



COALITION PROVISIONAL AUTHORITY  
BAGHDAD

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ACTION MEMO

April 4, 2004

FOR: THE ADMINISTRATOR

FROM: George Wolfe, Director of OMB

SUBJECT: REVISED PROPOSAL FOR USE OF OIL-FOR-FOOD REFUND

This memo follows on from the memo of April 1<sup>st</sup> 2004, setting out proposals for use of the \$2 billion OFF refund. This memo reflects our discussion with you on April 2<sup>nd</sup>.

Following your guidance, we have reallocated the \$580 m contribution from the Kurdish OFF funds more evenly across the spending proposals. We have added a further \$20m from Kurdish OFF funds to integrate regional proposals for private sector development into national programmes.

As requested, we have checked to confirm with appropriate Senior Advisers to confirm that expenditure recommendations fit with Iraqi Ministers' priorities.

We have discussed militia integration and training needs with the Office of National Security Affairs, CPA MoI and CPA MoLSA. Based upon those discussions, we have not proposed additional funds for these needs. Please note that the proposed increased funding for MoLSA (\$100 m, roughly a doubling of budget) is intended to be used in significant part for militia.

Item (\$m)	Out of OFF Refund \$2.0 billion	Out of Kurdish OFF Funds \$600 m	Total
IPCC compensation	380	120	500
Central Bank Reserves	230	70	300 (100)
Oil Stabilisation Dividend Fund	160	40	200
Electricity	325	95	420
Food Basket	230	70	300
Private Sector Development	155	65	220 (120)
Oil	160	40	200
Security/Law Enforcement*	455 500	45	200 500
Agriculture	125	35	160
Vocational training	80	20	100
<b>TOTAL</b>	<b>2,000</b>	<b>600</b>	<b>2,600</b>

\* This would bring the increase in spending on security, defence and law enforcement since the original budget 2004 (set in October) to almost \$1.4 billion. See Annex C.

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**RECOMMENDATION (1):** That the recommendations for new allocations from the OFF Refund as set out in the table to be submitted to the Programme Review Board for formal consideration and recommendations to you.

Approve: \_\_\_\_\_ Disapprove: \_\_\_\_\_ Approve with modification: \_\_\_\_\_

**RECOMMENDATION (2):** That you approve the reallocations of the Kurdish OFF Funds within the Budget as set out in the table.

Approve: \_\_\_\_\_ Disapprove: \_\_\_\_\_ Approve with modification: \_\_\_\_\_

**ATTACHMENTS:** Annex A: Recommended use of funds  
Annex B: Detail of recommended projects  
Annex C: Breakdown of increased security spending

**COORDINATION:** Gen Jeff Oster, Deputy Chief Operating Officer  
Jim Warlick, CPA Oil For Food

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**ANNEX A: Recommended use of funds**

**RESERVES**

**IPCC compensation.** Recommend providing funds for the IPCC against the estimated \$2.1 billion that will be needed.

OFF	380 m
Kurdish	120 m
<b>Total</b>	<b>500 m</b>

**Central Bank Reserves.** Recommend allocating additional reserves to back the Iraqi currency. To date central bank reserves are \$1.8 billion. The amount fluctuates, and Olin Wethington anticipates some reduction in this amount. This amount of funding is aimed at hitting the \$2 billion reserves target.

OFF	230 m
Kurdish	70 m
<b>Total</b>	<b>300 m</b>

**Oil Stabilisation and Dividend Fund.** Recommend that an account be established to provide security against potential fall in oil prices. This sum would start off the account, and would be increased when oil prices are high and drawn down when prices are low. The account would cap out at a specified maximum amount. Additional revenues would be paid out to Iraqis as oil dividends, up to a maximum annual amount.

OFF	160 m
Kurdish	40 m
<b>Total</b>	<b>200 m</b>

**TOTAL RESERVES USES**

OFF	770 m
Kurdish	230 m
<b>Total</b>	<b>1000 m</b>

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**EXPENDITURES**

**Electricity.** Recommend providing funding for key projects currently in the supplemental. Projects will increase power supply to industry, rehabilitate generators, develop natural gas, and meet safety and maintenance needs.

OFF 325 m  
Kurdish 95 m  
Total 420 m

**Food Basket.** Recommend allocating further funds for the public distribution system above the current \$2.4 billion to cover higher than expected costs.

OFF 230 m  
Kurdish 70 m  
Total 300 m

**Public Sector Development.** Recommend allocating funds to support SOE investment and auditing and private sector financing. Includes allocation of Kurdish OFF funds. Will include possible offices in Erbil and/or Sulaymaniyah.

OFF 155 m  
Kurdish 65 m  
Total 220 m

**Oil.** Recommend providing funding for key projects currently in the supplemental. Projects will improve refineries, LPG production and metering.

OFF 160 m  
Kurdish 40 m  
Total 200 m

**Security/Law Enforcement.** Recommend additional allocation, with detail to be determined by CJTF-7. This will bring the increase in spending on security, defence and law enforcement since the original budget to \$1.3 billion (see Annex C).

OFF 155 m  
Kurdish 45 m  
Total 200 m

**Agriculture.** Recommend allocation of funds to help increase agricultural production, create jobs and move towards a market economy. These initiatives will help MOA move from a central control role to and R&D, policy and regulation role.

OFF 125 m  
Kurdish 35 m  
Total 160 m

**Vocational training.** Recommend funding for upgrading of 11 current vocational training centres and training for an additional 20,000 people in 2004. Also funding for literacy training for 30,000. Training to have appropriate focus on former military and militia.

