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Evening News
Thu 23 Oct 2003

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£3bn Iraq rebuilding cash 'goes missing'

BILL JACOBS WESTMINSTER EDITOR

A NEW Iraq scandal erupted today as a report claimed billions of dollars earmarked for rebuilding the country have vanished after being handed to the United States-controlled governing body in Baghdad.

At least \$5 billion (£3bn) has been passed to the ruling Coalition Provisional Authority (CPA), a leading UK aid agency has calculated.

But only a fifth of those development funds have been accounted for, figures unearthed by Christian Aid show.

And that missing four billion dollar "black hole" will double by the end of the year unless the CPA's accounts are made public.

The allegations emerged as British aid agencies claimed millions of pounds of government aid cash will have to be diverted from poor countries in South America, Eastern and Central Asia to rebuilding Iraq.

And they threaten to undermine a conference in Spain, where the United Nations and World Bank hopes to raise £20 billion to pay for the reconstruction of the country following the toppling of Saddam Hussein.

Prime Minister Tony Blair was today challenged by the charities to account for the missing \$5bn, mainly from oil revenue, as donors conference involving 60 countries got under way in Madrid.

A spokesman for the CPA denied that the money had been lost or misused and promised that all the cash would be fully accounted for.

The Mr Blair and US President George Bush last week won a new UN resolution calling for international contributions of money and troops. The donations will go into a new fund overseen by the UN and the World Bank.

But failure to show where the existing cash has gone will fuel suspicion among Iraqis that large amounts are being creamed off by US firms given contracts to rebuild the country, Christian Aid said.

One senior European diplomat told the charity: "We have absolutely no idea how the money has been spent.

"I wish I knew, but we just don't know. We have absolutely no idea."

Roger Riddell, Christian Aid's international director, called the situation "little short of scandalous". He said: "The British Government must use its position of second in command of the CPA to demand full disclosure of this money and its proper allocation in the future.

"This is Iraqi money. The people of Iraq must know where it is going and it should be used for the benefit of all the country's people - particularly the poorest."

The UN transferred \$1 billion from its old Oil for Food Programme to the new Development Fund For Iraq earlier this year.

The same UN resolution was supposed to set up an International Advisory and Monitoring Board to oversee the accounts.

It has not materialised and the only funds accounted for so far are one billion dollars spent by the Programme Review Board.

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However, the CPA has received \$2.5bn in assets seized from Saddam Hussein's regime in Iraq and abroad, Christian Aid reveals.

And it calculates oil revenue has contributed at least another \$1.5bn since the war.

Officials in Madrid admit that the latest allegations will make it even more difficult to raise the £20bn needed to rebuild Iraq and fuel potential donor countries' suspicions that the main beneficiaries of the reconstruction programme are big US firms.

They expect little more than £3 billion to be raised.

And further concerns have been voiced over the news that the UK is reducing overseas aid to South American, Eastern European and central Asian countries because of the cost of rebuilding Iraq.

A group of UK overseas aid charities said at least £100 million would have to be diverted to help pay for Britain's commitment to provide £267 million over the next two years to deal with the aftermath of the Gulf War.

International Development Secretary Hillary Benn admitted the shift in resources today but said that Iraq now qualified as a low income country.

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