Iraq reconstruction funds to education;
- by Representative Cunningham to ensure that impact aid to local school districts is not reduced if both parents of a student are deployed abroad;
- by Representative Kolbe to strengthen requirements in the bill regarding competitive bidding on reconstruction contracts;
- by Representative Hinchey to prohibit funding for foreign military units that are credibly suspected of violating human rights;
- by Representative Nethercutt to allocate 10% of reconstruction funds administered by the U.S. Agency for International Development to small and minority-owned businesses;
- by Representative Nethercutt to require the Secretary of Defense to submit to Congress within 30 days an analysis of alternatives for replacing the existing Air Force fleet of KC-135 tanker aircraft; and
- by Representative Bonnilla, regarding repatriation of illegal immigrants (two amendments).

The Nethercutt amendment regarding tanker aircraft had to do with an Air Force proposal to lease 100 Boeing 767 aircraft as tankers that is currently being held up. The Senate removed an identical provision from its version of the bill in floor action on October 2. Some regarded this measure as a place holder allowing the appropriations committees to provide funds for the lease in a conference report on the bill.

The committee rejected (by a recorded vote of 25-36) a substitute amendment by Representative Obey that would

- transfer \$4.6 billion from Iraq reconstruction to defense to among other things, increase the size of the Army by 20,000, increase funding for force protection measures, expand health care for military personnel, and increase family support services;
- require that half the remaining \$14 billion in reconstruction aid (i.e., \$7 billion) be provided as loans through the World Bank;
- require that other donors make a matching contribution of 50%; and
- reduce tax cuts to offset costs.

Representative Wamp brought up but then withdrew a widely discussed amendment to provide half of the reconstruction money for Iraq as loans. Representative Culberson brought up but also withdrew an alternative measure that would require the President to ensure that the United States is ultimately reimbursed for the reconstruction funds.

Other measures that the committee rejected included amendments

- by Representative Goode to eliminate all Iraq reconstruction funds;
- by Representative Jackson to add \$100 million for assistance to Liberia;
- by Representative Hinchey to require information on non-competitive contracts for activities in Iraq entered into after September 30, 2002; and
- by Representative Obey to add \$14 billion to buy, rather than lease, Boeing 767 tanker aircraft.

House Floor Debate and Amendments

The House began general debate on its bill on the floor on October 15 and then took up amendments on October 16 and 17. The Rules Committee approved an open rule, allowing unlimited amendments, but did not protect any amendments against points of order. As a result, a number of amendments, including a substitute amendment by Representative Obey like the one he offered in committee and a loans versus grants amendment by Representative Pence, were ruled out of order as constituting legislation on an appropriations bill. In debate on October 16, the only amendment on loans made in order was a proposal by Representative Obey to provide that all reconstruction grants should be converted to loans.

In floor action on October 16 and 17, the House adopted amendments

- by Appropriations Committee Chairman C.W. “Bill” Young of Florida to exempt servicemembers with combat-related injuries from a requirement to for meals while hospitalized;
- by Representative Maloney to make available \$20 million for women and girls in Afghanistan;
- by Representative Kirk to tighten the congressional reporting requirements related to non-competitive contracts (405-20)
- by Representative Slaughter to require more information from the executive branch related to contracts awarded through a non-competitive process;
- by Representative DeFazio that prohibits the funds provided by the bill to be used for Iraq to participate in the Organization of Petroleum Exporting Countries;
- by Representative Millender-McDonald to transfer \$50 million funds from the Operation and Maintenance Defense-Wide to the Family Advocacy Program;
- by Representative Ramstad to shift \$98 million within the bill to provide funds for domestic travel for Army personnel receiving rest and recuperation leave;
- by Representative Hoeffel to add reporting requirements on international military and economic cooperation and on guard and reserve deployment plans;
- by Representative Velazquez to prohibit funds from being used for any contract in contravention of Section 8 (d)(6) of the Small Business Act; and
- by Representative Sherman to require that normal competitive bidding procedures are followed in procurement under the funds appropriated for Iraq’s oil infrastructure (by a recorded vote of 248-179).

The House rejected amendments

- by Representative Obey that would have converted reconstruction grants to loans (200-226);
- by Representative Obey to shift funds from Iraq reconstruction to various military programs (209-216);
- by Representative Goode to delete funding for Liberia;

- by Representative Blumenauer to shift reconstruction funds from Iraq to Afghanistan;
- by Representative Waxman to reduce reconstruction aid for Iraq;
- by Representative Markey to limit the Defense Department's authority to transfer funds (146-279);
- by Representative Holt to bar funds for petroleum imports into Iraq (169-256);
- by Representative Tauscher to transfer \$300 million from funding weapons inspections to Army force protection measures;
- by Representative Deutsch to prohibit any of the funds for reconstruction in Iraq from being provided until September 30, 2004;
- by Representative Kind to reduce funding for the Iraq Relief and Reconstruction Fund by 50% (by a recorded vote of 156-267 with one voting "present");
- by Representative Stupak to increase the basic rate of pay to all military services to provide a \$1,500 bonus to each person serving in operations in Iraq or Afghanistan (by a recorded vote of 213-213);
- by Representative Reyes to increase funding for programs and scholarships to increase language proficiency and workforce diversity in the intelligence community (by a recorded vote of 206-221);
- by Representative Jackson-Lee of Texas to shift \$70 million to Afghan women's programs and \$300 million from Iraq oil industry reconstruction to human rights, education, refugees, and democracy and governance (by a recorded vote of 156-271); and
- by Representative Weiner to prohibit funds in the bill to be used for assistance or reparations to Cuba, Libya, North Korea, Iran, Saudi Arabia, or Syria (by a recorded vote of 193-233).

House Motion to Instruct Conferees. On October 21, the House approved (by a vote of 277-139) a motion offered by Representative Obey to instruct House conferees to accept four Senate provisions:

- providing medical screening for military reservists before mobilization (Section 317);
- extending transitional health care and benefits to military personnel for 180 days from separation from the armed forces (Sec. 321);

- providing that \$10,000,000,000 of the amounts provided for the reconstruction of Iraq be in the form of loans, subject to certain conditions (Sec. 2319); and
- providing of \$1,300,000,000 to the Veterans Health Administration for medical care for veterans (Title IV).

Earlier in the day, Office of Management and Budget Director Joshua Bolten sent a letter to the House and Senate Appropriations Committees warning that the President's advisors would recommend a veto if the conference agreement on the bill included a requirement that Iraq reconstruction funds be provided as loans. The letter also opposed the \$1.3 billion in the Senate bill for veterans health and the Senate provision that provides health insurance for some non-deployed military reservists and their dependents through the DOD TRICARE program.

Key Issues in Conference

The major issue in House-Senate conference consideration of the bill was whether to provide some of the Iraq reconstruction funds as loans. The Senate bill included an amendment to provide \$10 billion of the Iraq reconstruction funds as loans. In a vote on October 29, the conference rejected by a vote of 13-16 a proposal to provide half the \$18 billion for Iraq reconstruction assistance as loans.

On other key issues, the conference agreement

- provides \$500 million for the Federal Emergency Management Agency (FEMA) for disaster relief for Hurricane Isabel and the California wildfires, which was not in either chamber's bill;
- eliminates a House provision requiring that Iraq reconstruction aid be coordinated by an official subject to Senate confirmation – the conference also rejected by a vote of 14-15 an alternative proposal by Senator Byrd to require Senate confirmation of the director of the Iraq Coalition Provisional Authority;
- cuts the Administration request for the Iraq Relief and Reconstruction account by \$1.655 billion as in the House bill rather than by \$1.855 billion as in the Senate bill. The conference, however, further directs that \$210 million of Iraq funding be transferred for aid to Jordan, Liberia, and Sudan, leaving resources for Iraq \$1.865 billion less than requested;
- agrees, as in the House bill, to provide about \$1.2 billion for Afghan reconstruction, \$400 million more than the Administration requested and the Senate provided;
- provides \$245 million for assessed costs of U.N. peacekeeping in Liberia, as in the House bill, and earmarks a total of \$200 million for Liberian relief aid and \$10 million for Sudan humanitarian

assistance rather than \$200 million in the Senate bill and \$100 million in the House measure;

- provides \$200 million in economic aid to Pakistan, as in the House bill;
- includes a modified version of a Senate measure to provide health insurance through the DOD TRICARE program to non-active duty reservists who do not have access to employer-provided health insurance; the conference report presents this and other reserve health care measures as a one-year trial through FY2004 and requires that DOD report on its cost and implementation;
- rejects a Senate provision to increase Army end-strength by 10,000 active duty personnel for assignment to peacekeeping types of duties;
- provides \$313 million in defense operation and maintenance and in procurement funds to repair Hurricane Isabel damage at military facilities, \$100 million less than in the House bill, and provides another \$130 million in military constructions funds for disaster repair, as in the House bill;
- provides \$100 million in a general provision that was not in either chamber's bill for munitions security and destruction in Iraq;
- moves \$858 million from the defense part of the bill to the foreign operations part to cover operating expenses of the Coalition Provisional Authority in Iraq, as in the House bill;
- provides \$3 billion in general transfer authority to the Secretary of Defense with a requirement that Congress be notified promptly but not that Congress provide advance approval as in the House bill and rejects the Senate provision that would provide \$5 billion in such transfer authority and an additional \$2.5 billion subject to congressional approval; and
- rejects a Senate provision to provide \$1.3 billion for veterans health benefits, as in the Senate bill; Senator Stevens said that the funding would be addressed in the pending VA-HUD-independent agencies appropriations bill.