OFF 80 m  
Kurdish 20 m  
Total 100 m

***TOTAL EXPENDITURES USES***

OFF 1230 m  
Kurdish 370 m  
Total 1600 m

***TOTAL RESERVES AND EXPENDITURES USES***

OFF 2000 m  
Kurdish 600 m  
Total 2600 m

**ANNEX B: Detail of recommended and alternative projects**

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**ELECTRICITY**

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<b>1. Industry power supply (linked to oil refinery reliability)</b> Stable Power Supply for Industry, particularly for Refineries and Gas Plants. Relocate mobile sub-stations. Affects Doura, Baiji and Basrah. <i>Benefit:</i> Stable production capability for fuel supply to the country. Produces an additional 30 MW.	<b>50 m</b>
<b>2. Natural Gas Infrastructure</b> Funding for Natural Gas Infrastructure. Further detail to be defined in the Natural Gas study which will report later this month. <i>Benefit:</i> decrease the dependence on fuel imports.	<b>150 m</b>
<b>3. Operations &amp; Maintenance</b> Operation and Maintenance Parts and Consumables for existing power generating stations. <i>Benefit:</i> necessary cost for on-going operation of existing power stations. Increase the reliability of power generating capability.	<b>125 m</b>
<b>4. Rehabilitation Haditha-Qaim</b> 400 kV Rehab, Haditha-Qaim. <i>Benefit:</i> increases transfer capacities and increases the overall reliability and security of the transmission grid.	<b>26 m</b>
<b>4. Rehabilitation Haditha-Baiji</b> 400 kV Rehab, Haditha-Baiji. <i>Benefit:</i> increases transfer capacities and increases the overall reliability and security of the transmission grid.	<b>32 m</b>
<b>5. Electrical Worker Protective Equipment</b> Ensures the safety of the electrical workers while they are performing their duties. Further, the Ministry of Electricity is in desperate need of this equipment due to the looting that has occurred.	<b>17 m</b>
<b>6. Generator Control System</b> 6. Remote control of existing and new electric generators for central dispatch for reliability and economy. The new generating capacity that is being added has to have these control added and the exiting ones is 30 year old technology that can only monitor but has no remote control.	<b>20 m</b>
<b>Total Electricity Projects</b>	<b>420 m</b>

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**FOOD BASKET**

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To fund increased requirements. Detail were provided in Jim Warlick's memo to you of April 2<sup>nd</sup>. Amount could be reduced based on additional due diligence.

300 m

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**OIL**

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**1. Refinery Reliability (linked to electricity industry power supply)**

Projects that improve the reliability of the refinery operations of Iraq's three large refineries. These refineries have been running at rates much lower than capacity due to several reasons. Poor maintenance is a major factor because of a lack of spare motors and pumps, spare parts are not available and adequate tools to support maintenance are also not in adequate supply. Stable electric power is critical to keeping these refineries operating effectively and efficiently. During the last 10 months, the refineries have incurred downtime due to the unreliable supply of power. The three main refineries are:

- Bayji – 290,000 barrels a day
- Daura – 100,000 barrels a day
- Basra – 140,000 barrels a day

*Benefit:* Stable supply of diesel and benzene to the country and reduced imports of these products that are presently draining 10% of the national budget.

115 m

**2. Water Injection Project**

Continue projects currently underway on a prioritized basis to complete the water injection projects in the south. This project is critical to the continued crude oil production levels that Iraq achieved over the last year.

*Benefit:* Continue crude oil production rates above 2 million barrels a day that the south fields are presently operating.

50 m

**3. Gas**

Current plants operating at 25% capacity in the south for LPG. Rework and replace compressors, turbines, motors etc. Increase broadcast product supply. Repair NGL plants.

*Benefit:* Increase LPG production.

30 m

**4. Metering**

Conduct a countrywide study and install priority meters to accurately measure and control crude accountability and meet the requirements of the UN.

5 m

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**Total Oil Projects**

200 m

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**AGRICULTURE**


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**1. National Level Reconstruction Activity**

Agricultural and veterinary research center rehabilitation	10 m
Date palm industry development	5 m
Fisheries - rehabilitation of hatcheries for provision of fingerlings.	3 m
Microfinance grants	10 m
Soil testing - re-equipping laboratories and providing soil testing services	5 m
Extension services development and facility rehabilitation	10 m
Phyto-sanitary and inspection and export testing facilities at the borders	5 m
Grain storage facilities (infrastructure and testing capability)	7 m
Seed certification and production facilities.	10 m
Veterinary hospitals, slaughterhouses & quarantine facilities.	8 m
Forestry development - land preparation and seedling procurement	10 m
Animal production: diagnostic capability, genetic improvement etc.	10 m
Feasibility plan and business plan for fertilizer plant rehabilitation	1 m
Poultry facilities reconstruction	5 m
Vaccine Production Facilities	9 m
<b>Total</b>	<b>108 m</b>

**2. Governorate level reconstruction activities**

North	5 m
South Central	11 m
South	16 m
<b>Total</b>	<b>32 m</b>

**3. Assistance (will recur for two years)**

Grants and subcontracts management	6 m
Direct assistance to MOA Programme activities	5 m
Institutional capacity building	9 m
<b>Total</b>	<b>20 m</b>

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<b>Total Agriculture Projects</b>	<b>160 m</b>
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PRIVATE SECTOR DEVELOPMENT

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**1. State Owned Enterprises**

Financing: The capital needed to revitalize the SOEs that have emerged through our triage procedure as the most likely to survive in a private sector environment outstrips the funds available. We propose an investment pool to provide project finance and capital expenditures for critical shortcomings in targeted SOEs' plant and equipment

100 m

Audit/ Advisory: A project to parachute auditors and financial advisors into selected SOEs. They would prepare financial statements that give a true and accurate picture of the SOEs' financial status, help to create business plans that aim to ensure the survivability of the SOEs in a free market climate, and prepare marketing and information materials to prepare for a possible future change in ownership structure

20 m

Consulting/ Training: In order to enable the SOEs to survive on their own, and eventually to compete as private sector entities, managers and line workers will need extensive education and consulting support

20 m

**Total**

140 m

**2. Micro Credit**

Financing: As of now, \$20 million is available for micro-lending throughout Iraq. A little over \$3 million has been lent in the 4 or 5 months since the first program started up. Lending is expected to accelerate quickly and demand is anticipated to outpace supply. Nevertheless, some regions/ sectors are underserved and we need to be able to provide selected target regions/ sectors with incremental microfinance funding

7 m

**SUB TOTAL**

7 m

**3. Small Business**

Financing: The IFC is working on a \$200 million facility for loans ranging from \$25,000 to \$500,000. Due to complications in the IFC's negotiations with OPIC, the amount of lending may shrink to \$100 million. In addition, it is highly unlikely that the IFC will be able to meet its commitment to start lending by late May. Interim funding may be necessary to maintain momentum in small business activity

20 m

Consulting/ Training: \$30 million will be available through the IFC facility for technical assistance to privately owned banks. But, as stated above, these funds may not be available on a timely basis

3 m

23 m



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**4. Middle Market**

Financing: A \$150 million fund will be available to a special purpose vehicle (SPV), by way of a grant from the USG to an NGO and from OPIC and U.S. commercial bank financing, for the purpose of making loans to these firms. These medium term loans will be made through privately owned banks, or if necessary, directly by the SPV. Loans will be made from this fund to Iraqi reconstruction contractors and subcontractors as well as others, although with some preference for strategic sectors, job creation, and geographic distribution. We need to complement the fund's activity by providing equity support to selected companies, as well as mezzanine and other non-senior debt products which will provide an integrated and comprehensive suite of financing tools.

