

IRAQI FUNDS OBLIGATED FOR RECONSTRUCTION ACTIVITY BY CPA

During the *Coalition Provisional Authority (CPA)* period, many reconstruction projects were funded by these Iraqi funds:

- *Seized funds* were former Iraqi regime monies confiscated by Coalition forces.
- *Vested funds* were Iraqi funds in U.S. banks that were frozen by executive order, vested in the U.S. Treasury, and authorized for use to benefit the people of Iraq.
- The *Development Fund for Iraq (DFI)* was created by UN Security Council Resolution 1483 (UNSCR 1483). Proceeds from Iraqi oil sales, repatriated assets from the United States and other nations, and deposits from unencumbered Oil-for-Food (OFF) funds were all to be deposited in the DFI and managed by the CPA.

Seized Funds

Coalition military forces seized \$926.8 million from the former regime. Current Defense

Finance and Accounting Service (DFAS) accounting systems show that \$914 million (99%) was obligated during the CPA period, and \$898 million (98%) was expended, as of March 31, 2007. U.S. Army accounting officials have not reconciled or fully audited the totals for seized funds. Most seized assets were used for:

- non-ministry repairs of Iraqi infrastructure and humanitarian assistance
- Iraqi ministry operations
- Rapid Regional Response Program (RRRP or R3P)
- Commander's Emergency Response Program (CERP)
- fuel products (propane, diesel, heating oil, etc.) for the Iraqi civilian population

For a detailed list of seized funds program expenditures, see Table H-1.

SEIZED FUNDS EXPEDITURES CPA PERIOD, AS OF 3/31/2007 (MILLIONS)

PROGRAM CATEGORY	CEILING	OBLIGATED	EXPENDED
Non-ministry Repair/Reconstruction/Humanitarian Assistance	\$337.3	\$334.2	\$318.5
Ministry Operations	263.1	262.7	262.7
Brigade Commanders' Discretionary Fund & CERP	200.1	198.4	198.4
Benzene and Liquid Propane Gas Purchase	90.0	87.2	87.2
Stipend Pay	31.0	30.8	30.8
Iraqi Constitutional Convention IT Support	3.8	0.0	0.0
Ministry of Finance—MANPADS Weapons Buyback Program	1.5	0.7	0.5
Total	\$926.8	\$914.0	\$898.9

Source: Defense Finance & Accounting Service
Note: Gasoline is referred to as benzene in Iraq.

Table H-1

Vested Funds

In response to a UN resolution passed after the first Gulf War, the United States froze Iraqi assets (UNSCR 661, August 1990; Presidential Executive Order 12817, October 23, 1992). On March 20, 2003, Presidential Executive Order 13290 authorized the use of these funds to benefit the people of Iraq. As of March 31, 2007, the obligated \$1.7 billion was fully expended, according to accounting records provided by DFAS. Vested funds were used primarily for:

- Iraqi civil servant salaries, pensions, and individual relief payments
- Iraqi ministry operations
- repair and reconstruction

For a detailed list of expenditures from vested funds, see Table H-2.

Development Fund for Iraq

The DFI was created in May 2003 to serve as the primary financial vehicle for channeling revenue from Iraqi oil sales, unencumbered OFF deposits, and repatriated Iraqi assets to the relief and reconstruction of Iraq.

DFI TRANSITION SUB-ACCOUNT

After the transfer of governance authority to the Iraqi Interim Government on June 28, 2004, the Iraqi Minister of Finance authorized the U.S. government to disburse against DFI-funded contracts awarded before the transition. For this purpose, a separate sub-account, the “Central Bank of Iraq/Development Fund for Iraq/Transition,” was created at the Federal Reserve Bank of New York to enable payment for work on those contracts. In addition to the Federal Reserve funds, cash has been provided

VESTED ASSETS SENT TO IRAQ, AS OF 3/31/2007 (MILLIONS)

PROGRAM CATEGORY	CEILINGS	OBLIGATIONS	DISBURSEMENTS
Salaries, Regular Payments Iraqi	\$1,009.8	\$1,006.7	\$1,006.4
Ministry Operations	375.6	357.9	356.8
Non-ministry Repair	129.5	123.7	121.5
Regular Pension Payments	99.5	99.5	99.5
Salaries, Emergency Payments	79.9	78.8	78.8
Mobile Radios (Emergency)	15.8	15.8	15.4
Hospital Generators	9.0	8.2	8.2
Emergency Projects < \$200,000	2.5	2.5	2.5
Fire Stations	2.2	1.1	1.1
Stipend Pay	0.2	0.1	0.0
Other Salaries, Special Workers	0.1	0.1	0.1
Undistributed Disbursements	0	0	0.2
Total	\$1,724.1	\$1,694.4	\$1,690.5

Source: Defense Finance & Accounting Service

TABLE H-2

DFI SUB-ACCOUNT FUND STATUS, AS OF 3/31/2007 (MILLIONS)

SOURCES OF FUNDS	BANK	CASH
Beginning Balance	\$800.0	\$217.7
New Income Additional IIG Funds	2,000.0	
Transfer Seized/Vested	21.8	
Interest Earned	5.3	
Total Funding	\$2,827.1	\$217.7
USES OF FUNDS	BANK	CASH
Allocated and Paid	\$2,336.1	\$193.3
DFI Balance	\$491.0	\$24.4

Source: Joint Area Support Group

TABLE H-3

to enable payment in Iraq for those projects that require this method of payment.

On June 15, 2004, the Iraqi Minister of Finance designated the U.S. mission to administer and make payments on those DFI contracts:

- entered into before June 28, 2004
- not secured by a letter of credit
- under the limit of \$800 million

This initial limit was intended as a first step toward financing continuity for these contracts because their overall liability substantially exceeds this amount. The Ministry of Finance increased the amount provided to the DFI transition sub-account to meet contract obligations at his discretion.

In December 2004, outstanding DFI sub-account liabilities were estimated at \$3.5 billion. Because of the \$3.017 billion provided by the Iraqi Transitional Government, this created an unfunded liability of \$486.8 million. Last year, the Department of State revised this liability to \$42 million.

Table H-3 provides the DFI fund status and balance, as of March 31, 2007.

This appendix responds to Section 3001 (i)(1)(d) of P.L. 108-106 on reporting of “foreign [Iraqi] assets seized or frozen.”

Iraqi Funds for Reconstruction: Data Clarification

SIGIR compiled data on Iraqi funds for reconstruction from DFAS and the Joint Area Support Group. SIGIR analyzed the data for reasonableness and consistency across sources of data. SIGIR did not review or audit the processes, controls, or systems in place at the providing agency or organization. SIGIR accepted the validity of the data provided and believes that the presentation of Iraqi funds in this Report is a reasonable compilation of the status of Iraqi reconstruction funding through March 31, 2007 (unless an alternative date is noted).