The conference also adopted compromise language to

- impose a variety of reporting requirements; and
- require competition on contracts in Iraq or to report on non-competitive contracts.

Military and Intelligence Operations: Overview and Issues

The Administration proposal devotes \$66 billion of the \$87 billion total to military and intelligence operations in Iraq, Afghanistan and elsewhere. On September 21, the Administration provided Congress with backup material justifying the request. The Senate Appropriations Committee provided the full funding requested for defense, though it added funds for Army operation and maintenance and weapons procurement and made offsetting reductions in Air Force, Navy, and Defense-Wide operation and maintenance. The House Appropriations Committee cut about \$289 million from the defense total. It added funds mainly for Army weapons procurement and made offsetting cuts similar to those in the Senate bill. **Table 3** provides a breakdown by appropriations account of the request and congressional committee action.

Table 3. Congressional Action on FY2004 Supplemental Appropriations for the Department of Defense
(thousands of dollars)

	Request	House	Change to Request	Senate	Change to Request	Conference	Change to Request
Military Personnel							
Military Personnel, Army	12,858,870	12,188,870	-670,000	12,858,870	--	12,858,870	--
Military Personnel, Navy	816,100	816,100	--	816,100	--	816,100	--
Military Personnel, Marine Corps	753,190	753,190	--	753,190	--	753,190	--
Military Personnel, Air Force	3,384,700	3,384,700	--	3,384,700	--	3,384,700	--
Total Military Personnel	17,812,860	17,142,860	-670,000	17,812,860	--	17,812,860	--
Operation and Maintenance							
O&M, Army	24,190,464	24,257,664	+67,200	24,946,464	+756,000	23,997,064	-193,400
O&M, Navy	2,106,258	1,934,058	-172,200	1,976,258	-130,000	1,956,258	-150,000
O&M, Marine Corps	1,198,981	1,198,981	--	1,198,981	--	1,198,981	--
O&M, Air Force	5,948,368	5,598,368	-350,000	5,516,368	-432,000	5,416,368	-532,000
O&M, Defense-Wide	4,618,452	4,485,452	-133,000	4,218,452	-400,000	4,355,452	-263,000
O&M, Marine Corps Reserve	16,000	16,000	--	16,000	--	16,000	--
O&M, Air Force Reserve	53,000	53,000	--	53,000	--	53,000	--
O&M, Air National Guard	214,000	214,000	--	214,000	--	214,000	--
Overseas Humanitarian, Disaster & Civic Aid	35,500	35,500	--	35,500	--	35,500	--
Iraq Freedom Fund	1,988,600	2,086,600	+98,000	1,988,600	--	1,988,600	--
Total Operation and Maintenance	40,369,623	39,879,623	-490,000	40,163,623	-206,000	39,231,223	-1,138,400
Procurement							
Missile Procurement, Army	6,200	--	-6,200	6,200	--	--	-6,200
Procurement of WTCV, Army	46,000	101,600	+55,600	104,000	+58,000	101,600	+55,600
Other Procurement, Army	930,687	1,250,287	+319,600	1,078,687	+148,000	1,143,687	+213,000
Aircraft Procurement, Navy	128,600	158,600	+30,000	128,600	--	158,600	+30,000
Other Procurement, Navy	76,357	76,357	--	76,357	--	76,357	--
Procurement, Marine Corps	123,397	123,397	--	123,397	--	123,397	--
Aircraft Procurement, Air Force	40,972	53,972	+13,000	40,972	--	53,972	+13,000
Missile Procurement, Air Force	20,450	20,450	--	20,450	--	20,450	--

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	Request	House	Change to Request	Senate	Change to Request	Conference	Change to Request
Other Procurement, Air Force	3,441,006	3,418,006	-23,000	3,441,006	--	3,438,006	-3,000
Procurement, Defense-Wide	435,635	418,635	-17,000	435,635	--	418,635	-17,000
Total Procurement	5,249,304	5,621,304	+372,000	5,455,304	+206,000	5,534,704	+285,400
Research, Development, Test and Evaluation							
RDT&E, Navy	34,000	34,000	--	34,000	--	34,000	--
RDT&E, Air Force	39,070	39,070	--	39,070	--	39,070	--
RDT&E, Defense-Wide	265,817	195,817	-70,000	265,817	--	260,817	-5,000
Total Research, Development, Test and Evaluation	338,887	268,887	-70,000	338,887	--	333,887	-5,000
Revolving and Management Funds							
Defense Working Capital Funds	600,000	600,000	--	600,000	--	600,000	--
National Defense Sealift Fund	24,000	24,000	--	24,000	--	24,000	--
Total Revolving and Management Funds	624,000	624,000	--	624,000	--	624,000	--
Other Department of Defense Programs							
Defense Health Program	658,380	658,380	--	658,380	--	658,380	--
Drug Interdiction & Counter-Drug Activities, Defense	73,000	73,000	--	73,000	--	73,000	--
Total Other Department of Defense Programs	731,380	731,380	--	731,380	--	731,380	--
Related Agencies							
Intelligence Community Management Account	21,500	21,500	--	21,500	--	21,500	--
Coast Guard Operating Expenses	--	23,183	--	--	--	--	--
Total Related Agencies	21,500	44,683	+23,183	21,500	--	--	-21,500
General Provisions							
Storm Damage	--	413,300	+413,300	--	--	313,000	+313,000
Munitions Destruction and Security	--	--	--	--	--	100,000	+100,000
Total General Provisions	--	413,300	+413,300	--	--	413,300	+413,300
Military Construction and Family Housing							
Military Construction, Army	119,900	185,100	+65,200	119,900	--	162,100	+42,200
Military Construction, Navy	--	45,530	+45,530	--	--	45,530	+45,530

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	Request	House	Change to Request	Senate	Change to Request	Conference	Change to Request
Military Construction, Air Force	292,550	292,550	--	292,550	--	292,550	--
Family Housing, Army	--	8,151	+8,151	--	--	11,420	+11,420
Family Housing, Navy and Marine Corps	--	6,280	+6,280	--	--	6,280	+6,280
Family Housing, Air Force	--	6,981	+6,981	--	--	6,981	+6,981
Total Military Construction and Family Housing	412,450	544,592	+132,142	412,450	--	524,861	+112,411
Grand Total	65,560,004	65,270,629	-289,375	65,560,004	--	65,010,165	-549,839

Sources: H.Rept. 108-312; S.Rept. 108-160.

Several aspects of the request are worth noting, including

- basis of the cost projections,
- funding flexibility,
- authority to train and equip foreign military forces, and
- military personnel benefits.

Basis of the Cost Projections

According to DOD officials, the request is based, first, on the assumption that current force levels and the current pace of operations will be maintained throughout FY2004, although it assumes some change in the mix of active and reserve forces deployed. DOD and OMB backup material on the request notes that the number of Army combat divisions in Iraq will be reduced, but this will not substantially affect the total number of personnel deployed in Southwest Asia and nearby areas in support of Operation Iraqi Freedom and Operation Enduring Freedom (in Afghanistan).

The requested is based, second, on the use of a model for estimating costs of military operations known as the “Contingency Operations Support Tool” (COST). The COST model was developed by the Institute for Defense Analyses (IDA) in the late 1990s under a contract from the Department of Defense Comptroller following problems the Defense Department had in accurately projecting costs of operations in the mid-1990s. Using inputs of data about the duration of an operation, the number and original location of units to be deployed, means of transportation both to deploy and to sustain forces, and unique expenses, and relying on historical cost factors based on earlier operations, the model can provide quite detailed breakdowns of projected costs in advance of an operation.

Although these projections are not technically considered “budget quality” data for purposes of making congressional requests, the estimates resulting from the model appear to be the most reliable available advance projections of costs of an operation, though actual expenses may differ as operations unfold. One question for Congress may be why the Defense Department is using COST model data now, but did not choose to provide COST model figures to Congress last spring in advance of the war. An answer may be the Defense Department did not feel in a position to provide an estimate of war costs until a final decision was made to go to war, and the size and composition of the force remained in flux until very shortly before the war began. DOD’s new cost estimates appear to be substantially higher, on a per troop basis, than recent estimates by the Congressional Budget Office.

Funding Flexibility

An ongoing issue between the Administration and Congress — particularly the appropriations committees — has been how much flexibility the Defense Department needs to reallocate funds after they are appropriated. In the FY2003 Emergency Wartime Supplemental, the Administration proposed that \$59.9 billion of the \$62.6 billion it requested for the Department of Defense be provided in a flexible transfer account called the Iraq Freedom Fund. Congress agreed to provide \$15.7 billion in

the fund, some of which was subject to additional ceilings on expenditures. In the new request, the Defense Department asked for \$2.0 billion to be appropriated into the Iraq Freedom Fund, while the rest is requested in regular appropriations accounts. The Iraq Freedom Fund amount is, in effect, a contingency fund, that DOD says it will use either to support a multinational division or, if allied forces are not available, to deploy two Army National Guard Enhanced Separate Brigades and one Marine Expeditionary Force.²¹

The Defense Department also requested authority to transfer \$5 billion between appropriations accounts provided that “the Secretary shall notify the Congress promptly of each transfer made pursuant to this authority.” According to DOD, “promptly” means that the Secretary will inform Congress within five days after such transfers. This money, therefore, would not be subject to normal limitations on “transfers” — or, in DOD parlance “reprogramming” of funds — in which transfers above certain thresholds require advance approval of congressional defense committees. In addition, in another proposed general provision, the Defense Department has requested that \$500 million of the amounts appropriated be available for a contingency construction account for military construction projects that are not otherwise authorized by law.²² (See above for a discussion of Senate and House Appropriations Committee action on these proposals.)

