
Status of Iraq Reconstruction Funding

- The cost of Iraq relief and reconstruction in the medium term has been estimated at \$50-100 billion.
 - As of September 30, 2004, approximately \$55.1 billion had been provided for Iraq relief and reconstruction from U.S. appropriated funds, Iraqi funds, and funds contributed by donor nations:
 - **U.S. appropriated funds:** \$24.1 billion, used primarily for Iraq reconstruction
 - **Iraqi funds:** \$28.2 billion, used primarily for the daily operations of the Iraqi government, but also for reconstruction projects and the relief of the Iraqi people
 - **Donor funds:** \$2.8 billion in contributions and firm commitments by donor countries and international organizations (\$849 million in humanitarian aid and \$1.9 billion of the \$13.5 billion pledged at the Madrid International Donors Conference for Iraq Reconstruction)
-

Sources of Fund for Iraq Reconstruction

GENERAL OVERVIEW SOURCES OF FUNDS, AS OF SEPTEMBER 30, 2004 (IN MILLIONS)		
U.S. APPROPRIATED FUNDS	IRAQI FUNDS	DONOR FUNDS
PUBLIC LAW 108-11 (APRIL 2003) - IRRF (\$2,475) - NRRRF (\$802) - CPA OPS (\$684) - New Iraqi Army (\$51) NON-IRRF - USAID (\$413)* - DoS (\$66)**	VESTED FUNDS - From Frozen Funds (\$1,724)	DONOR - Pledged loans & grants from International Donors to world Bank Trust Fund (U.N.) (\$13,589) (Current Bilateral Aid and IRFFI deposits \$1,355) - Humanitarian Aid (\$849) - IMF EPCA (\$435)
PUBLIC LAW 108-06 (NOV 2003) - IRRF (\$18,439) - CPA OPS/IG (\$877) - IRMO (\$106) - CERP* (\$140)	SEIZED FUNDS - Confiscated Cash & Property (\$927)	SEE GLOSSARY FOR ACRONYMS * In addition to IRRF Funding ** Commanders Emergency Response Program
PUBLIC LAW 108-287 - CERP (\$100/\$300)***	DFI (\$25,782)**** (Development fund for Iraq) - Oil Proceeds - Oil For Food (OFF) - Repatriated Funds	*** CERP amount of \$300M appropriated with \$100M currently allocated for Iraq **** DFI total is estimate based on oil revenues and no additional repatriated funds

Figure by MIT OCW.

Status of Iraq Reconstruction Funding

The U.S. committed over \$24 billion to reconstruction in Iraq. This engagement will focus on reconstruction of essential and social services sectors:

- power
 - oil
 - health
 - education
 - humanitarian
 - human services
-

Iraq Reconstruction Activities

Iraq relief and reconstruction activities continue under the authority of the:

- **Department of State** (DoS), through the Iraq Reconstruction Management Office (IRMO). The IRMO is responsible for establishing requirements and setting priorities.
 - **The Department of Defense** (DoD), through the Project and Contracting Office (PCO). The PCO is responsible for contracting and program management.
 - These are some of the achievements highlighted by the DoS in its October 5, 2004 Section 2207 Report on Iraq Relief and Reconstruction:
 - Iraqi National Airlines resumed international flights.
 - The number of telephone and cell phone subscribers in Iraq reached 1.5 million, approximately 90% above pre-war levels.
 - Oil production recently reached 2.5 million barrels per day.
 - The United States Agency for International Development (**USAID**) has repaired numerous breaks in Iraq's water networks, significantly increasing water flow.
-

Iraq Reconstruction and Management Office

- The IRMO is a temporary organization within the DoS that coordinates the efforts of the various agencies performing reconstruction work in Iraq.
 - The IRMO continues to work toward three primary goals:
 - Improve Iraq's infrastructure.
 - Increase Iraqi employment and long-term economic recovery.
 - Strengthen the capabilities of Iraqi engineering and construction companies.
-

Project and Contracting Office

- The PCO is a temporary organization within the DoD that replaced the CPA's
 - Program Management Office. The PCO provides acquisition, project management, and construction support for Iraq reconstruction priorities identified by the IRMO.
-

Defense Support Office-Iraq

- The Deputy Secretary of Defense created the Defense Support Office-Iraq (DSO-Iraq) to serve as a single DoD point of contact for the U.S. Mission Iraq, and to coordinate with the Near-East Asia-Iraq Office of the DoS.
 - The DSO-Iraq supports the missions of U.S.-led forces in Iraq, coordinates actions that cross organizational lines, and represents the DoD in Iraq-related interagency meetings.
-