30 m

**SUB TOTAL**

30 m

**5. Iraqi Subcontractors**

Financing: A \$100 million OPIC fund will be used to finance short-term working capital needs of Iraqi winners of reconstruction bids. By assigning the proceeds of contracts, payment risk will be minimized, and performance risk is also expected to be low. In order to bolster subcontractors' balance sheets to qualify for the OPIC loans, debt and equity investment needs to be available.

15 m

Consulting/ Training: No funds currently available to advise borrowers on structuring loan packages, dealing with US contractors, setting up receivables financing and managing cash flows.

5 m

**SUB TOTAL**

20 m

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**Total Private Sector Development Projects**

**220 m**

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**VOCATIONAL TRAINING**

Renovation and refurbishment of 17 vocational centers	11.0 m
Capital equipment for each center	51.0 m
"Rapid Response" Training Consultants—to provide staff capacity training for each center.	10.0 m
Security Assessment and Training for 11 Vocational and 28 Employment Centers across the country	11.3 m
Labor Market Assessments	0.5 m
Staff salaries	1.0 m
Two buses per center to provide transportation for students	1.7 m
Personal Security	2.0 m
Operating Expenses	1.7 m
Stipend of ID 45000 per student / month (2-month courses) for vocational training courses	1.2 m
Stipend of ID 45000 per student / month (2-month courses) for literacy training courses	0.5 m
Training and teaching costs for vocational (20,000 students)	5.1 m
Training and teaching costs for literacy training (30,000 students)	4.7 m
<b>Total Vocational training Projects</b>	<b>100 m</b>

*Totals may not add due to rounding.*

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**ANNEX C: Breakdown of spending on security, defence and law enforcement**

(Millions USD)	<b>Original</b>	<b>Revised</b>	<b>Change</b>
<b>Ministry of Interior</b>	<b>124.87</b>	<b>478.47</b>	<b>353.60</b>
Salaries	103.33	360.97	257.63
Operating Expenses (excluding salaries)	21.53	107.50	85.97
Capital Projects		10.00	10.00
 <b>Ministry of Defense</b>	 <b>23.2</b>	 <b>100.28</b>	 <b>77.08</b>
Salaries (NIA & ICDC)	23.2	76.28	53.08
Operating Expenses (excluding salaries)		24.00	24.00
 Facilities Protection Services Salaries		<b>60.00</b>	<b>60.00</b>
Hazardous Duty Pay		<b>150.00</b>	<b>150.00</b>
 Railroad Security		<b>50.00</b>	<b>50.00</b>
 Additional Security Spending in the Budget already		<b>500.00</b>	<b>500.00</b>
 <b>Subtotal</b>	 <b>148.07</b>	 <b>1,338.75</b>	 <b>1,190.68</b>
 Proposal from OFF Refund		<b>200.00</b>	<b>200.00</b>
 <b>Total</b>	 <b>148.07</b>	 <b>1,538.75</b>	 <b>1,390.68</b>

# Worksheet

15 Apr 2004

Item (\$m)	Out of OFF Refund \$2.0 billion	Out of KRG OFF Funds \$600 m	Total	Deduction for \$800M (\$300M Security + \$500M CERP)	Net Reserve /Expenditure Totals	Priority for replacement (Amount)
IPCC Compensation	380	120	500	300	200	3 (\$300M)
Central Bank Reserves	230	70	<del>300</del> 100	200	100	
Oil Stabilisation Dividend Fund	160	40	200	100	100	4 (\$100M)
Electricity	325	95	420			
Food Basket	230	70	300			
Private Sector Development	155	65	<del>220</del> 120	100	120	
Oil	160	40	200			
Security/Law Enforcement	<del>155</del> 500	45	<del>200</del> 500			
Agriculture	125	35	160	50	110	2 (\$50m)
Vocational training	80	20	100	50	50	1 (\$50m)
<b>TOTAL</b>	<b>2,000</b>	<b>600</b>	<b>2,600</b>	<b>800</b>	<b>1800</b>	



COALITION PROVISIONAL AUTHORITY  
BAGHDAD

INFO MEMO

May 5, 2004

FOR: THE ADMINISTRATOR  
FROM: George Wolfe, Director, Office of Management and Budget  
SUBJECT: Your request for update on \$2.5 billion distribution

You requested an update on the proposed distribution of the \$2.5 billion recently transferred to the DFI from the UN escrow account.

Of the \$1 billion agreed for security, you have allocated \$500 million for CERP, CERP-like, and other special projects. This allocation was recommended by the PRB. A detailed breakdown of allocations to date is in Attachment 1.

The other \$500 million for security has not yet been approved for allocation. However, there are already tentative allocations from it (for example, \$30 million for the irrigation project and \$1.5 million to extend the Maersk contract at the port of Basrah). This \$500 million is part of the \$2 billion spending proposal that we have been discussing with DC. A detailed breakout is in Attachment 2.

I am waiting for word from you to take this spending proposal to the PRB. I would like to discuss with you possible adjustments to the spending plan. You may want to consider adjustments based on the following:

- \$100 million for the new victims compensation vehicle, per our recent conversation.
- Up to an additional \$400 million for oil projects that could increase potential revenue by up to \$2 billion in 2005. The justification from the CPA Ministry of Oil is detailed in Attachment 3.
- If adjustments are to be made, I think the most appropriate sources of funds would be from monies identified on Attachment 2 for the IPCC, the Central Bank, Agriculture, and/or Private Sector Development.

Note that the \$1.5 billion of non-security spending from the \$2.5 billion is to be supplemented with \$600 million of "Kurdish" OFF money.

I would like to discuss this matter with you at your earliest convenience.