Authority to Train and Equip Foreign Military Forces

Though not a budget item, *per se*, one element of the request reintroduces an issue that has been controversial in Congress in the past. The request includes a proposal to provide the Defense Department with general authority to use up to \$200 million of available funds for “training and equipping” military forces in Iraq, Afghanistan and “other friendly nearby regional nations” to carry out counter-terrorism operations and support U.S. military operations in Iraq and Afghanistan. In earlier funding bills, Congress has agreed to Administration requests to provide money, termed “coalition support,” to reimburse nations, such as Pakistan and Jordan, that have provided material support for U.S. military operations, and to “lift and sustain” foreign troops, such as the Polish forces now in Iraq, that are directly participating in operations. The new request includes \$1.4 billion for coalition support, and additional amounts to lift and sustain multinational forces.

²¹ An Army National Guard brigade, like active duty brigades, normally has about 3,000 personnel. (Three combat brigades are typically in a division, which also includes additional support units — full divisions range from about 10,000 to 15,000 personnel.) A Marine Expeditionary Force (MEF) typically includes 30,000-50,000 personnel, including ground combat units, air units, and support units. It seems unlikely that a full MEF would be deployed for peacekeeping in Iraq. More likely, only ground elements of a Marine Expeditionary Brigade (MEB), about 3,000 troops, would be deployed.

²² See Department of Defense, “FY2004 Supplemental Request for Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF), and Operation Noble Eagle (ONE),” Sept. 21, 2003. For the Iraq Freedom Fund request, see p. 46, and for the general transfer authority and construction contingency fund request, see pp. 65-66.

Congress has, however, rejected repeated Administration requests for funds for the Defense Department to train and equip foreign militaries, which would be, in effect, a DOD-run military assistance program not approved through the usual congressional budget procedures and not subject to human rights and other provisions of standing law governing U.S. foreign aid. Most recently, the Administration requested \$200 million for that purpose in the regular FY2004 appropriations, but neither the House nor the Senate approved the request in any version of the regular FY2004 defense authorization or appropriations bills. The new request differs in that it is limited to support for nations in the region of Iraq and Afghanistan. The Senate Appropriations Committee agreed to provide \$200 million to train and equip the new Iraqi Army and the Afghan National Army, and the House Appropriations Committee provided \$100 million (see above). Both committees also required 15 days' advance notification to Congress before obligating funds.

Military Personnel Benefits

In the April 2003 Emergency Wartime Supplemental (P.L. 108-11), Congress increased Imminent Danger Pay (from \$150 to \$225 per month) and the Family Separation Allowance (from \$100 to \$250 per month). These increases expired at the end of FY2003 on September 30. The first continuing resolution for FY2004, H.J.Res. 69, P.L. 108-84, extends the benefits through October 31, 2003. The House and Senate have taken somewhat different approaches to extending these benefits permanently in their versions of the FY2004 defense authorization bill (H.R. 1588). In its supplemental proposal, the Defense Department requested that the increased Imminent Danger Pay and Family Separation Allowance payments continue through December 31, 2003. After that, DOD requested that it be permitted instead to provide \$225 per month in additional Hardship Duty Pay to personnel serving "in a combat zone" in Operation Iraqi Freedom and Operation Enduring Freedom. DOD argues that this would equalize pay between troops deployed in combat zones; troops with dependents now receive more because of the Family Separation Allowance. It may also mean, however, that troops not actually deployed "in a combat zone" would receive less, so there may be some opposition from military advocacy groups and in the Congress. Both the House and the Senate Appropriations Committees, however, rejected the Administration request and instead extended increased Imminent Danger Pay and Family Separation Allowances through FY2004.

Another significant issue in Senate action on the supplemental was whether to provide health insurance for non-deployed military reservists. The Senate approved an amendment to the FY2004 defense authorization bill that would allow non-activated reservists to sign up for health insurance for themselves and their dependents through the DOD-run TRICARE program. The Administration has threatened to veto the authorization if it includes this provision. In floor action on the supplemental, the Senate approved an amendment by Senators Daschle and Graham of South Carolina to offer health insurance to reservists through TRICARE, though with somewhat different provisions from those in the Senate version of the FY2004 authorization. Specifically, the Daschle-Graham amendment is available only to reservists who are receiving unemployment compensation or who are not eligible for an employer-sponsored health insurance plan. The measure also requires a co-payment of 28% of the value of the plan, on the model of the federal government's FEHBP insurance plan for civilian employees. So the Daschle-

Graham amendment is much more limited and more targeted than the Senate provision in the FY2004 defense authorization bill.

Iraq/Afghanistan Reconstruction and Other Global War on Terrorism Foreign Policy Initiatives

The Administration sought a total of \$21.44 billion in its FY2004 supplemental for reconstruction activities in Iraq and Afghanistan and for other foreign policy programs related to the global war on terrorism. As shown in **Table 4** \$20.4 billion would be allocated for Iraq. To put the amount of resources in some perspective, Congress appropriated about \$9.6 billion in FY2003 for similar activities, including Iraq reconstruction and aid to the “front-line” states in the global war on terrorism, and has been considering funding requests totaling roughly \$4.9 billion in the pending FY2004 Foreign Operations appropriation bill (H.R. 2800/S. 1426).

Table 4. Iraq, Afghanistan, Other Foreign Policy Funding
(billions of dollars)

Activity	Request	Senate	House	Enacted
Iraq	\$20.415	\$18.499	\$19.597	\$19.512
Reconstruction and security	\$20.304	\$18.449	\$18.649	^a \$18.439
CPA Operating Expenses	^b	^b	\$0.858	\$0.983
U.S. diplomatic facilities	\$0.061	^c	^c	^c
Peacekeeping for a multinational division ^d	\$0.050	\$0.050	\$0.050	\$0.050
Broadcasting to Iraq	\$0.000	\$0.000	\$0.040	\$0.040
Afghanistan ^e	\$0.839	\$0.900	\$1.258	\$1.265
Economic reconstruction	\$0.422	\$0.422	\$0.672	\$0.672
Train, equip, deploy police	\$0.120	\$0.120	\$0.170	\$0.170
Military aid for Afghan army	\$0.222	\$0.222	\$0.297	\$0.287
Anti-terrorism training/Karzai protection	\$0.035	\$0.035	\$0.035	\$0.035
Kabul Embassy annex	\$0.000	\$0.000	\$0.044	\$0.044
USAID operating expenses — Iraq & Afghanistan ^f	\$0.040	\$0.040	\$0.040	\$0.040
USAID interim facility	—	\$0.061	—	\$0.017
Other Global War on Terrorism	\$0.226	\$0.091	\$0.370	\$0.536
Emergency Fund for Complex Crises	\$0.100	^g	^g	^g
D&CS - Personnel security in Afghanistan & Iraq; Machine Readable Visa shortfall ^h	\$0.076	\$0.036	\$0.156	\$0.156

Activity	Request	Senate	House	Enacted
Diplomatic & Consular Programs (rescission)	—	(\$0.036)	(\$0.036)	(\$0.036)
Emergencies in Diplomatic & Consular Services - Terrorist Rewards & Machine Readable Visa shortfall ^f	\$0.050	\$0.091	\$0.050	\$0.116
Jordan economic aid	— i	— i	—	\$0.100
Pakistan economic aid			\$0.200	\$0.200
Other	\$0.000	\$0.100	\$0.360	\$0.480
Liberia & Sudan relief	\$0.000	\$0.200 ^g	\$0.100	\$0.220
Off-set for Liberia aid	—	(\$0.100)	—	—
U.N. Peacekeeping – Liberia	\$0.000	\$0.000	\$0.245	\$0.245
Sept. 11 Victims Compensation Prog.	\$0.000	\$0.000	\$0.015	\$0.015
TOTAL	\$21.480	\$19.590	\$21.585	\$21.793

