

Iraq's Budget Surplus Could Top \$79 Billion on High Oil Prices

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BAGHDAD — Iraq is paying for more of its own reconstruction but is still struggling to spend its multibillion-dollar surplus as it copes with a flood of oil revenue and a cumbersome approval process meant to curb corruption, U.S. officials said Wednesday.



Iraq could finish the year with as much as a \$79 billion cumulative budget surplus as oil revenues add to leftover income the Iraqis still haven't spent on national rebuilding, according to a report by the Government Accountability Office (GAO) made public Tuesday.

U.S. officials who work with the Iraqis on reconstruction said the Baghdad government has been increasing its capital spending by 30 to 35 percent each year since 2006 — although they added that both

governments want to see the pace increased. The Iraqi government is drafting plans for Iraqi-funded projects to include 1,000 new primary health care centers over the next 10 years, new airports and a major renovation project for downtown Baghdad, the American officials said.

In the report, the GAO said Iraq had an estimated budget surplus of about \$29 billion from 2005 to 2007 and could have an additional surplus of up to \$50 billion this year. Nearly \$10 billion of the estimated surplus is held by the Development Fund for Iraq at the Federal Reserve Bank of New York, according to the report. The rest of the money is at the Central Bank of Iraq and in Iraqi commercial banks. The expected surplus is likely to be lower because parliament Wednesday approved legislation for a \$21 billion supplemental budget for 2008. The report also estimated that this year Iraq could generate \$67 billion to \$79 billion in oil sales. Other U.S. officials previously had said they expected the oil windfall to be about \$70 billion.

"This substantial increase in revenues offers the Iraqi government the potential to better finance its own security and economic needs," the GAO said. "The Iraqi government now has tens of billions of dollars at its disposal to fund large-scale reconstruction projects," Sen. Carl Levin, Democrat -Michigan said in a statement. "It is inexcusable for U.S. taxpayers to continue to foot the bill for projects the Iraqis are fully capable of funding themselves," Levin said.

But the U.S. officials said the influx of oil money had been difficult to manage, not only for Iraq but for other oil-producing countries. Other problems cited by the officials included a cumbersome approval process — put in place to curb corruption — lack of expertise in the ministries and a shortage of Iraqi contractors capable of taking on major development projects.

1. In appropriate paragraph form, do you agree or disagree with Senator Carl Levin's statement regarding U.S. taxpayers continuing to accept financial responsibility of Iraq's reconstruction projects? Explain. **(GPS – Grades 6 – 8: MRC a, d)**
2. Approximately what percentage of the estimated surplus is presently being held by the Development Fund for Iraq at the Federal Reserve Bank of New York? In your personal opinion, do you believe it is appropriate that these funds are being maintained within a U.S. financial institution? Explain your reasoning using words, numbers, and/or pictures. **(GPS – Grade 6: M6P1 – M6P; MRC; M6N1f)**
3. Compare and order all of the monetary figures addressed in the passage above on a number line. Identify and define what is meant by the absolute value of each number. Explain the benefits derived from organizing data in this specific format. What is the difference amongst the two estimated figures that Iraq could generate this year alone as identified in the GAO report? Identify at least three reasons as to why such a major disparity exists amongst the two projected figures. Explain. **(GPS Grade 7: M7P1 – M7P; MRC; M7N1a – d)**
4. How much has Iraq's estimated budget surplus increased over the past three years? At a constant rate of growth, design an equation in slope intercept form ($y=mx + b$), graph, and table outlining projected surpluses through 2011. Does this information represent a linear relationship? Explain. **(GPS Grade 8: M8P1 – M8P5; M8A1a, e; M8A3e, f, g, h, I; M8A4f, g)**
5. Upon completion of this assignment, how far have we progressed through the 2008-09 series of *The Daughtry Times*®? Express your answer as a fraction, decimal, percentage, and pie chart. **(GPS – Grade 6: M6N1f, g; M6D1c; Grade 7: M7D1f)**
6. Using contextual clues only, define the following italicized words: *cumulative*, *parliament*, *renovation*, *supplemental*, and *cumbersome* obtained from the passage above. Additionally, use each word in a complete sentence to demonstrate further comprehension. **(GPS – Grades 6 –8: MRC a, c, d)**