- ATTACHMENTS:**
- 1. Breakout of \$500 million for CERP, CERP-like and other special projects**
  - 2. Breakout of \$2 billion**
  - 3. Ministry of Oil justification for an additional \$400 million**

<b>\$500M "CERP" like and special projects</b>	
	<b>Dedicated Funds (\$M)</b>
<b>Total Allocation</b>	<b>500</b>
<b>Appropriated CERP offset</b>	<b>123</b>
<b>Available funding</b>	<b>377</b>
<b><u>Seven Cities</u></b>	
Baghdad	145
Baqubah	22
Fallujah	35
Mosul	27
Ramadi	35
Samarra	23
Tikrit	23
<b>Sub-total</b>	<b>310</b>
<b><u>Other Projects</u></b>	
Najaf	7
Basrah	35
<b>Sub-total</b>	<b>42</b>
<b>TOTAL</b>	<b>352</b>
<b>Net remaining</b>	<b>25</b>

Other 500M  
 \* 30 M Irrigation  
 1.5M Port/Marshak

*No*

# Expenditures from \$2.0 billion additional OFF Refund

*frhl - cap fund*

*(Assumes 40% Grossup for Kurds)*

*IPCC - 100 → 150  
RSL → 100 → 50  
200*

*50  
6*

Item (\$m)	Reserve Expenditures
IPCC Compensation	250/250
Revenue Stabilization Fund	150/200
Central Bank Reserves	100/100
Sub-total	500/550
Item (\$m)	Expenditure
Food Basket	180/250
Item (\$m)	Active Expenditures
Security * (-200/C&F, -100/PSD)	500
Electricity	300
Oil Refinery Improvements	400/300
Agriculture	50/100
Private Sector Development	50
Vocational training	50
Sub-total	1200
<b>TOTAL</b>	<b>2000</b>

*Switch 100 CST to -  
70 Victims Fund (+30 Kurd)*

*50/180 (+70) - (+70)*

*200 (+50) + 50*

*+200*

\* You may wish to allocate against this \$500 million expenditures for accelerated spending not based on MSC requests/input, e.g. \$30 million for Irrigation Project, \$1.5 million for the port/Maersk contract.

*40% Grossup to 600M Kurd Monies added to 1.5B here (or 30% if spend covers 500 security, also)*

*Oil Additions  
+50 (C&F)  
+30 (CST - Victims Fund)  
+50 (Agric)  
+70 (FBasket)*

Attachment 2

*100 x 40% = 40  
200 x 40% = 80  
300 x 40% = 120  
400 x 40% = 160  
500 x 40% = 200  
380 + 200 = 600*

*40% - Oil  
Ken Ann  
Nepw 7.5  
IPCC  
+ Admin  
C&F*



<b>Iraqi Property Claims Commission compensation.</b> funds for the IPCC against the estimated \$2.1 billion that will be needed.		<b>250m</b>
<b>Revenue Stabilization Fund.</b> Establish an account to provide security — essentially a special budgetary reserve -- against potential fall in oil revenue in 2005.		<b>200m</b>
<b>Central Bank Reserves.</b> additional reserves to back the Iraqi currency. To date central bank reserves are \$1.8 billion. The amount fluctuates, and Olin Wethington anticipates some reduction in this amount. This amount of funding is aimed at hitting the \$2 billion reserves target.		<b>100m</b>
<b>TOTAL RESERVES USES</b>		<b>550m</b>

### **ACTIVE EXPENDITURES**

<b>SECURITY</b>	
<b>Additional Security Spending</b>	<b>500m</b>

<b>ELECTRICITY</b>	
<b>1. Industry power supply (linked to oil refinery reliability)</b>	
Stable Power Supply for Industry, particularly for Refineries and Gas Plants. Relocate mobile sub-stations. Affects Doura, Baiji and Basrah. <i>Benefit:</i> Stable production capability for fuel supply to the country. Produces an additional 30 MW.	
<b>2. Natural Gas Infrastructure</b>	
Funding for Natural Gas Infrastructure. Further detail to be defined in the Natural Gas study which will report later this month. <i>Benefit:</i> decrease the dependence on fuel imports.	
<b>3. Operations &amp; Maintenance</b>	
Operation and Maintenance Parts and Consumables for existing power	

generating stations. <i>Benefit:</i> necessary cost for on-going operation of existing power stations. Increase the reliability of power generating capability.	
<b>4. Rehabilitation Haditha-Qaim</b> 400 kV Rehab, Haditha-Qaim. <i>Benefit:</i> increases transfer capacities and increases the overall reliability and security of the transmission grid.	
<b>4. Rehabilitation Haditha-Baiji</b> 400 kV Rehab, Haditha-Baiji. <i>Benefit:</i> increases transfer capacities and increases the overall reliability and security of the transmission grid.	
<b>5. Electrical Worker Protective Equipment</b> Ensures the safety of the electrical workers while they are performing their duties. Further, the Ministry of Electricity is in desperate need of this equipment due to the looting that has occurred.	
<b>6. Generator Control System</b> 6. Remote control of existing and new electric generators for central dispatch for reliability and economy. The new generating capacity that is being added has to have these control added and the exiting ones is 30 year old technology that can only monitor but has no remote control.	
<b>Total Electricity Projects</b>	<b>\$300m</b>

<b>OIL</b>	
<b>1. Refinery Reliability (linked to electricity industry power supply)</b> Projects that improve the reliability of the refinery operations of Iraq's three large refineries. These refineries have been running at rates much lower than capacity due to several reasons. Poor maintenance is a major factor because of a lack of spare motors and pumps, spare parts are not available and adequate tools to support maintenance are also not in adequate supply. Stable electric power is critical to keeping these refineries operating effectively and efficiently. During the last 10 months, the refineries have incurred downtime due to the unreliable supply of power. The three main refineries are: <ul style="list-style-type: none"> <li>• Bayji – 290,000 barrels a day</li> <li>• Daura – 100,000 barrels a day</li> <li>• Basra – 140,000 barrels a day</li> </ul> <i>Benefit:</i> Stable supply of diesel and benzene to the country and reduced imports of these products that are presently draining 10% of the national	

budget.	
<b>2. Water Injection Project</b>	
Continue projects currently underway on a prioritized basis to complete the water injection projects in the south. This project is critical to the continued crude oil production levels that Iraq achieved over the last year. <i>Benefit:</i> Continue crude oil production rates above 2 million barrels a day that the south fields are presently operating.	
<b>3. Gas</b>	
Current plants operating at 25% capacity in the south for LPG. Rework and replace compressors, turbines, motors etc. Increase broadcast product supply. Repair NGL plants. <i>Benefit:</i> Increase LPG production.	
<b>4. Metering</b>	
Conduct a countrywide study and install priority meters to accurately measure and control crude accountability and meet the requirements of the UN.	
<b>Total Oil Projects</b>	<b>\$200m</b>