- a. Excludes \$210 million transferred for aid to Jordan, Liberia, and Sudan, as noted below.
- b. The Administration and Senate bill included CPA operating expense funding under title I (Defense), in the account for Operations and Maintenance, Army.
- c. The Administration proposed to use funds previously appropriated for Baghdad facilities in P.L. 108-11 for urgent USAID needs in Afghanistan and requested in this supplemental additional resources for Iraq facilities to replace those diverted to Afghanistan. The Senate bill appropriated funds for USAID in Afghanistan separately, thereby making funds provided in P.L. 108-11 available for U.S. diplomatic facilities in Baghdad, without the need for new appropriations in this supplemental. The House bill and the conference agreement provided \$35.8 million for a new U.S. mission in Iraq in the D&CS account below, and rescinded \$35.8 million provided in P.L. 108-11.
- d. The House bill and the conference agreement specified that peacekeeping funds are available for both Iraq and Afghanistan.
- e. In addition to the amounts shown in this total for Afghanistan, the Administration is reprogramming \$390 million from other defense, State Department, and foreign aid accounts for Afghan reconstruction.
- f. The Administration had requested \$40 million for USAID operating expenses in both Iraq and Afghanistan. The Senate bill and the conference agreement provided \$40 million for USAID operating expenses in Afghanistan only.
- g. Instead of funding the Emergency account, the House bill provided \$100 million in disaster and famine relief aid for Liberia and Sudan, below. The Senate bill provided \$200 million in the Emergency Crises Fund account, but designated all of it for Liberia and required that \$100 million be drawn by transfer from any other account in the bill. The conference agreement provided \$210 million for Liberia and Sudan, funds drawn from the Iraq Relief and Reconstruction account and from a new account for International Disaster and Famine Assistance, as shown below.
- h. Under the account for Diplomatic and Consular Services (D&CS), the Administration proposed \$11 million for additional security operations in Afghanistan and \$29.5 million to cover a projected shortfall in Machine Readable Visa (MRV) fees that had been expected to fund border security initiatives. The Senate bill provided \$35.8 million as a rescission and reappropriation for security operations in Afghanistan and Iraq, and added funding under the separate account of Emergencies in the Diplomatic and Consular Services to cover the MRV shortfall. The Administration requested funds under this latter account only for rewards related to Osama bin Laden and Saddam Hussein. The House bill provided \$156.3 million in the D&CS account, of which \$109.5 million was for MRV fees and consular services, \$11 million for security measures in Afghanistan, and \$35.8 million for a diplomatic mission in Iraq. The conference agreement provided \$115.5 million for Emergencies in the Diplomatic and Consular Services,

\$50 million of which was for rewards and \$65.5 million was for costs of protecting foreign missions and officials in New York City, and security and protection for the 203 Free Trade in the Americas Ministerial and the 2004 Summit of the Industrialized Nations.

- i. The Administration requested authority to use \$200 million in Economic Support Funds pending in the regular FY2004 Foreign Operations Appropriation (H.R. 2800 and S. 1469) for debt reduction for Pakistan. The Senate bill included this authority, while the House bill included both the authority for debt reduction and the \$200 million appropriation. The conference agreement is the same as the House bill.

Iraq Reconstruction and Security

Supplemental Request. The \$20.3 billion Administration request for reconstruction and security in Iraq represented a significant increase from amounts previously appropriated for reconstruction. Up to then, the United States had committed \$4.1 billion to reconstruction, including the \$2.5 billion appropriated to an Iraq Relief and Reconstruction Fund established by the April 2003 Emergency Wartime Supplemental (P.L. 108-11).²³

These earlier funds had been used to support a broad range of humanitarian and reconstruction efforts. The new request was intended to fund the most pressing, immediate needs in Iraq, with the aim of having a noticeable impact on the two greatest reconstruction concerns that have been raised since the occupation of Iraq began—security and infrastructure. More than \$5 billion would be targeted at improving the security capabilities of the Iraqi people and government, including training and equipment for border, customs, police, and fire personnel, and to develop a new Iraqi army and a Civil Defense Corps. Enhanced efforts to reform the judicial system would also be included.

Most of the remaining \$15 billion supplemental request would go toward rapid improvements in infrastructure, including electricity, oil infrastructure, water and sewerage, transportation, telecommunications, housing, roads, bridges, and hospitals and health clinics (see **Table 5** for a breakdown). According to Administration officials who briefed Members of Congress and staff, these investments represented the most urgent needs over the next 12 months, but by no means addressed total reconstruction requirements in the coming year.²⁴ Other concerns in such areas of government reform, agriculture, economic development, and education, were not included in the Administration request. A relatively small amount of funds, \$300 million, was requested for programs designed to encourage the growth of the private sector and jobs training.

²³ Other reconstruction components have been funded out of DOD's Iraq Freedom Fund, established in P.L. 108-11, to repair of oil facilities (\$502.5 million) and for costs of the Coalition Provisional Authority (\$599 million). An additional \$529.2 million has come from USAID and other agencies regular funding.

²⁴ Congressional briefing by executive branch officials, Sept. 8, 2003.

Table 5. Iraq Supplemental: Sector Allocation
(billions of dollars)

Sector	Request	Senate	House	Enacted
Security	\$5.136	\$4.561	^a\$4.561	^a\$4.561
Public safety, including border enforcement, police, fire, & customs	\$2.100	—	—	—
Security forces and Iraq Civil Defense Corps	\$2.100	—	—	—
Justice and civil society development	\$0.900	—	—	—
Reconstruction	\$15.168	\$13.888	\$14.088	\$13.878
Electric power rehabilitation	\$5.675	\$5.560	\$5.560 ^b	\$5.560 ^b
Oil infrastructure rehabilitation	\$2.100	\$1.900	\$2.100	\$1.890 ^c
Water and sewerage services repair and improvement	\$3.710	\$4.332 ^d	\$4.332 ^d	^e \$3.557
Water resources improvement	\$0.875	^d	^d	^e \$0.775
Transportation and telecommunications rehabilitation	\$0.835	\$0.500	\$0.500 ^f	\$0.500 ^f
Housing, building, road, and bridge repair/reconstruction	\$0.470	\$0.370	\$0.370 ^g	\$0.370 ^g
Health facility construction and medical equipment replacement	\$0.850	\$0.793	\$0.793 ^h	\$0.793 ^h
Private sector business initiatives and job training programs	\$0.353	\$0.153	\$0.153 ⁱ	\$0.153 ⁱ
Refugee aid, local governance, other human rights/civil society	\$0.300	\$0.280	\$0.280 ^j	\$0.280 ^j
TOTAL	\$20.304	\$18.449	\$18.649	\$18.439

Source: Office of the Coalition Provisional Authority Representative, September 8, 2003, OMB, FY2004 Supplemental Appropriation request, September 17, 2003, and House and Senate Appropriation Committees.

- a. The House bill excluded \$50 million requested for Iraq traffic police and \$400 million for two prisons; reduced funding for the National Security Communications Network. The conference agreement also excluded \$50 million for Iraq traffic police, reduced by \$300 million funding for two prisons, and further reduced several other requested under Justice, Public Safety Infrastructure, and Civil Society.
- b. Excluded \$25 million for consultants to plan for continued development and building rehabilitation and reduced amounts for electric generation.
- c. The conference agreement reduced funds for emergency supplies of refined oil petroleum products by \$210 million.
- d. House and Senate bills combined the categories of Water and sewerage services and Water resources. The House amount excluded \$153 million for solid waste management, including 40 trash trucks and \$100 million for environmental restoration (marsh) projects.
- e. The conference agreement excluded \$153 million for solid waste management, including 40 trash trucks and \$100 million for environmental restoration (marsh) projects.
- f. Excluded \$4 million for a nationwide telephone numbering system, \$9 million for postal information architecture and zip codes, and \$10 million for television and radio industry modernization.

- g. Excluded \$100 million for seven housing communities.
- h. Excluded \$150 million for a new children's hospital in Basra and \$7 million for American and Iraqi health care organization partnerships, but included an additional \$100 million for clinics and hospital modernization.
- i. Excluded \$200 million for an American-Iraqi Enterprise Fund, but added \$45 million for micro-small-medium enterprises.
- j. Excluded \$90 million for Public Information Centers in Iraq municipalities, but added \$90 million for education.

Background. Among the key policy objectives laid out by the Bush Administration in conjunction with the war in Iraq were the restoration of basic human services and the economic and political reconstruction of the country. The Coalition Provisional Authority (CPA) under the administration of Ambassador L. Paul Bremer is responsible for the formulation and implementation of this effort.

The CPA has initiated a process intended to lead to Iraqi self-rule. It has appointed a 25-member Iraqi Governing Council and provided it with specific powers and duties, including the choosing of a cabinet to serve as ministers under the supervision of CPA advisors and the responsibility to set in motion formulation of a national constitution. It has encouraged establishment of councils in villages and cities throughout the country to run local affairs and identify community needs. With CPA funding and encouragement, institutions of civil and economic society have been reconstituted. Schools, including universities, hospitals and health clinics, are functioning. The oil-for-food program continues to provide basic foodstuffs. New police and security forces are being trained. Programs to renovate and repair electric power, water, oil production, roads and bridges, airports, and the seaport have been launched. Jobs programs have been instituted to help stimulate the economy and lessen unemployment.

Although much has been accomplished since the U.S. occupation began in April, the occupation authority in the view of many has failed to successfully reestablish order and security, restore infrastructure, and introduce political and economic reform, including Iraqi self-governance, in a timely manner. These problems are interlinked; the successful conduct of much reconstruction work is contingent on an environment of order and stability, and the lack of visible progress in restoring basic infrastructure and institutions of security opens the door to political discontent and opposition. The \$20.3 billion supplemental request apparently sought to address those infrastructure and security needs on which other U.S. objectives in Iraq hinge.

