

## IRAQI FUNDS OBLIGATED FOR RECONSTRUCTION ACTIVITY BY CPA

This appendix responds to Section 3001 (i)(l)(D) of P.L. 108-106, to report on “foreign [Iraqi] assets seized or frozen.”

During the Coalition Provisional Authority (CPA) period, Iraqi funds were used for many reconstruction projects. These funds fell into three categories—seized, vested, and Development Fund for Iraq (DFI) deposits:

- 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 DFI was created by the CPA, and the United Nations (UN) concurred in May 2003 (United Nations Security Council Resolution (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.

Since the transfer of governance authority to Iraq on June 28, 2004, the DFI—although maintained as a separate account in the New York Federal Reserve Bank—belongs to the Iraqi government. 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 with CPA 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 Iraqi regime. Current Defense Finance and Accounting Service (DFAS) accounting systems indicate that \$898.4 million (96.9%) were obligated in the CPA period and \$868.5 million (93.7%) expended as of December 31, 2005. 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); and
- Fuel products (propane, diesel, heating oil, etc.) for the Iraqi civilian population.

For a detailed list of seized funds program expenditures, see Table D-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, vested frozen funds for use in Iraq during the CPA period. As of December 31, 2005, \$1.724 billion had been transferred for

# APPENDIX D

## SEIZED CURRENCY, AS OF MARCH 31, 2006

PROGRAM CATEGORY	CEILINGS	OBLIGATIONS	DISBURSEMENTS
Non-ministry Repair/Reconstruction/Humanitarian Assistance	\$337,275,547	\$326,529,838	\$302,789,902
Ministry Operations	\$263,051,462	\$262,732,709	\$262,720,899
Brigade Commanders Discretionary Fund & CERP	\$200,128,000	\$198,594,023	\$198,401,036
Benzene and Liquid Propane Gas Purchase	\$90,000,000	\$87,184,330	\$87,184,330
Stipend Pay	\$31,000,000	\$30,837,109	\$30,837,109
Iraqi Constitutional Convention IT Support	\$3,823,000	\$0	\$0
Ministry of Finance–MANPADS Weapons Buyback Program	\$1,500,000	\$715,325	\$457,225
Undistributed Disbursements			\$2,085,786
<b>Total</b>	<b>\$926,778,009</b>	<b>\$906,593,334</b>	<b>\$884,476,287</b>

TABLE D-1

use in Iraq, of which \$1.705 billion (98.87%) had been obligated and \$1.689 billion (98%) had been expended, according to current 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

Although most frozen Iraqi assets were vested and sent to Iraq, a balance of \$396.6 million remained. The U.S. government transferred \$208.6 million to the DFI and set aside \$128 million for perfected judgments.

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

### Development Fund for Iraq

The DFI was established by CPA with UN con-

## VESTED ASSETS, AS OF MARCH 31, 2006

PROGRAM CATEGORY	CEILINGS	OBLIGATIONS	DISBURSEMENTS
Salaries Regular Payments Iraqi	\$1,009,825,000	\$1,009,275,275	\$1,006,383,958
Ministry Operations	\$375,555,000	\$364,457,311	\$356,818,300
Non Ministry Repair	\$129,532,000	\$124,756,110	\$120,501,206
Regular Pension Payments	\$99,510,000	\$99,509,995	\$99,509,995
Salaries Emergency Payments	\$79,924,000	\$78,841,040	\$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 <200k	\$2,475,000	\$2,474,705	\$2,474,705
Fire Stations	\$2,186,000	\$1,239,965	\$1,094,965
Stipend Pay	\$190,000	\$89,480	\$0
Other Salaries Special Workers	\$134,000	\$133,620	\$133,620
<b>Total</b>	<b>\$1,724,131,000</b>	<b>\$1,706,506,111</b>	<b>\$1,690,365,566</b>

TABLE D-2

currence in May 2003 to serve as the primary financial vehicle to channel revenue from Iraqi oil sales, unencumbered OFF deposits, and repatriated Iraqi assets to the relief and reconstruction of Iraq.

### DFI Transition Sub-account

After transfer of governance authority on June 28, 2004, the Iraqi Minister of Finance authorized the U.S. government to disburse against DFI-funded contracts awarded by the CPA. 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 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 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
- that did not exceed 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.

A total of \$217.7 million of DFI cash was in the possession of CPA officials 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 (Commander’s 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. In a 2005 *Section 2207 Report*, Department of State revised this liability to \$42 million.

Table D-3 provides the DFI fund status and balance, as of March 31, 2006.

#### DFI SUB-ACCOUNT FUND STATUS, AS OF MARCH 31, 2006 (Millions)

SOURCES OF FUNDS	BANK	CASH
Beginning Balance	\$800.0	\$217.7
New Income Additional IIG Funds	\$2,000.0	
<b>Total</b>	<b>\$2,800.0</b>	<b>\$217.7</b>
USES OF FUNDS	BANK	CASH
Allocated and Paid	\$2,205.1	\$181.9
Allocated and Unpaid	\$622.3	\$0.00
<b>DFI Balance</b>	<b>\$622.3</b>	<b>\$35.8</b>

TABLE D-3