<b>AGRICULTURE</b>	
<b>1. National Level Reconstruction Activity</b>	
Agricultural and veterinary research center rehabilitation	
Date palm industry development	
Fisheries - rehabilitation of hatcheries for provision of fingerlings.	
Microfinance grants	
Soil testing - re-equipping laboratories and providing soil testing services	
Extension services development and facility rehabilitation	
Phyto-sanitary and inspection and export testing facilities at the borders	
Grain storage facilities (infrastructure and testing capability)	
Seed certification and production facilities.	
Veterinary hospitals, slaughterhouses & quarantine facilities.	
Forestry development - land preparation and seedling procurement	
Animal production: diagnostic capability, genetic improvement etc.	
Feasibility plan and business plan for fertilizer plant rehabilitation	
Poultry facilities reconstruction	
Vaccine Production Facilities	
<b>Total</b>	

<b>2. Governorate level reconstruction activities</b>	
North	
South Central	
South	
<b>Total</b>	
<b>3. Assistance (will recur for two years)</b>	
Grants and subcontracts management	
Direct assistance to MOA Programme activities	
Institutional capacity building	
<b>Total</b>	
<b>Total Agriculture Projects</b>	<b>\$100m</b>

<b>PRIVATE SECTOR DEVELOPMENT</b>	
<b>1. State Owned Enterprises</b>	
<u>Financing:</u> The capital needed to revitalize the SOEs that have emerged through our triage procedure as the most likely to survive in a private sector environment outstrips the funds available. An investment pool to provide project finance and capital expenditures for critical shortcomings in targeted SOEs' plant and equipment	
<u>Audit/ Advisory:</u> A project to parachute auditors and financial advisors into selected SOEs. They would prepare financial statements that give a true and accurate picture of the SOEs' financial status, help to create business plans that aim to ensure the survivability of the SOEs in a free market climate, and prepare marketing and information materials to prepare for a possible future change in ownership structure	
<u>Consulting/ Training:</u> In order to enable the SOEs to survive on their own, and eventually to compete as private sector entities, managers and line workers will need extensive education and consulting support	
<b>Total</b>	
<b>2. Micro Credit</b>	

<p><b>Financing:</b> As of now, \$20 million is available for micro-lending throughout Iraq. A little over \$3 million has been lent in the 4 or 5 months since the first program started up. Lending is expected to accelerate quickly and demand is anticipated to outpace supply. Nevertheless, some regions/ sectors are underserved and we need to be able to provide selected target regions/ sectors with incremental microfinance funding</p>	
<b>SUB TOTAL</b>	
<b>3. Small Business</b>	
<p><b>Financing:</b> The IFC is working on a \$200 million facility for loans ranging from \$25,000 to \$500,000. Due to complications in the IFC's negotiations with OPIC, the amount of lending may shrink to \$100 million. In addition, it is highly unlikely that the IFC will be able to meet its commitment to start lending by late May. Interim funding may be necessary to maintain momentum in small business activity</p>	
<p><b>Consulting/ Training:</b> \$30 million will be available through the IFC facility for technical assistance to privately owned banks. But, as stated above, these funds may not be available on a timely basis</p>	
<b>4. Middle Market</b>	
<p><b>Financing:</b> A \$150 million fund will be available to a special purpose vehicle (SPV), by way of a grant from the USG to an NGO and from OPIC and U.S. commercial bank financing, for the purpose of making loans to these firms. These medium term loans will be made through privately owned banks, or if necessary, directly by the SPV. Loans will be made from this fund to Iraqi reconstruction contractors and subcontractors as well as others, although with some preference for strategic sectors, job creation, and geographic distribution. We need to complement the fund's activity by providing equity support to selected companies, as well as mezzanine and other non-senior debt products which will provide an integrated and comprehensive suite of financing tools.</p>	
<b>SUB TOTAL</b>	
<b>5. Iraqi Subcontractors</b>	
<p><b>Financing:</b> A \$100 million OPIC fund will be used to finance short-term working capital needs of Iraqi winners of reconstruction bids. By assigning the proceeds of contracts, payment risk will be minimized, and performance risk is also expected to be low. In order to bolster subcontractors' balance sheets to qualify for the OPIC loans, debt and equity investment needs to be available.</p>	
<p><b>Consulting/ Training:</b> No funds currently available to advise borrowers on structuring loan packages, dealing with US contractors, setting up</p>	

receivables financing and managing cash flows.	
<b>SUB TOTAL</b>	
<b>Total Private Sector Development Projects</b>	<b>\$50m</b>

<b>VOCATIONAL TRAINING</b>	
Renovation and refurbishment of 17 vocational centers	
Capital equipment for each center	
"Rapid Response" Training Consultants—to provide staff capacity training for each center.	
Security Assessment and Training for 11 Vocational and 28 Employment Centers across the country	
Labor Market Assessments	
Staff salaries	
Two buses per center to provide transportation for students	
Personal Security	
Operating Expenses	
Stipend of ID 45000 per student / month (2-month courses) for vocational training courses	
Stipend of ID 45000 per student / month (2-month courses) for literacy training courses	
Training and teaching costs for vocational (20,000 students)	
Training and teaching costs for literacy training (30,000 students)	
<b>Total Vocational training Projects</b>	<b>\$50m</b>
<b>Total Active Expenditures</b>	<b>\$1200m</b>
<b>Total Spending</b>	<b>\$2000m</b>

5/5/04

Bremer Mtg - 2.5B

① 2.5B - Do we have KURO #600M?  
- GO TO PRB ASAP

② 1st 500M/Security - Breakdown - 500M must be

③ 2nd 500M/OK to spend?

that, so  
funded 100%  
out of O&I

④ Check back  
w/ Brn/Crsh  
day end in  
OK/OK

Check back  
today  
w/ Brn

⑤ After min to  
JB AOC  
no budget  
1 #5 (O&I)

⑥ Get PRB

⑦ Veterans Fund - final approval

Get up all  
by 2/2/04  
Kurt  
Borg in the  
pursuit

**Wolfe, George B. (SES)**

**From:** [REDACTED] (GS-13)  
**Sent:** Wednesday, May 05, 2004 6:23 AM  
**To:** Wolfe, George B. (SES)  
**Subject:** DFI

This is what he wants, be sure to read to the bottom. Let me know if you have any questions.

(b)(6)

-----Original Message-----

**From:** L. Paul Bremer  
**Sent:** Wednesday, May 05, 2004 6:12 AM  
**To:** [REDACTED] (GS-13)  
**Cc:** [REDACTED] (FS-5); [REDACTED] (FS-04)] b(2)  
**Subject:** RE: Minister of Electricity

**I need to see a chart showing the proposed distribution of the \$2.5 billion and a breakdown on the \$500 million for special projects, 7 cities, etc.**

-----Original Message-----

**From:** [REDACTED] (GS-13)  
**Sent:** Tuesday, May 04, 2004 8:02 PM  
**To:** L. Paul Bremer  
**Cc:** [REDACTED] (FS-5); [REDACTED] (FS-04)] b(2)  
**Subject:** RE: Minister of Electricity

Sir,

I spoke with George and he would like to know what specifically you were looking for in an update. I wasn't sure if you were looking for an update on specific projects or just balances so I thought I'd ask you.