Until recently, the Administration had suggested that the cost of reconstruction through the end of 2003 could largely be met by Iraqi and already previously appropriated U.S. resources. A national budget for Iraq covering the rest of the year, announced by the CPA on July 7, estimated expenditures of \$6.1 billion and the creation of a Central bank currency reserve of \$2.1 billion, for a total budget of \$8.2 billion. New oil revenue, taxes, and profits from state owned enterprises would make up \$3.9 billion of these costs, according to the CPA's analysis. The remaining deficit of \$4.3 billion would be covered by recently frozen and seized assets (\$2.5 billion), the Development Fund for Iraq (\$1.2 billion), and \$3 billion in already appropriated

U.S. assistance. Iraq was projected to have \$1.1 billion remaining for reconstruction by end of December 2003.²⁵

The Administration request suggested that a re-assessment of Iraq's immediate reconstruction needs demanded greater outlays of revenue than projected in July. It also suggested that presumed sources of additional revenue in the coming year — chiefly, oil export production and international donor contributions — might not be as large as originally anticipated. In any case, the result was a supplemental reconstruction request nearly 20% larger than the size of the entire national budget for Iraq projected on an annualized basis in early July.²⁶

Issues.

Total Iraq Reconstruction Needs. The supplemental request was intended to meet only the most important, immediate needs in Iraq in the 2004 fiscal year. Up to that point, the cost of Iraq reconstruction was based on speculation and educated guesswork. However, as part of the lead-in to an international donors conference held in Madrid on October 24, the World Bank and the U.N. Development Program released a needs assessment they conducted of 14 Iraqi economic and social sectors.²⁷ The resulting Bank/UNDP estimates have established targets by which the adequacy of available resources will be judged. The Bank/UNDP assessments put the cost of reconstruction for the 14 sectors at \$36 billion over four years, a figure that does not include \$19.4 billion estimated by the CPA for security, oil, and other critical sectors not covered by the Bank assessments.²⁸ Total Bank/CPA projected reconstruction costs through 2007 amount to \$55 billion, \$17.5 billion in 2004 alone. If Iraqi oil revenues are not sufficient to meet the projected needs — which appears likely in the near term by most accounts — and other international donors do not pledge significant contributions, the United States may face increased financial demands, if it seeks to meet projected Iraqi needs.

The new needs assessment points out another possible concern. The Bank/UNDP report suggests that Iraq cannot absorb more than \$6 billion in infrastructure program commitments (excluding oil) in 2004, in view of the unstable security situation and the time it takes to plan and implement contracts.²⁹ The Administration request for infrastructure (excluding oil) was \$12.4 billion. In

²⁵ See [<http://www.cpa-iraq.org/Budget2003.pdf>] for text of the budget.

²⁶ For a more detailed discussion of the Iraq reconstruction program, see CRS Report RL31833, *Iraq: Recent Development in Humanitarian and Reconstruction Assistance*.

²⁷ For the full text of the report online, see the World Bank website at [[http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/Iraq+Joint+Needs+Assessment/\\$File/Joint+Needs+Assessment.pdf](http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/Iraq+Joint+Needs+Assessment/$File/Joint+Needs+Assessment.pdf)].

²⁸ “UN/World Bank Present Iraq Reconstruction Needs to Core Group.” World Bank/United Nations press release no. 2004/100/S, Oct. 2, 2003.

²⁹ The Bank further notes that, based on its experience in previous post-conflict situations, if commitments were made on all \$36 billion in identified reconstruction needs, actual disbursements in 2004 would likely only reach \$5.2 billion. *United Nations/World Bank Joint Iraq Needs Assessment*, Oct. 2003, page x.

response to this point, OMB has reportedly confirmed that the reconstruction request is intended to cover 18 months.³⁰ That the Administration request in categories such as electric power and water composes half or more of requirements projected by the World Bank assessment over a four-year period, however, suggests that the request may meet needs beyond even 18 months.

Iraqi Oil Revenues and Financing Reconstruction. Until recently, the Administration had expected most costs of reconstruction to be borne by Iraq through receipts from its oil exports. While the decrepit state of oil production infrastructure and recurrent sabotage to pipelines and facilities have forced experts to downgrade expectations of potential exports and receipts, any sustained increase in production will assist the reconstruction effort. Current rates of production are nearing 2 million barrels a day, but Iraqis do not expect to reach the prewar level of 2.8 million barrels until spring. After subtracting 0.5 million barrels/day for domestic consumption, a level of 2.3 million might generate between \$18.5 billion and \$23 billion annually, depending on the price of oil. Production levels of 6 million/day, possible within a decade, would require significant investment outlays.³¹ In the near term, Administration officials said that their budget calculations assume an average production of 2 million barrels per day over the next 12 months, generating about \$12 billion in revenues that will roughly cover government operating expenses, but not the type of urgent reconstruction needs identified in the supplemental request.³²

Roughly \$503 million has already been allocated from the 2003 Emergency Wartime Supplemental for repair of oil facilities and restoration of production and distribution systems. The Administration request for these purposes under the FY2004 supplemental was \$2.1 billion. Additional sums for Iraqi security forces were in part intended to create an Iraqi force to defend against pipeline and other oil facility sabotage.

Loans vs. Grants for Reconstruction. Closely related to the issue of Iraqi oil revenues as a means of financing reconstruction projects was the question of whether assistance could be extended on a loan rather than grant basis. Some argued that, given the substantial amount of oil revenues that Iraq will generate at some point in the future, Baghdad will have the means to service debt incurred for the purpose of rebuilding its infrastructure. Loans, either extended bilaterally or through some sort of trust fund, possibly managed by the World Bank, would be repaid at some point, thereby reducing reconstruction costs to the United States, they said.

The Administration, which proposed that the entire \$20.3 billion supplemental be offered as grants, argued repeatedly during congressional hearings against adding to Iraq's already substantial debt obligations. Witnesses asserted that Iraq owes roughly \$200 billion in pre-war debts, reparations, and other claims. G7 leaders agreed informally at the June 2003 summit to suspend through 2004 the requirement

³⁰ "White House Defends Iraq Spending," *Financial Times*, Oct. 10, 2003.

³¹ See Petroleum section by Larry Kumins in CRS Report RL31944, *Iraq's Economy: Past, Present, Future*, pp. 17-23.

³² Congressional briefing by executive branch officials, Sept. 8, 2003.

for Iraq to service any existing debt, giving time to construct some sort of multilateral debt restructuring arrangement.³³ Further, U.N. Security Council Resolution 1483 states that Iraqi oil exports or proceeds could not be attached by creditors through 2007 unless authorized by the Council.

Beyond the matter of whether Iraq should incur more debt obligations in the near term is the question over who could legally assume responsibility for new sovereign debt. Although it is possible that the World Bank could manage an Iraq reconstruction trust fund that would receive contributions from international donors, if the Bank were to use these resources for project lending, it would almost certainly require, as it has in the past, that some sort of sovereign Iraq authority assume the debt obligation. Until such time that legal authority is transferred to Iraqi hands, the Coalition Provisional Authority is the temporary government of Iraq and would be the one signing for the loans. Most legal scholars take the position that an occupying power has no authority to incur new debts on behalf of the displaced sovereign.³⁴ Some contend, however, that there is an exception in which a new government would be responsible for the debt if it can be shown that the loans were required for the welfare of the occupied territory and the terms were fair and reasonable.³⁵

Also, while loan reconstruction assistance would likely require smaller appropriations than grant aid, some congressional appropriation would be necessary. Under the 1990 Credit Reform Act, Congress must provide a subsidy appropriation in advance of the U.S. government extending direct loans or loan guarantees. The size of the subsidy appropriation is based on several factors, including any subsidy value of the loan terms and the likelihood that the loan will be repaid fully and on time. Given the current state of the Iraqi economy and the high degree of uncertainty over when the debt service payments could begin, the necessary subsidy appropriation likely would be quite large.

As discussed in more detail above under “Congressional Action,” this issue was closely examined by lawmakers. The Senate adopted (51-47) an amendment by Senators Bayh, Ben Nelson, and others on October 16 converting \$10 billion of reconstruction grants to loans, which could be later restored as grants if foreign creditors cancel 90% of Iraq’s debt. Conferees, however, rejected the Senate proposal on a 13-16 vote.

³³ See, for example, testimony of Secretary of Defense Rumsfeld before the Senate Appropriations Committee on September 22 and L. Paul Bremmer before the House Foreign Operations Appropriations Subcommittee on Sept. 24.

³⁴ See, for example, Pieter H.F. Bekker, “The Legal Status of Foreign Economic Interests in Occupied Iraq.” *ASIL Insights*. American Society of International Law. July 2002. Available at the ASIL web site at [<http://www.asil.org/insights/insigh114.htm>]. See also Gerhard von Glahn. *The Occupation of Enemy Territory...A Commentary on the Law and Practice of Belligerent Occupation*. Minneapolis: University of Minnesota Press, 1957, p. 159, citing various sources.

³⁵ von Glahn, citing (with comments) U.S. Army Judge Advocate General’s School. *Law of Belligerent Occupation*. (JAGS Text No. 11) Ann Arbor: JAGS 1944, pp. ix, 277.

Earlier, Senator Dorgan had offered amendments in committee markup and on the Senate floor (tabled in both venues) that would have created an authority to use Iraqi oil to secure reconstruction financing and convert U.S. grants to loans. A similar amendment by Senator Landrieu was also rejected. Senator Hutchison and others submitted an amendment that did not come up for floor debate directing \$10 billion of the total reconstruction supplemental to a Trust Fund, to be established within the World Bank, out of which loans and loan guarantees would be made.

