

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) program funds were all to be deposited in the DFI and managed by the CPA.
- 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 G-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). Presidential Executive Order 13290 of March 20, 2003, authorized the use of these funds to benefit the people of Iraq. As of September 30, 2006, \$1.72 billion had been transferred for use in Iraq, of which \$1.70 billion (99%) had been obligated and \$1.69 billion (98%) had been 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 G-2.

Seized Funds

Coalition military forces seized \$926.8 million in funds from the former regime. Current Defense Finance and Accounting Service (DFAS) accounting systems show that \$909.5 million (98%) was obligated during the CPA period, and \$897 million (97%) was expended as of September 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

SEIZED CURRENCY DURING CPA PERIOD, AS OF SEPTEMBER 30, 2006 (millions)

PROGRAM CATEGORY	CEILINGS	OBLIGATIONS	DISBURSEMENTS
Non-ministry Repair/Reconstruction/Humanitarian Assistance	\$356.8	\$329.7	\$317.4
Ministry Operations	257.6	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	17.0	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	\$909.5	\$897.0

Source: Defense Finance & Accounting Service

TABLE G-1

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 prior to 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

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

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	\$9.0	\$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			\$0.2
Total	\$1,724.1	\$1,695.2	\$1,690.4

Source: Defense Finance & Accounting Service

TABLE G-2

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 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 G-3 provides the DFI fund status and balance, as of September 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 SEPTEMBER 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 Funding	\$2,827.4	\$217.7
USES OF FUNDS	BANK	CASH
Allocated and Paid	\$2,225.7	\$191.7
DFI Balance	\$601.7	\$26.0

Source: Joint Area Support Group

TABLE G-3