(b)(6)

-----Original Message-----

**From:** L. Paul Bremer  
**Sent:** Tuesday, May 04, 2004 7:06 PM  
**To:** [REDACTED] (GS-13)  
**Cc:** [REDACTED] (FS-5)] b(2)  
**Subject:** RE: Minister of Electricity

**I am in no hurry. I need to pin down with Wolfe the DFI accounts. I should see George Wed and then decide if and when to see the Minister.**

-----Original Message-----

**From:** [REDACTED] (GS-13)  
**Sent:** Tuesday, May 04, 2004 6:13 PM  
**To:** L. Paul Bremer  
**Cc:** [REDACTED] (FS-5)] b(2)  
**Subject:** FW: Minister of Electricity

Sir,

5/5/2004



Shall we put the Minister on the schedule?

(b)(6)

-----Original Message-----

**From:** (b)(6) (CIV)  
**Sent:** Tuesday, May 04, 2004 10:34 AM  
**To:** (b)(6) (GS-13)  
**Subject:** Minister of Electricity

b(2)

The Minister wants to meet with Bremer and (b)(6). He wants to talk about:

1. Bartering oil for power- The MoO has told the MoE and me that they have no excess residual oil for bartering, they use it themselves to trade for refined products. This was confirmed by (b)(6)'s staff. The MoE believes there is plenty of excess residual and that is just the Minister of Oil's excuse to not give him what he wants. The MoE also wants the flared gas to barter for power. The MoE is very focused on building power plants and he has no cash and he is trying to find non cash deals like this. A side but critical issue is that the MoE's own staff has some question about the need for the power plants. The MoE is pushing these deals without a clear connection to the load growth studies done in his own ministry. Also, his people tell him he can get more MW more quickly if he uses his efforts to finish plants that are partly done awaiting for more funding.
2. Additional \$420 BFI money for electricity. The minister wants this approved right away so he can award a contract for a new diesel generating plant. As I understand it from George Wolfe, the approval for these funds is being held up in Washington as people over there debate its best use (our \$420MM is just a part of a bigger package).
3. And real reason he wants to meet is to influence opinion about his staying as the minister. I believe that he believes he will not make the cut and he is trying to get votes on his side. I am working with (b)(6) to gather names for a replacement if (b)(6) does not make it.

Let me know if and when a meeting can be held.

5/5/2004



COALITION PROVISIONAL AUTHORITY  
BAGHDAD

04-016

April 26 2004

ACTION MEMO

TO: THE ADMINISTRATOR  
FROM: George Wolfe, Director, OMB  
SUBJECT: Targeted Immediate Funding

This is to confirm in writing your recent oral instruction authorizing the release of ODFI funds to these specified Governorates in the following amounts, with the understanding that the funds will be expended on the cities listed in parenthesis:

Al Anbar (Ramadi and Fallujah)	\$350,000
Baghdad (Baghdad)	\$20,000,000
Diyala (Baqubah)	\$1,652,000
Najaf (Najaf and Kufa)	\$7,000,000
Vineva (Mosul)	\$7,000,000
Salah ad Din (Tikrit and Samarra)	<u>\$4,000,000</u>
	\$40,002,000

Funds will be disbursed and expended through the fastest mechanism available and action coordinated through the appropriate CPA offices, primarily EMO, OMB, and the BSO, and JTF-7.

**RECOMMENDATION:** Approve the release of these funds to these governorates in the amounts specified

Approve: [Signature] Disapprove: \_\_\_\_\_ Approve with modification: \_\_\_\_\_

Coordination: COO/BGen Usher-ok  
PMO/BG Seay-ok

missing last page



# COALITION PROVISIONAL AUTHORITY

BAGHDAD

29 April 2004

## MEMORANDUM

FOR: THE ADMINISTRATOR  
FROM: Director PMO  
SUBJECT: Accelerating Iraqi Reconstruction Programs

Project Teams visited seven cities (Ramadi, Fallujah, Tikrit, Samarah, Mosul, Ba'Qubah, Baghdad) and met with military commanders, CPA Governorate Coordinator Representatives and local Iraqi government representatives to determine their prioritized and urgent unfunded reconstruction requirements. Project Teams had authorization to commit to individual projects less than \$2 million with a total of \$10 million per city and up to \$20 million with concurrence of CJTF7 C9, OMB CPA Director and PMO Director. Team members to Fallujah and Ramadi felt commitment to \$35 million was extremely important.

Enclosure (1) is the prioritized project lists for the seven cities. Due to strong recommendations from the military commander, Governorate Coordinator and local Iraqi leaders in Sula Al Din governorate, the efforts for Tikrit and Samarah were spread throughout the Governorate. The highlighted projects on each attachment are the high priority and high impact projects that can be quickly implemented and are recommended for funding and execution.

City	Amount
Ramadi	\$ 35,000,000
Fallujah	\$ 35,000,000
Mosul	\$ 20,000,000
Samarah	\$ 21,000,000
Tikrit	\$ 21,000,000
Ba'Qubah	\$ 20,000,000
Baghdad	\$ 40,000,000
Total	\$ 192,000,000

Recommendation: Fund the highlighted projects on the attached spreadsheets immediately.