- The USAID Mission in Iraq carries out programs in education, health care, food security, infrastructure reconstruction, airport and seaport management, economic growth, community development, local governance, and transition initiatives.
 - The organization reports the progress of reconstruction efforts on its website at: www.usaid.gov/iraq.
-

U.S. Appropriated Funds

- The United States has appropriated \$24.1 billion toward the relief and reconstruction of Iraq.
 - Congress appropriated funds for the reconstruction of Iraq in two supplemental appropriations acts and, most recently, the FY 2005 Defense Appropriations Act:
 - Public Law 108-11 (P.L. 108-11), the Emergency Wartime Supplemental Appropriations Act, April 16, 2003
 - Public Law 108-106 (P.L. 108-106), the Emergency Supplemental Appropriations Act for Defense and for the **Reconstruction of Iraq and Afghanistan**, November 6, 2003
 - Public Law 108-287 (P.L. 108-287), the FY 2005 Defense Appropriations Act, August 2004
-

Public Law 108-11

- P.L. 108-11 created the Natural Resources Risk Remediation Fund (**NRRRF**), the Iraq Relief and Reconstruction Fund (**IRRF**), and the Iraq Freedom Fund (**IFF**).
 - The Act established the NRRRF “**for expenses necessary, in and around Iraq, to address emergency fire fighting, repair of damage to oil facilities and related infrastructure, and preserve a distribution capability.**” As of September 30, 2004, \$802 million of the NRRRF funding had been apportioned, \$800.6 million had been committed and obligated, and \$689 million had been expended.
 - P.L. 108-11 established the Iraq Relief and Reconstruction Fund (**IRRF**) “**for necessary expenses for humanitarian assistance in and around Iraq and to carry out the purposes of the Foreign Assistance Act of 1961 for rehabilitation and reconstruction in Iraq.**” As of September 30, 2004, the Office of Management and Budget (OMB) had apportioned 100% of the \$2.475 billion **IRRF 1** funds among the U.S. Agency for International Development (USAID), Department of Defense (DoD), Department of State (DoS), and the Department of the Treasury (Treasury).
-

Public Law 108-11

- P.L. 108-11 also established the IFF “for additional expenses for ongoing military operations in Iraq...for stability operations...and for other costs.” These funds were used to provide CPA operating expenses, and \$300 million was transferred to the NRRRF. Other sections of the Act funded additional relief and reconstruction activities by the DoS (\$66 million) and USAID (\$413 million). Funds from P.L. 108-11 were available for obligation through September 30, 2004.
-

Public Law 108-11

AGENCY	PROGRAM NAME	APPORTIONED	OBLIGATED	EXPENDED
N R R R F F U N D S				
DoD	Restore Iraq Oil (RIO)	\$802.0	\$800.6	\$689.0
DoD TOTAL NRRRF FUNDS		\$802.0	\$800.6	\$689.0
I R R F 1 F U N D S				
USAID	Restore Critical Infrastructure	\$1,124.3	\$1,124.3	\$774.1
	Improve Efficiency & Accountability of Gov't	174.7	174.7	123.6
	Food Aid: Office of Food for Peace	160.0	160.0	122.8
	Support Education Health and Social Services	118.4	118.4	86.2
	Relief: Office of Foreign Disaster Assistance	72.2	72.2	59.1
	Office of Transition Initiatives	70.1	69.8	58.1
	Expand Economic Opportunity	65.9	65.9	62.6
	Prog. Support & Development of Gulf Region	18.0	17.5	17.0
	Administrative Expenses	15.0	15.0	13.2
	Transfers/Adjustments	1.5	00.0	0.0
	Sub-Total	1820.3	1818.0	1316.7
DoD	Restore Iraq Electricity (RIE)	300.0	299.9	299.5
	Restore Iraq Oil (RIO)	166.0	166.0	158.3
	First Responder Network/DIILS	52.3	52.3	0.1
	Sub-Total	518.3	518.3	457.9
DoS	Police/Prison Programs	61.5	61.5	37.5
	Relief Efforts	27.0	27.0	12.6
	Law Enforcement	24.6	24.6	20.4
	Humanitarian Demining	12.3	12.3	12.3
	Sub-Total	125.4	125.4	82.8
Treasury & U.S. TDA	Technical Assistance	6.0	6.0	3.7
	Technical Assistance, Training	5.0	5.0	0.2
	Sub-Total	11.0	11.0	3.9
Total IRRF 1 Funds		\$2,475.0	\$2,472.6	\$1,861.4

P.L. 108-11 FUNDS BY PROGRAM BY USAID STRATEGIC OBJECTIVES, AS OF SEPTEMBER 30, 2004 (IN MILLIONS)

Figure by MIT OCW.

