

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 Defense Fund for Iraq (DFI) was created by CPA, and the United Nations (UN) concurred in May 2003 (UNSCR 1483). Proceeds from Iraqi oil sales, repatriated assets from the United States and other nations, and deposits from unencumbered Oil for Food program funds were all to be deposited in the DFI.

Since the transfer of governance authority to Iraq on June 28, 2004, the DFI has belonged to the Iraqi government although it is maintained as a separate account in the New York Federal Reserve Bank. However, the Minister of Finance has agreed to allow the Gulf Region Division-Project and Contracting Office (GRD-PCO) to continue to manage contracts signed prior to the transition and a sub-account of the DFI was created to fund these projects.

Seized Funds

Coalition military forces seized \$926.8 million in funds from the former regime. Cur-

rent Defense Finance and Accounting Service (DFAS) accounting systems show that \$908.47 million (98.02%) was obligated in the CPA period, and \$891.4 million (96.18%) was expended as of June 30, 2006. 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 E-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 of October 23, 1992). Presidential Executive Order 13290 of March 20, 2003, authorized for use in Iraq during the CPA period. As of June 30, 2006, \$1.724 billion had been transferred for use in Iraq, of which \$1.705 billion (98.89%) had been obligated and \$1.69 billion (98.03%) had been expended, according to current accounting records provided by DFAS.

APPENDIX E

SEIZED CURRENCY DURING CPA PERIOD, AS OF JUNE 30, 2006

PROGRAM CATEGORY	CEILINGS	OBLIGATIONS	DISBURSEMENTS
Non-ministry Repair/Reconstruction/Humanitarian Assistance	\$ 337,275,547.00	\$ 325,438,896.00	\$ 311,703,843.00
Ministry Operations	\$ 263,051,462.00	\$ 262,732,989.00	\$ 262,732,989.00
Brigade Commanders Discretionary Fund & CERP	\$ 200,128,000.00	\$ 198,594,023.00	\$ 198,401,036.00
Benzene and Liquid Propane Gas Purchase	\$ 90,000,000.00	\$ 90,035,292.00	\$ 87,184,330.00
Stipend Pay	\$ 31,000,000.00	\$ 30,837,109.00	\$ 30,837,109.00
Iraqi Constitutional Convention IT Support	\$ 3,823,000.00	\$ -	\$ -
Ministry of Finance—MANPADS Weapons Buyback Program	\$ 1,500,000.00	\$ 715,325.00	\$ 457,225.00
Undistributed Disbursements		\$ -	\$ 67,896.00
Total	\$ 926,778,009.00	\$ 908,353,634.00	\$ 891,384,428.00

TABLE E-1

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 E-2.

Development Fund for Iraq

In May 2003, CPA established DFI with UN concurrence 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 on June 28, 2004, the Minister of Finance authorized the U.S. government to disburse against DFI-funded contracts awarded prior to the transition. For this purpose, a separate sub-

VESTED ASSETS SENT TO IRAQ, AS OF JUNE 30, 2006

PROGRAM CATEGORY	CEILINGS	OBLIGATIONS	DISBURSEMENTS
Regular Payments, Iraqi Civil Servants/Other	\$ 1,009,825,000	\$ 1,006,747,179	\$ 1,006,383,958
Ministry Operations	\$ 375,555,000	\$ 370,734,906	\$ 356,818,300
Non-ministry Repair	\$ 129,532,000	\$ 120,250,238	\$ 121,501,206
Regular Payments, Pensioners	\$ 99,510,000	\$ 99,509,995	\$ 99,509,995
Salaries, Emergency Payments	\$ 79,924,000	\$ 78,826,590	\$ 78,826,590
Mobile Radios (Emergency)	\$ 15,800,000	\$ 15,800,000	\$ 15,424,582
Hospital Generators	\$ 9,000,000	\$ 9,000,000	\$ 8,197,645
Emergency Projects—Less than \$200,000	\$ 2,474,705	\$ 2,474,705	\$ 2,474,705
Fire Stations	\$ 2,186,000	\$ 1,094,965	\$ 1,094,965
Stipend Pay	\$ 190,000	\$ 89,480	\$ -
Other Salaries, Special Workers	\$ 134,000	\$ 133,620	\$ 133,620
Total	\$ 1,724,130,705.00	\$ 1,704,661,678.00	\$ 1,690,365,566.00

TABLE E-2

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

On June 15, 2004, the Minister of Finance designated the Director of the Program Management Office (now the GRD-PCO) 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.

CPA officials had possession of \$217.7 million of DFI cash when governance authority was transferred to the Iraqi Transitional Government (ITG). An additional \$84 million of Iraqi funds passed through the DFI sub-account to U.S. military units to fund a matching grant by the ITG (Commanders Humanitarian Relief and Reconstruction Program). This transfer was executed for ease of currency disbursement and is not part of the execution of DFI sub-account contracts.

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

Table E-3 provides the DFI fund status and balance, as of June 30, 2006.

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

DFI SUB-ACCOUNT FUND STATUS, AS OF JUNE 2006 (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	5.6	
Total	\$ 2,800.0	\$ 217.7
USES OF FUNDS	BANK	CASH
Allocated and Paid	\$ 2,221.8	\$ 185.2
Allocated and Unpaid	\$ 605.6	\$ 32.5
DFI Balance	\$ 605.6	\$ 32.5

TABLE E-3