CJTF7 C9 Approve: \_\_\_\_\_ Disapprove: \_\_\_\_\_

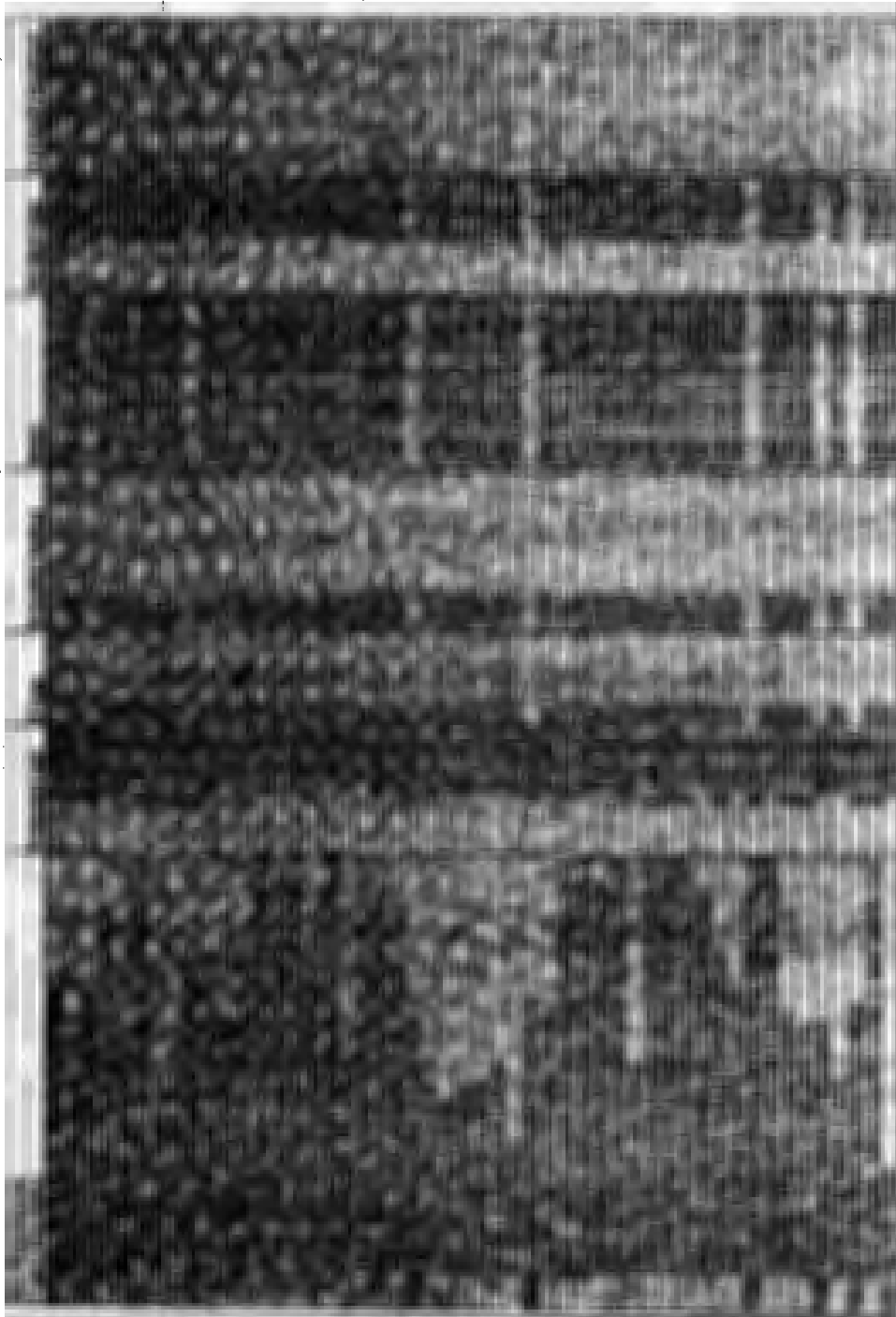
Director OMB, CPA Approve: \_\_\_\_\_ Disapprove: \_\_\_\_\_

## ENCLOSURE:

(1) Prioritized Project Lists (6)

4/25/2004

Budgeted



840,530,000

Project Description	Estimated cost	Remaining Total	\$ Type	Execution Method	Status	Est Start Date	# Israel's Employees
New and Unfilled Requirements from CPA, GC, ABC, and Local Government							
New Bishlah Shashibulhouses	\$3,000,000	\$2,000,000	DP1	PAIO DR Construction	TO Under Dev	15-Jun-04	160
Emergency Camp Camp Site	\$600,000	\$550,000	DP1	Local Contract	TO Under Dev	22-Mar-04	200
New Aquray Plant	\$2,000,000	\$2,000,000	DP1	Local Contract	TO Under Dev	1-Jul-04	50
Israli Shashibulhouses	\$17,000,000	\$17,000,000	DP1	PAIO DR Construction	TO Under Dev	2-Jun-04	350
Medical Diagnostic Equipment	\$1,000,000	\$1,000,000	DP1	PAIO DR Construction	TO Under Dev	1-Sep-04	5
Laboratory water supply building	\$3,000,000	\$3,000,000	DP1	PAIO DR Construction	TO Under Dev	1-Jul-04	20
New Generator for Pedlarie Hospital	\$200,000	\$55,280,499	DP1	PAIO DR Construction	TO Under Dev	1-Jul-04	5
New Generator for General Hospital	\$260,000	\$55,280,499	DP1	PAIO DR Construction	TO Under Dev	1-Jul-04	5
New Generator for WFP	\$200,000	\$55,280,499	DP1	PAIO DR Construction	TO Under Dev	1-Jul-04	20
Produce Transformers	\$5,000,000	\$5,000,000	DP1	PAIO DR Construction	TO Under Dev	1-Jul-04	100
Develop Camp Site	\$5,000,000	\$5,000,000	DP1	PAIO DR Construction	TO Under Dev	1-Jul-04	100
Construct Radiology Hall at General Hospital	\$2,000,000	\$4,000,000	DP1	Local Contract	TO Under Dev	1-Aug-04	100

