

## 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 CPA.

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

### Seized Funds

Coalition military forces seized \$926.8 million from the former regime. Current Office of Secretary of Defense (OSD) accounting systems show that \$828 million was obligated during the CPA period, and \$811 million (98%) was expended, as of July 3, 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, AS OF 6/30/2007 (MILLIONS)

PROGRAM	COMMITMENTS	OBLIGATIONS	DISBURSEMENTS
Stipend Pay	31.0	30.8	30.8
Non-ministry Repair/Reconstruction/ Humanitarian Assistance	337.3	335.8	319.2
Benzene & Liquid Propane	90.0	87.2	87.2
Bde Cmdr’s Discret Fund	200.1	198.4	198.4
Ministry Operations	263.1	262.7	262.7
Iraqi Constitutional Convention IT Support	3.8	0.0	0.0
MANPADS Weapons Buyback Program	1.5	0.5	.05
<b>Total</b>	<b>\$926.8</b>	<b>\$915.4</b>	<b>\$898.8</b>

Source: DFAS (7/18/07)

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 July 3, 2007, the obligated \$1.7 billion was fully expended (99.8%), according to accounting records provided by OSD. 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 Iraq 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 was provided to enable payment in Iraq for those projects that required this method of payment.

**VESTED ASSETS SENT TO IRAQ, AS OF 6/30/2007 (MILLIONS)**

PROGRAM	COMMITMENTS	OBLIGATIONS	DISBURSEMENTS
Emergency Payments	79.9	78.8	78.8
Regular Payments Iraqi Civil Servants/Other	1009.8	1006.7	1006.4
Regular Payments Pensioners	99.5	99.5	99.5
Stipend Pay	0.2	0.09	0
Specialized Workers	0.1	0.1	0.1
Non-ministry Repair/Reconstruction/Humanitarian Assistance	129.5	123.7	121.5
Emergency Projects, Less than \$200,000	2.5	2.5	2.5
Mobile Radios (Emergency)	15.8	15.8	15.4
Fire Stations	2.2	1.1	1.1
Hospital Generators	9	8.2	8.2
Ministry Operations	375.6	357.9	356.8
<b>Total</b>	<b>\$1,724.1</b>	<b>\$1,694.4</b>	<b>\$1,690.3</b>

Source: DFAS (7/18/07)

TABLE H-2

**DFI SUB-ACCOUNT FUND STATUS, AS OF 6/30/2007** (MILLIONS)

<b>SOURCES OF FUNDS</b>	<b>BANK</b>	<b>CASH</b>
Beginning Balance	\$800.0	\$217.7
New Income Additional IIG Funds	2,000.0	
Transfer Seized/Vested	21.8	
Interest Earned	5.3	
<b>Total Funding</b>	<b>\$2,827.1</b>	<b>\$217.7</b>
<b>USES OF FUNDS</b>	<b>BANK</b>	<b>CASH</b>
Allocated and Paid	\$2,344.5	\$193.2
<b>DFI Balance</b>	<b>\$482.6</b>	<b>\$24.5</b>

Source: Joint Area Support Group, response to SIGIR, July 3, 2007

TABLE H-3

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 exceeded 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.

### **Iraqi Funds for Reconstruction: Data Clarification**

SIGIR compiled data on Iraqi funds for reconstruction from Office of Secretary of Defense 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 June 30, 2007 (unless an alternative date is noted).