On the House side, Representative Wamp proposed but later withdrew an amendment during Committee markup that would have withheld one-half of Iraq funds until after the election of a new Iraqi leader, at which time the remaining money would be available in the form of a loan. Representative Obey offered an amendment (defeated 25-36) that, among other things, would have transferred about \$7 billion of reconstruction funds to a World Bank-administered loan facility. A further amendment by Representative Obey regarding a shift of grants to loans was defeated in the House 200-226.

The Supplemental's Impact on Other Donors. Many, including Administration officials, believed that congressional action on the supplemental could influence the contributions of international donors at the late-October donors' conference. Some argued that a large pledge of U.S. aid prior to the conference might stimulate other donors to contribute more; diminution of the Administration plan, they argued, might have the opposite effect. Opponents of making U.S. aid for reconstruction in the form of loans also contended that other donors might follow the American lead and offer loans rather than grants, adding further to Iraq's debt problems. In addition, the supplemental targeted sectors — infrastructure and security — that other donors would be less likely to support themselves. In similar “nation-building” exercises elsewhere, donors have tended to funnel contributions to the social sectors, such as education and health, and grassroots democratization and economic development, all areas relatively untouched by the supplemental.

Perhaps a more important factor in other donor calculations was the extent to which they would have a say in the use of funds. Up to then, donors had been reluctant to provide assistance because they were wary of being perceived as supporting a unilateral U.S. policy. In response to this concern, donors discussed at a September 6 meeting in Brussels, the concept of creating Iraq reconstruction trust funds, managed by the U.N. or World Bank, which would accept and distribute contributions. Control over how the money was spent, according to Undersecretary of State Alan Larson who represented the U.S. at the September 6 meetings, would be handled by some sort of a multilateral management board that might include officials from international organizations, major donors, and Iraqis representing interim ministries.³⁶ The Madrid donors' conference created two trust funds, one managed by the World Bank and the other by UNDP.

³⁶ *Iraq Reconstruction an International Responsibility, Larson Says.* Press briefing by Under Secretary of State for Economic, Business, and Agricultural Affairs Alan Larson, Sept. 4, 2003 [<http://usinfo.state.gov/topical/pol/terror/texts/03090434.htm>].

Management of Iraq Reconstruction Funds by U.S. Agencies.

Administrative control over Iraq reconstruction funds became a significant issue during congressional debate on the \$2.475 billion appropriation in P.L. 108-11. At that time, most had expected that transfers for reconstruction and post-conflict aid would be made to USAID, the State Department, and other traditional foreign assistance management agencies. But with plans for the Defense Department to oversee the governing of Iraq immediately after the end of hostilities, the White House wanted to maintain maximum flexibility over the distribution of resources so the President could transfer some or all of the funding to DOD. The proposal stimulated immediate controversy with a number of critics, including Members of Congress, arguing that aid programs should remain under the policy direction of the State Department and under the authorities of a broad and longstanding body of foreign aid laws. Although initial House and Senate decisions would have blocked Administration efforts to place control of reconstruction funds with the Pentagon, ultimately Congress agreed to allow the White House to allocate the resources among five agencies, including DOD. Funds for the Iraq Relief and Reconstruction Fund appropriated in P.L. 108-11 have been managed by L. Paul Bremer, head of the Coalition Provisional Authority (CPA), and the U.S. civilian administrator in Iraq, who reports to the Secretary of Defense.

The Administration proposed that the entire \$20.3 billion be placed in the Iraq Relief and Reconstruction Fund, as was the case with the previous supplemental, and to continue Ambassador Bremer and the CPA's role as administrators of the Fund under DOD guidance. Since submission of the supplemental, however, the White House announced the establishment of a new "Iraq Stabilization Group," headed by National Security Advisor Condoleezza Rice. The Group is intended to help speed up reconstruction efforts by identifying and resolving problems that had in some cases been the source of decision-making disputes in Washington. Some analysts believe that the move is also intended to allow the State Department a greater voice in reconstruction policy. At the same time, the State Department staff serving under the CPA in Iraq is expected to grow from 55 to about 110. Nevertheless, Ambassador Bremer will continue to report to the Secretary of Defense.³⁷

As noted above, the Senate tabled (56-42) an amendment by Senators Leahy and Daschle (S.Amdt. 1803) that would have placed the CPA under the direct authority and foreign policy guidance of the Secretary of State. The House bill, however, added a provision barring the coordination of defense or reconstruction activities in Iraq or Afghanistan by a U.S. government officer who is not subject to confirmation by the Senate. The House Committee wanted to ensure that whoever is in charge of coordination be available to testify at congressional oversight hearings. This proposal appeared to block the initiative of placing National Security Council Advisor Rice, who is not subject to confirmation and who does not testify before Congress, in charge of coordinating reconstruction. The White House, however, contended that the new Iraq Stabilization Group does not affect control of reconstruction efforts and that the job remains under control of the Defense

³⁷ "White House to Overhaul Iraq and Afghan Missions," *New York Times*, October 6, 2003; "Rice to Lead Effort to Speed Iraqi Aid," *Washington Post*, Oct. 7, 2003.

Department.³⁸ Conferees, however, decided to delete this House-added provision from the enacted legislation.

Reconstruction Priorities and Costs. The Administration said that the request included only the most pressing, immediate needs for Iraq in FY2004. However, the relative importance of certain items detailed in the request — ‘re-engineering of postal service business practices’ and construction of seven residential communities, for example — was closely questioned in Congress. Further, the costs associated with reconstruction requests have been subject to skepticism, with some congressional staff reportedly suggesting that the price tag was intentionally inflated so that the Administration would not have to return to Congress to ask for more funds in 2004.³⁹

As mentioned above in the Congressional Action section, the House bill proposed a \$1.655 billion cut in Iraq reconstruction funding, reducing or eliminating resources for a wide range of activities that the House found to be un-executable, low priority, or likely to receive funding from other international donors. The Senate adopted an amendment by Senators Dorgan and Wyden reducing Iraq reconstruction by \$1.855 billion. The Senate cuts were identical to those approved by the House, with an additional reduction of \$200 million for oil infrastructure rehabilitation. The conference agreement closely follows the reductions proposed in both House and Senate bills, including the Senate’s cut of \$200 million for emergency supplies of refined oil petroleum products. While the enacted legislation provides \$18.649 billion for the Iraq Relief and Reconstruction Fund – \$1.655 billion less than requested – the bill further transfers \$210 million from the Fund to assistance for Jordan, Liberia, and Sudan. Consequently, the President’s \$20.3 billion proposal for Iraq was reduced by Congress to \$18.439 billion, a cut of \$1.885 billion. See **Table 5** above for details of sector and project reductions directed by Congress.

Afghanistan Reconstruction

Afghanistan Supplemental. The Administration’s \$1.2 billion supplemental aid request was made up of \$799 million from new appropriations and \$390 million from previously appropriated DOD, State Department, and USAID funds, which together would more than double current U.S. assistance to Afghanistan for FY2003. The proposal came at a time of growing criticism over delays in aid delivery, deteriorating security conditions, and concern that U.S. and international attention had shifted to Iraq.⁴⁰ Key features of the \$799 million in new

³⁸ “Pentagon Still in Charge in Iraq, Rice Tells Reporters,” American Forces Information Service, Oct. 15, 2003.

³⁹ “In GOP, Concern Over Iraq Price Tag; Some Doubt Need for \$20.3 Billion for Rebuilding,” *Washington Post*, Sept. 26, 2003.

⁴⁰ The supplemental also arrives while Congress is still considering a \$550 million regular FY2004 request for Afghanistan. Over one-third of this total would continue infrastructure rehabilitation, focusing largely on roads, bridges, schools, health clinics, and wastewater facilities. House passed and Senate-reported legislation (Foreign Operations Appropriations, FY2004; H.R. 2800 and S. 1426, respectively) provide not less than \$600

(continued...)

appropriations included targeting projects intended to have the most immediate impact on the lives of the Afghan population, such as

- \$402 million for security, with funding included to train and support police, border patrol, the military and counter-narcotics forces, disarmament and de-mobilization programs, and courthouse construction in Kabul;
- \$129 million to reinforce the authority of the government of Afghanistan with budget support for high priority projects, technical experts placed in Afghan ministries, and voter registration and election support;
- \$105 million for completion of the Kabul-Kandahar-Herat major highway, a program jointly financed by the United States, Japan, and Saudi Arabia; and
- \$163 million for social programs and critical infrastructure, including education, health, and local projects.

An additional \$390 million would be made available from reallocated, prior-year funds, but the Administration did not specify how they would be used. The White House further asked that the \$300 million limit on military drawdowns from DOD stocks enacted in the Afghanistan Freedom Support Act of 2002 (P.L. 107-327) be increased to \$600 million.

Table 6. Afghanistan Supplemental: Sector Allocation
(\$ in millions)

Sector/Program	Request	Senate	House	Enacted
Economic Reconstruction:				
Disarmament, Demobilization, Reintegration	\$60	\$60	\$30	\$30
Govt of Afghanistan support	\$37	\$37	\$70	\$70
Elections/Governance	\$37	\$37	\$69	\$69
Experts/Policy	\$20	\$20	^a	^a
Roads	\$105	\$105	\$191	\$181
Schools/Education	\$40	\$40	\$95	\$95
Health Services and Clinics	\$28	\$28	\$49	\$49
Provincial Reconstruction Teams	\$50	\$50	\$50	\$58

⁴⁰ (...continued)
million for Afghanistan.