Public Law 108-11

NON-IRRF 1 FUNDS				
USAID	Food Aid: Office of Food for Peace	\$138.2	\$136.7	\$113.9
	USDA*	106.8	106.8	106.8
	Restore Critical Infrastructure	51.6	51.6	51.6
	Support Education health and social services	34.0	34.0	32.3
	Relief: Office of Foreign Disaster Assistance	33.4	33.3	32.9
	Operating Expenses	24.5	23.9	20.7
	Prog. Support & Development of Gulf Region	10.5	10.5	10.4
	Improve Efficiency & Accountability of Govt	8.9	8.9	8.9
	Expand Economic Opportunity	5.0	5.0	5.0
	Sub-Total	412.9	410.7	382.5
DoS	Coalition Support	66.0	66.0	49.2
	Sub-Total	66.0	66.0	49.2
TOTAL NON-IRRF 1 FUNDS		\$478.9	\$476.7	\$431.7
*Funds appropriated to U.S. Department of Agriculture, then transferred to USAID.				

Figure by MIT OCW.

Public Law 108-106 - IRRF2

- P.L. 108-106 appropriated **\$18.4 billion** for relief and reconstruction activities in Iraq and established the Iraq Relief and Reconstruction Fund (**IRRF 2**).
 - These funds are available for obligation until September 30, 2006.
 - In addition to creating IRRF 2, the Act authorized \$983 million for the operations of the CPA. After the CPA ceased operations, \$105.75 million was transferred to the DoS to fund U.S. Mission Iraq operations, including the Iraq Reconstruction Management Office (IRMO).
 - The Act also authorized the use of \$180 million of Defense Operations and Maintenance (O&M) funds for the **Commanders Emergency Response Programs (CERP)** in Iraq and Afghanistan.
 - DoD allocated \$140 million of the \$180 million for CERP activities in Iraq. As of September 30, 2004, \$139.4 million (99%) of the \$140 million allocated for CERP in Iraq had been obligated, and \$73.4 million (52%) had been expended.
-

Iraq Relief and Reconstruction Fund 2

- The \$18.4 billion IRRF 2 appropriation was divided among 11 sectors, based on the CPA's request for supplemental funding developed in October 2003. Changes in these sector allocations beyond prescribed limits require congressional approval.
-

Iraq Relief and Reconstruction Fund 2

SECTOR	PREVIOUS ALLOCATION	STRATEGIC REPROGRAMMING	INCREASE/ DECREASE	NEW ALLOCATION
Security and Law Enforcement	\$3,235.00	\$1,809.60	\$-	\$5,044.60
Electricity	5,464.50	(1,074.55)	(40)	4,349.95
Water Resources & Sanitation	4,246.50	(1,935.55)	-	2,310.95
Justice, Public Safety Infrastructure, & Civil Society	1,484.00	460.50	8.5	1,953.00
Oil Infrastructure*	1,701.00	0*	-	1,701.00
Private Sector Employment Development	183.00	660.00	-	843.00
Health Care	786.00	-	-	786.00
Transportation & Telecommunications Projects	499.50	-	-	499.50
Roads, Bridges, & Construction	367.50	-	(8.5)	359.00
Education, Refugees, Human Rights, & Governance	259.00	80.00	40	379.00
Administrative Expenses	213.00	-	-	213.00
TOTAL	\$18,439.00	\$0**	\$0	\$18,439.00

* The strategic review moved \$450 million between two project lines within the oil sector. As a result, there is no net change in the amount of IRRF funds dedicated to the oil sector.

