

## 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 \$926.78 million from the former regime. Current Defense Finance and Accounting Service (DFAS) accounting systems show that \$915.44 million was obligated, and \$904.55 (nearly 99% of the obligated amount) was expended, as of September 30, 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
- Regional Director’s and Commander’s Emergency Response Program
- 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 9/30/2007 (\$ MILLIONS)

PROGRAM	COMMITMENTS	OBLIGATIONS	DISBURSEMENTS
Stipend Pay	\$30.84	\$30.84	\$30.84
Salaries Emergency Payments	6.82	0.00	0.00
Non-ministry Repair/Reconstruction/ Humanitarian Assistance	337.28	335.80	324.94
Benzene and Liquid Propane	90.00	87.18	87.18
Regional Director’s and Commander’s Emergency Response Program	198.40	198.40	198.40
Ministry Operations	262.73	262.73	262.73
MANPACK Buyback Program	.71	.49	.46
<b>Total</b>	<b>\$926.78</b>	<b>\$915.44</b>	<b>\$904.55</b>

Source: DFAS, response to SIGIR data call, October 22, 2007.  
Note: Numbers are affected by rounding.

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 September 30, 2007, the obligated \$1.69 billion was virtually expended (99.8%), 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
- non-ministry repairs, reconstruction, and humanitarian assistance

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

### Development Fund for Iraq

In May 2003, the DFI was created 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 9/30/2007 (\$ MILLIONS)

PROGRAM	COMMITMENTS	OBLIGATIONS	DISBURSEMENTS
Salaries Emergency Payments	\$78.83	\$78.83	\$78.83
Salaries Regular Payments Iraqi Civil Servants/Other	1,006.45	1,006.45	1,006.38
Salaries Regular Payments Pension	99.51	99.51	99.51
Other Salary	4.65	0.00	0.00
Specialized Workers	0.15	0.13	0.13
Non-ministry Repair/Reconstruction/Humanitarian Assistance	131.43	122.91	121.50
Emergency Projects, Less than \$200,000	2.47	2.47	2.47
Mobile Radios (Emergency)	15.80	15.80	15.43
Fire Stations	1.09	1.09	1.09
Hospital Generators	8.20	8.20	8.20
Ministry Operations	375.55	357.90	356.82
<b>Total</b>	<b>\$1,724.13</b>	<b>\$1,693.29</b>	<b>\$1,690.36</b>

Source: DFAS, response to SIGIR data call, October 22, 2007.  
 Note: Numbers are affected by rounding.

TABLE H-2

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. At the beginning of the 2007 calendar year, Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) determined that it had a known DFI Contract Liability of \$48.54 million. The liability remained constant until August 31, 2007. Since August, JCC-I/A has paid five vouchers

for a total of \$5.25 million, leaving a current DFI liability of \$43.29 million.<sup>a</sup>

The DFI sub-account assets include a bank balance and cash balance. As of September 30, 2007, the DFI bank balance is \$150.3 million and the DFI cash balance is \$24.5 million.

Table H-3 provides additional details for the DFI fund status and balance of assets as of September 30, 2007.

### Iraqi Funds for Reconstruction: Data Clarification

SIGIR compiled data on Iraqi funds for reconstruction from the Defense Finance and Accounting Service (DFAS), the Joint Area Support Group, and the JCC-I/A. 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 September 30, 2007 (unless an alternative date is noted).

#### DFI SUB-ACCOUNT FUND STATUS, AS OF 9/30/2007 (\$ 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	
<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	\$2,676.8	\$193.2
<b>DFI Balance</b>	<b>\$150.3</b>	<b>\$24.5</b>

Source: Joint Area Support Group, response to SIGIR data call, October 4, 2007.

TABLE H-3

<sup>a</sup>JCC-I/A, response to SIGIR data call, October 4, 2007.