Private Sector/Power Generation	\$45	\$45	\$95	\$95
Water Projects	—	—	\$23	\$23
Economic Reconstruction Total	\$422	\$422	\$672	\$672
Security/Military Assistance:				
Police/Rule of Law	\$120	\$120	\$170	\$170
Afghan National Army	\$222	\$222	\$297	\$287
Karzai Protection/Anti-Terrorism	\$35	\$35	\$35	\$35
Security/Military Aid Total	\$377	\$377	\$502	\$492
TOTAL, Afghanistan^b	\$799	\$799	\$1,174	\$1,164

a. House bill and conference agreement included funding for Experts and Policy within the category for Elections and Improved Governance.

b. Total does not include \$61 million provided by the Senate for a USAID interim facility in Kabul, \$44 million provided in the House bill for an annex to the U.S. embassy in Kabul, or \$56.6 million provided in the conference agreement for USAID operating expenses in Afghanistan, a USAID interim facility in Kabul, and the USAID Inspector General.

As demonstrated in Table 6, the enacted legislation increased the overall reconstruction funding from new appropriations by \$365 million with significant changes over the Administration's request in allocations for infrastructure (particularly power generation and road construction), governance, and social services. Of note, the conference agreement includes an earmark of \$60 million from the ESF for women's programs, including technical and vocational education, programs for women and girls against sexual abuse and trafficking, shelters for women and girls, humanitarian assistance for widows, support of women-led NGOs, and programs for and training on women's rights.

The conference agreement also amends the authorization levels in the Afghanistan Freedom Support Act of 2002 (P.L. 107-327) to be consistent with the levels of funding provided in the FY04 Supplemental and H.R. 2800.

Background. Since the beginning of post-conflict aid in late 2001, U.S. assistance has focused on three broad areas: security, governance, and reconstruction.

Security. Much of the U.S. program for Afghanistan is intended to establish security institutions to bolster the authority of the central government and prevent the regrouping of the Taliban or Al Qaeda. The pillars of this effort are (1) the presence of an International Security Assistance Force (ISAF); (2) the establishment and training of an Afghan National Army; (3) the demobilization of private militias; and (4) the formation of "Provincial Reconstruction Teams" (PRTs).

Despite their defeat, Taliban groups reportedly continue to operate in Afghanistan, mostly in the southeast, targeting U.S. and Afghan forces and creating a perception of continuing insecurity. Factional in-fighting and increased criminal activity have also undermined humanitarian operations. In some cases, where

international operations have been directly targeted, this has led to the temporary suspension of U.N. missions or withdrawal of aid agencies from certain areas.

In mid-December 2002, the Defense Department said it would work to create secure conditions for aid workers by forming eight “Provincial Reconstruction Teams” (PRTs) composed of about 60 U.S. forces plus Defense Department civil affairs officers, representatives of U.S. aid and other agencies, and allied and some Afghan personnel. The objective of the PRTs is to provide safe havens for international aid workers, to help with reconstruction, and to extend the writ of the Kabul government throughout Afghanistan. PRTs, each with about 60 U.S. military personnel, have begun operations at Gardez, Bamiyan, Konduz, and Mazar-e-Sharif. The PRT in Mazar-e-Sharif is led by Britain and the one in Bamiyan is led by New Zealand. Reportedly, the United States might be considering increasing the PRT program to 16 such enclaves in which Germany and others may take a leadership role. Some report the Provincial Reconstruction Teams (PRTs) are helping the security situation in their deployed areas, but other reports dispute their effectiveness.

Governance and Institution Building. A conference in Bonn in December 2001, held as the Taliban regime was falling in the U.S.-led war, the pro-U.S. Pashtun leader Hamid Karzai was selected chairman of the interim administration and the *loya jirga*, held during June 11 - 19, 2002, selected him to continue to lead Afghanistan until national elections are held sometime in 2004.

The *loya jirga* adjourned without establishing a new parliament. The scope and powers of such a body might be dependent on the outcome of a “constitutional *loya jirga*,” which is expected to fashion a permanent governing structure in a new constitution. This assembly was to be held in October 2003, but it has now been put off until December 2003. However, the draft constitution was made public on November 3, 2003. Observers say that preparations for the 2004 elections have also fallen behind and that the elections might be delayed beyond the planned June 2004 time frame, although the United Nations and the Afghan government have begun a program to register voters.

Concerns remain about the power of regional leaders and their relative independence from central government authority, although Karzai has moved since May 2003 to bolster his authority in Kabul by shuffling or firing some local leaders. In the runup to the planned 2004 Afghan national elections, the United States plans to try to bolster the efficiency and effectiveness of the Kabul government by placing about 120 U.S. officials as advisers to various Afghan ministries.

Reconstruction. The international recovery and reconstruction effort in Afghanistan is immense and complicated, involving the Afghan government, numerous U.N. agencies, bilateral donors, many international organizations, and countless non-governmental organizations (NGOs). Intended outcomes of the reconstruction process identified by the international community and the Afghan government include political stability and security, access to basic services, an adequate standard of living for the Afghan people, economic growth, and, in the long term, independence from foreign aid.

According to many observers, successful reconstruction will stop disillusionment with the new system in Afghanistan and will keep Afghanistan from again becoming a haven for terrorists. Programs intended to yield benefits within a short time frame (four to six months) initiated the transition from the humanitarian relief phase to programs targeted toward reconstruction. These so-called “quick impact” programs were followed by more long-term programs in education, health, poppy eradication, and other areas. Numerous small-scale and some large longer-term projects, mostly for road reconstruction, are currently underway.

Table 7. U.S. Assistance to Afghanistan
(\$s – billions)

FY2001	FY2002	FY2003 Estimate	FY2004 Request	FY2004 House	FY2004 Senate	FY2004 Supplemental
\$0.184	\$0.686	\$0.711	\$0.550	\$0.600	\$0.600	\$1.164

Issues.

Reconstruction Priorities and Progress. According to some observers, Afghans have become frustrated with what they perceive to be a lack of progress on reconstruction.⁴¹ Many factors may be slowing the reconstruction effort: lack of security, lack of human and physical capacity to implement substantial reconstruction, funding shortages, and funding predominately going towards the continuing humanitarian crisis and towards the administrative costs of the international donor community. Analysts agree that both enhanced security and progress on reconstruction are necessary in order to sustain international donor involvement in Afghan reconstruction, encourage private investment in Afghanistan, and maintain Afghans’ hope for improvement in their country and their own lives.

Effective reconstruction assistance, according to USAID, could reduce the war and drug economies and provide incentives for beneficial economic growth, such as government capacity building, employment generation, and agricultural rehabilitation. Other reconstruction initiatives include road construction, urban reconstruction, infrastructure repair, energy development, and programs for women, education, health, and the media. The strength and influence of the central government is viewed as a key factor in the success of the intervention and assistance on the part of the international community.

Impact of Efforts to Accelerate Reconstruction. The international community and the Afghan government are now seeking to increase the pace of reconstruction. If progress on security, road construction, and reconstruction efforts are made in advance of the 2004 elections, it could increase the chances of the

⁴¹ Rashid, Ahmed. “Afghanistan is Waiting for This.” *Far Eastern Economic Review*, Aug. 7, 2003; “US to Revamp Afghan Efforts.” *Chicago Tribune*, Aug. 18, 2003.

success of moderates in those elections. Supporters argue that additional funding could also have an impact on decisions by the international donor community, possibly resulting in larger contributions. It could also help efforts now being discussed to expand the International Security Assistance Force (ISAF), which is currently limited to Kabul.

Increased funding may also have negative effects. There are concerns that more money could add to the already high levels of corruption. Some experts are concerned about absorption capacity and whether additional funds can be allocated quickly and effectively. If progress is not achieved, the increase may be seen as largely symbolic and ineffective. Others have raised the possibility that the United States will be perceived as giving too much support to the Karzai government in advance of the elections next spring.

Other Donors. So far, the international community has continued to provide significant amounts of aid and resources for the reconstruction effort, although Afghanistan officials have reportedly complained about the slow pace at which pledged funds were being paid. Among examples of other reconstruction efforts by other countries, Italy is providing advice on judicial reform and Germany is helping establish a national police force. The United States, Japan, and Saudi Arabia are financing the building of the Kabul-Kandahar-Herat highway.

Some experts consider a long-term commitment will be necessary to ensure a stable, democratic Afghanistan emerges. The outcome of the international donors conference in January 2002 and of other donor conferences since then indicate a willingness on the part of the international community to assist in the restoration of Afghanistan. However, in a preliminary needs assessment presented in January 2002 by UNDP, the World Bank, and the Asian Development Bank, reconstruction costs were estimated to be more than \$15 billion over the next decade.⁴² United Nations and Afghan government officials have since reportedly said \$15 billion will be needed over 5 years.⁴³ Amounts pledged and committed to date fall well below these estimates. With the estimates on the significant cost of Iraq reconstruction now emerging, some are concerned that international donors might shift their focus to Iraq reconstruction, and lose interest or run too low on resources to continue to participate in Afghan reconstruction.

Other Global War on Terrorism Foreign Policy Initiatives

The supplemental proposal also included \$201 million for four other foreign policy initiatives labeled by the Administration as “Other Global War on Terrorism” programs:

- \$50 million for terrorist rewards for information leading to the capture or killing of Saddam Hussein and Osama bin Laden,

⁴² “Donors Receive Estimates of Afghanistan’s Reconstruction Ahead of Tokyo Conference,” UNDP Press Release, Jan. 15, 2002.