** Changes in the sector allocations equaled \$3,460.10 million.

SUMMARY OF CHANGES TO IRRF SECTOR ALLOCATIONS, AS OF OCTOBER 12, 2004 (IN MILLIONS)

Iraqi Funds

Iraqi funds available for reconstruction can be grouped into several categories:

- **Seized funds** were former Iraqi regime monies confiscated by coalition forces. Coalition military forces have seized a total of \$926.7 million in funds from the former Iraqi regime.
 - **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. 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).
 - ***Development Fund for Iraq*** - In May 2003, UNSCR 1483 noted the establishment of the DFI, which contains proceeds from Iraqi oil sales, repatriated assets from the United States and other nations, and deposits from unencumbered **Oil for Food** (OFF) program funds. The DFI funds the Iraqi National Budget, primarily from current oil sales.
-

Commanders Emergency Response Program (CERP)

- The CERP is a program that coalition military commanders can quickly use to direct money to meet humanitarian, relief, and reconstruction needs in their geographic areas of responsibility. Typical projects include:
 - repairing and refurbishing water and sewer lines
 - cleaning up highways by removing waste and debris
 - transporting water to remote villages
 - purchasing equipment for local police stations
 - upgrading schools and clinics
 - purchasing school supplies
 - removing ordnance from public places, including schools
 - refurbishing playgrounds, youth centers, libraries, other recreational facilities, and mosques.

Iraq CERP Program Totals, as of September 30, 2004			
	Total Program Funding	Cumulative Funds Obligated	Cumulative Funds Disbursed
Seized Assets	\$177,280,923	\$177,280,923	\$175,325,647
U.S. Appropriated	\$140,000,000	\$139,378,431	\$73,392,841
DFI	\$368,578,452	\$368,578,452	\$324,544,881
Total	\$685,237,806	\$685,237,806	\$573,263,369

Accelerated Iraq Reconstruction Program (AIRP)

- The Accelerated Iraq Reconstruction Program (AIRP) was designed to provide funds for high-impact, high-visibility projects in selected cities and areas that offered high levels of employment opportunities for Iraqis.
 - Approved in April 2004,
 - The program received \$383.8 million in DFI funds and used the money to fund projects from various programs, including the Rapid Regional Response Program, the Local Governance Fund, and the PMO, as well as CERP projects not already funded directly through CERP allocations.
 - The larger AIRP projects (over \$100,000) have typically been associated with improvements in **potable water access, sanitation, health, education, and transportation.**
 - As of late September, more than 350 projects valued at more than \$324 million were under contract, and 124 projects valued at over \$25 million have been completed. Iraqi employment on
-

Oil for Food

- Oil for Food (OFF) program - from December 1996 until December 2002.

UN Oil for Food Program (in millions)

Individual Escrow Account	Percentage of Oil Reserves	Total Expenditures (or deposits)
Compensation Fund	25.0% ¹	\$17,183
South and Central Iraq	59.0% ²	\$34,385
Three Northern Governorates	13.0%	\$6,065
UN Administrative Costs	2.2%	\$765
UNMOVIC	0.7%	\$445
UNSCR778	n.a. ³	\$200

¹ Compensation fund percentage was originally 30% and lowered to 25% in 2000.
² Percentage for South and Central Iraq was originally 53.034% and raised to 54.054% in 2000.
³ Repayment of UNSCR 778 funds was set at \$10 million a quarter (suspended Dec 1999 to Dec 2000)

Donor Funds

- In response to the relief and reconstruction requirements in Iraq, aid has been donated by a large number of countries, as well as several international organizations.
 - Periodic donor conferences are held to coordinate international activities.
 - The first was in Madrid in October 2003, and the latest was in Tokyo, on October 14-15, 2004.
 - At the Madrid Donors Conference, non-U.S. donor nations and international organizations pledged \$13.5 billion for the medium-term reconstruction of Iraq (2004-2007).
 - Individual donor nations pledged approximately \$8 billion.
 - This aid can be grouped into three categories: immediate humanitarian aid, bilateral assistance, and internationally distributed aid.
-

Donor Funds

- The majority of assistance pledged by individual nation states is currently being channeled through international organizations.
 - The Madrid conference established the **International Reconstruction Fund Facility for Iraq (IRFFI)** to give donor countries a multilateral channel for their assistance to Iraq.
 - The IRFFI has two trust funds, one administered by the **World Bank** and the other by the **United Nations Development Group (UNDG)**.
 - These two trust funds are the primary delivery mechanisms for aid to Iraq.
 - Current commitments to the two trust funds are \$1.04 billion:
 - World Bank's commitments total \$413 million,
 - UNDG's commitments total \$623 million.
 - Deposits to those two organizations total \$927 million: \$373.8 million was deposited with the World Bank, and \$553.4 million was deposited with the UNDG.
-

World Bank Iraqi Trust Fund Projects, as of October 14, 2004 (in millions)

Ongoing Projects	
Operation	Projected Costs
Emergency Textbooks	\$40
Emergency School Rehabilitation	\$60
Water Supply and Sanitation – Baghdad	\$60
Water Supply and Sanitation – other than Baghdad	\$90
Emergency Health	\$25
Emergency Rural Infrastructure	\$20
Capacity Building II	\$7
Private Sector Development	\$55
Completed Projects	
Operation	Actual Costs
Capacity Building I	\$3.57
Total	\$360.57

Donors

DONOR	COMMITMENTS		DEPOSITS	
	World Bank	UN	World Bank	UN
Australia	\$10,199,000	\$4,396,800	\$10,199,000	\$4,396,800
Australia (from AusAID & DIMIA)	N/A	3,292,462	N/A	3,292,462
Canada	37,672,623	37,767,199	22,260,147	37,767,199
Denmark	N/A	4,045,307	N/A	-
European Commission	98,954,195	97,600,000	98,954,195	58,616,800
European Commission Rapid Reaction Mechanism	3,573,096	6,200,000	3,573,096	5,617,978
Finland	3,017,375	3,720,000	0	-
Greece	N/A	722,000	N/A	-
Iceland	1,000,000	500,000	1,000,000	500,000
India	5,000,000	5,000,000	2,500,000	2,500,000
Ireland	N/A	1,225,490	N/A	1,225,490
Italy	N/A	12,200,000	N/A	12,200,000
Japan (MOF & MOFA)	130,000,000	360,000,000	130,000,000	360,950,528
Korea	3,000,000	7,000,000	3,000,000	7,000,000
Kuwait	5,000,000	5,000,000	5,000,000	5,000,000
Netherlands	6,187,500	-	6,187,500	-
New Zealand	N/A	940,800	N/A	940,800
Norway	2,203,128	2,138,702	2,203,128	2,138,702
Qatar	5,000,000	5,000,000	2,500,000	2,500,000
Spain	20,000,000	-	10,000,000	-
Sweden	5,000,000	5,440,000	0	-
Turkey	1,000,000	200,000	0	-
United Kingdom	71,384,000	55,970,149	71,384,000,00	55,970,149
United States	5,000,000	5,000,000	5,000,000,00	5,000,000
Total	\$413,190,917	\$623,358,909	\$373,761,066	\$553,416,908

Note: World Bank and UN data as of October 14, 2004

TOTAL IRFFI DONOR CONTRIBUTIONS AND WORLD BANK & UNDG IRAQ TRUST FUND ALLOCATIONS, AS OF OCTOBER 14, 2004 (IN MILLIONS)

UNDG Iraqi Trust Cluster Totals for Approved Projects as of October 14, 2004

Cluster	Amount
Infrastructure and Housing	\$115,921,443
Health	\$66,944,083
Education and Culture	\$62,261,341
Agriculture, Water Resources, and Environment	\$59,582,636
Support to the Electoral Process	\$46,078,944
Water and Sanitation	\$30,762,094
IDPs and Refugees	\$16,867,515
Governance and Civil Society	\$3,464,224
Poverty Reduction and Human Development	\$321,000
Total	\$402,203,280

UN Development Group Iraq Trust Fund

In early 2004, the UN Country Team for Iraq developed a strategic assistance plan that has been formally approved by the Iraqi government and the donor community.

These are the key elements of the plan:

- grouping sectoral activities into 10 clusters
- encouraging joint logistical support across cluster activities
- soliciting Iraqi prioritization of reconstruction needs as part of the planning process

UN Organizations Participating in Iraq Reconstruction by Project Total, as of October 14, 2004 (in millions)

Participating UN Organizations	Amount
UN Development Program	\$111.69
World Health Organization	60.60
UN Children's Fund	55.75
UN Development Program (EAD)	46.08
Food and Agriculture Organization (UN)	35.59
UN Centre for Human Settlements	23.55
UN Environment Program	15.70
UN Educational, Scientific, and Cultural Organization	12.71
UN Population Fund	12.60
UN Office for Project Services	11.46
UN Industrial Development Organization	8.01
UN High Commissioner for Refugees	7.13
Economic and Social Commission for Western Asia	1.00
International Labour Organization	0.32
Total Approved Funding	\$402.2