⁴³ “Can Afghan Reconstruction Surge After Latest Violence,” *Eurasia Insight*, Aug. 20, 2003.

- \$11 million for additional diplomatic security,
- \$40 million for USAID facilities, operations, and security in Iraq and Afghanistan, and
- \$100 million for an Emergency Fund for Complex Foreign Crises

Congress has considered a request to create a foreign policy contingency fund twice this year as part of the regular FY2004 Foreign Operations appropriations and the FY2003 Iraq war supplemental. For many years, Administrations have asked Congress for various types of contingency resources that can be drawn upon immediately to address unanticipated foreign policy emergencies. Except in the case of humanitarian situations, however, Congress has been reluctant to support such requests, stating that the President has other mechanisms and special authorities for temporarily “borrowing” funds from other aid accounts over which Congress can maintain closer scrutiny and consult in advance about the purposes of the transfers. Congress deferred the proposal in the FY2003 supplemental (P.L. 108-11), choosing instead to allocate the resources for specific needs in Iraq and for coalition partners. Thus far, House and Senate-passed FY2004 Foreign Operations appropriation bills (H.R. 2800), do not provide money for a Complex Foreign Crises Fund, as requested by the Administration.

As enacted, the supplemental legislation includes relief aid for Liberia and Sudan in lieu of appropriating money for the more general Emergency Fund for Complex Crises. Congress provided \$200 million specifically for Liberia, and \$10 million for Sudan.

The supplemental proposal further included two provisions concerning Pakistan. The first would extend through FY2004 an existing waiver on aid restrictions to Pakistan. Since September 11, 2001, Congress has authorized temporary waivers of foreign aid restrictions regarding nuclear proliferation and military coups that would prohibit Pakistan from receiving U.S. assistance. The current waiver expires on September 30, 2003. The supplemental also requested that up to \$200 million in FY2004 economic aid to Pakistan be made available to cover the costs of canceling debt owed by Pakistan to the United States. As enacted, the supplemental includes the aid waiver for Pakistan, plus \$200 million in economic aid for Islamabad which may be used for debt reduction in lieu direct grant assistance. This will presumably remove the need for Congress to consider the debt reduction request, and a \$200 million aid proposal for Pakistan when it concludes deliberation on the regular FY2004 Foreign Operations spending measure. The enacted supplemental further provides \$100 million in additional economic aid for Jordan that had not been requested. This too could reduce the amount necessary for Congress to include for Jordan in the regular pending Foreign Operations bill for FY2004.

Legislation

S. 1689 (Stevens)

An original bill making emergency supplemental appropriations for Iraq and Afghanistan security and reconstruction for the fiscal year ending September 30, 2004, and for other purposes. Senate Appropriations Committee consideration and

markup held, September 30, 2003. Report filed by the Senate Appropriations Committee, October 2, 2003, S.Rept. 108-160. Considered on the Senate floor, October 1, 2, 3, 14, 15, 16, and 17, 2003. Passed by the Senate with amendments (87-12), October 17, 2003. Incorporated into H.R. 3289 as an amendment and passage of S. 1689 vitiated, October 17, 2003.

H.R. 3289 (Young)

Making emergency supplemental appropriations for defense and for the reconstruction of Iraq and Afghanistan for the fiscal year ending September 30, 2004, and for other purposes. House Appropriations Committee markup held and ordered to be reported, October 9, 2003. Reported by the House Appropriations Committee (H.Rept. 108-312), October 14, 2003. Considered on the House floor, October 15, 16, and 17, 2003. Passed by the House, with amendments, October 17, 2003 (305-125). Considered by the Senate, Senate struck all after the enacting clause and substituted the language of S. 1689, passed by the Senate by unanimous consent, and Senate requested a conference, October 17, 2003. House agreed to a motion to instruct conferees (277-139) and appointed conferees, October 21, 2003. Conference held and conference report agreed to, October 29, 2003. Conference report filed (H.Rept. 108-337) October 30, 2003. Conference report agreed to in the House (298-121) October 31, 2003. Conference report agreed to in the Senate, by voice vote, November 3, 2003. Signed into law by the President (P.L. 108-106), November 6, 2003.

For Additional Reading

CRS Resources

CRS Report RL31187. *Combating Terrorism: 2001 Congressional Debate on Emergency Supplemental Allocations*, by (name redacted) and (name redacted).

CRS Report RS21644. *Defense Funding by Mission For Iraq, Afghanistan, and Homeland Security: Issues and Implications*, by (name redacted).

CRS Report RL31999. *Disaster Relief and Response: FY2003 Supplemental Appropriations*, by (name redacted).

CRS Report RL31829. *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*, by (name redacted) and (name redacted).

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CRS Report RL31715, *Iraq War: Current Situation and Issues for Congress*, by (name redacted) (Coordinator).

CRS products on Afghanistan

[<http://www.congress.gov/erp/hotmap/afghanistan.html>]

CRS products on Iraq

[<http://www.congress.gov/erp/hotmap/iraq.html>]

CRS products on defense policy and budgets

[<http://www.crs.gov/products/browse/all-legislative-categories.shtml#Defense>]

CRS products on foreign affairs

[http://www.crs.gov/products/browse/all-legislative-categories.shtml#Foreign_Affairs-Global]

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Congressional Budget Office, “Letter to the Honorable John M. Spratt, Jr. Regarding the Estimated Costs for the Occupation of Iraq,” October 28, 2003. Available electronically at [<ftp://ftp.cbo.gov/46xx/doc4683/10-28-Spratt.pdf>].

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Congressional Budget Office, “Letter to the Honorable Pete V. Domenici Regarding the Cost of Activities Related to the Military Operations Taking Place in and Around Afghanistan,” April 2002. Available electronically at [<http://www.cbo.gov/showdoc.cfm?index=3362&sequence=0>].

Council on Foreign Relations, “Iraq: The Day After — Report of an Independent Task Force on Post-Conflict Iraq,” Thomas R. Pickering and James R. Schlesinger, Co-Chairs, Eric P. Schwartz, Project Director, March 12, 2003. Available electronically at [<http://www.cfr.org/publication.php?id=5681>].

House Budget Committee Democratic Staff, “Assessing the Cost of Military Action Against Iraq: Using Desert Shield/Desert Storm as a Basis for Estimates,” September 23, 2002. Available electronically at [http://www.house.gov/budget_democrats/analyses/spending/iraqi_cost_report.pdf].

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Appendix

Table A1. Costs of Major U.S. Wars
(amounts in millions and billions of dollars)

American Revolution		
Current Year	\$120	million
Constant FY2003 \$	\$3,177	million
War of 1812		
Current Year	\$89	million
Constant FY2003 \$	\$1,000	million
Mexican War		
Current Year	\$82	million
Constant FY2003 \$	\$1,765	million
Civil War: Union		
Current Year	\$2,300	million
Constant FY2003 \$	\$50,001	million
Civil War: Confederacy		
Current Year	\$1,000	million
Constant FY2003 \$	\$21,765	million
Spanish American War		
Current Year	\$270	million
Constant FY2003 \$	\$6,471	million
World War I*		
Current Year	\$33	billion
Constant FY2003 \$	\$588	billion
World War II		
Current Year	\$360	billion
Constant FY2003 \$	\$4,799	billion
Korea		
Current Year	\$50	billion
Constant FY2003 \$	\$408	billion
Vietnam		
Current Year	\$111	billion
Constant FY2003 \$	\$584	billion
Persian Gulf War (1991)**		
Current Year	\$61	billion
Constant FY2003 \$	\$82	billion

Sources and Notes: American Revolution through Korean War costs from the *Statistical Abstract of the United States*, 1994; deflators and all other data from the Office of the Under Secretary of Defense (Comptroller). FY2003 \$ figures for American Revolution through the Korean War were updated from FY1967 constant dollar figures cited in the *Statistical Abstract*.

* World War I figures include the amount of war loans to allies, which totaled between \$9.4 and \$9.5 billion in current year dollars, or 28%-29% of the total cost.

** Most Persian Gulf War costs were offset by allied contributions or were absorbed by DOD. Net costs to U.S. taxpayers totaled \$4.7 billion in current year dollars, or 7.7% of the total cost. Source: *Department of Defense Annual Report to Congress*, Jan. 1993.

Table A2. Costs of Major Reconstruction Efforts
(amounts in billions of dollars)

Marshall Plan (1948-1951)	
Current Year \$	\$13.325
Constant FY2003 \$	\$105.037
Bosnia (1996-1999)*	
Current Year \$	\$0.936
Constant FY2003 \$	\$1.041
Kosovo (1999-2001)*	
Current Year \$	\$0.860
Constant FY2003 \$	\$0.916
Afghanistan (2001-2003)	
Current Year \$	\$1.174
Constant FY2003 \$	\$1.185

Sources and Notes: U.S. Agency for International Development, Department of State, and House and Senate Appropriations Committees. Deflators are from Office of Management and Budget, February 2003.

* Although the United States continues to provide economic assistance to Bosnia and Kosovo, figures shown here reflect amounts of humanitarian and reconstruction aid transferred during the post-conflict, “reconstruction” phase of economic and social stabilization efforts.

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