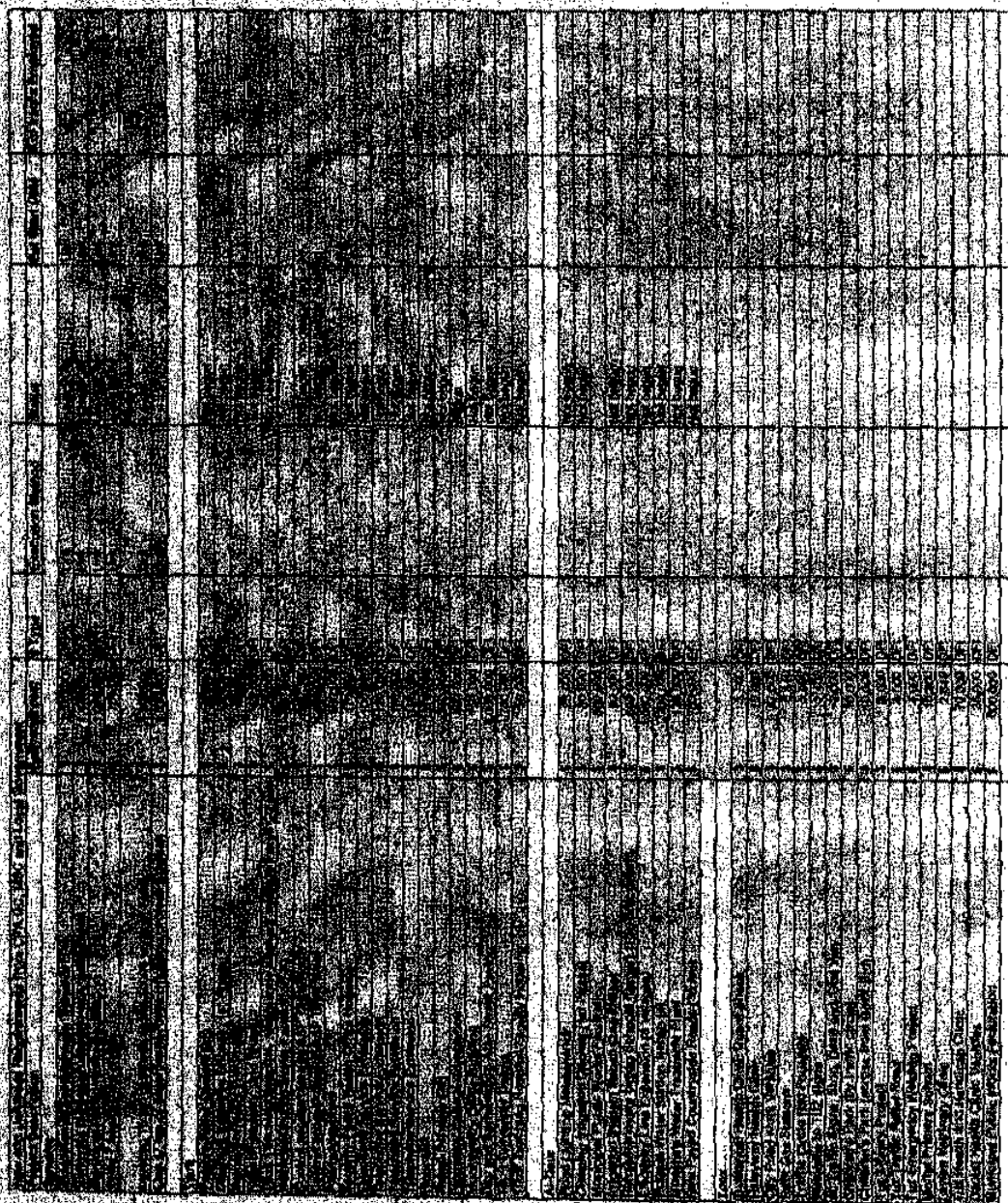
147,934,820

Page 1

Page 2

Page 3

**\$127,542,000**







Item and Sub-item	Quantity	Unit	Estimated Cost (USD)	Contract Type	Contract No.	Contract Date	Contract Value (USD)
Electricity - generators to be installed at key Mosul factories, with additional service to local community	1	lot	\$10,000,000	CPA Contracting	CPA Contracting	8/1/2003	200
Rural Potable Water - wells, treatment, distribution	1	lot	\$10,300,000	CPA Contracting	CPA Contracting	5/7/2004	500
Mosul to Dohuk Highway - emergency road repair of 14 km	1	lot	\$10,000,000	CPA Contracting	CPA Contracting	8/15/2004	2000
Solid Waste - landfills, trucks and other equipment	1	lot	\$3,000,000	CPA Contracting	CPA Contracting	5/3/2004	3000
Telephone Switch Gear and Cabling	1	lot	\$9,280,000	CPA Contracting	CPA Contracting	5/7/2004	1500
Mosul Airport - advance Phases 2 & 3	1	lot	\$4,000,000	CPA Contracting	CPA Contracting	8/1/2004	200
Al-Salam Hospital Emergency Dept Construction	1	lot	\$5,000,000	CPA Contracting	CPA Contracting	8/4/2004	400
Solid Waste - landfill	1	lot	\$4,900,000	CPA Contracting	CPA Contracting	6/15/2004	500
Renovation of Barish Cement Plant	1	lot	\$7,700,000	CPA Contracting	CPA Contracting	5/7/2004	200

**Wolfe, George B. (SES)**

From: (b)(6) (OTHER)  
 Sent: Wednesday, May 05, 2004 8:15 PM  
 To: Wolfe, George B. (SES); (b)(6) (O-6) b(2)  
 Cc: (b)(6) (Civ)  
 Subject: \$40M Status

Briefs for each location:

Najaf: \$7,000,000  
 No movement due to security situation

Anbar: \$350,000  
 Scope of work being developed

Mosul: \$7,000,000  
 8 separate contracts covering 18 road projects for a total obligated value of \$4.4M have been awarded since 25 Apr.  
 Anticipate contract award NLT 19 May, for remaining contracts for the balance of the funds.

Baghdad: \$20,000,000  
 \$5M Sadr City Roads project: Interagency Service Agreement Signed, w/ USACE; out for contract  
 \$300,000 Sadr City Council Security: out for contract  
 \$700,000 Sadr City Civic Center: scope of work being developed  
 \$2M for CHF loan program: Cancelled due to withdrawal of CHF personnel from Country: to be rolled into larger Sewer Effort  
 \$1.7M for Sadr city sector projects: Cancelled: to be rolled into larger sewer effort  
 \$500,000 Sadr city sewer repairs: Cancelled: to be rolled into larger sewer effort  
 \$10M in CERP

Baquba: \$1,672,000  
 No direct response: Anticipate that projects are out for bids.

Salah ad Din: \$4,000,000  
 No response. Expect very little movement until projects cell is reinforced.

(b)(6)  
 Regional Programs Coordinator  
 Coalition Provisional Authority

Baghdad, Iraq  
 Presidential Palace Rm S203

DSN (b)(6)  
 Com (b)(6)  
 Cell (b)(6) b(2)  
 (b)(6) @orha.centcom.mil

5/6/2004

#### **U.S. SUPPLEMENTAL FUNDS:**

The Wartime Supplemental Appropriations Act provided \$18.4 billion for relief and reconstruction in Iraq. In January, OMB submitted to Congress the first of a series of reports outlining sector and quarterly spending plans covering both 2004 and 2005.

The attached chart reflects apportionments and obligations to date. Agencies have been provided with a total of \$11 billion, with \$2.2 actually spent. Of the \$11 billion apportioned, \$3 billion (out of \$3.2 billion planned) has been made available for security purposes with \$381 million spent so far. The balance of \$8 billion is available for reconstruction and development of which \$1.5 billion has been spent on oil and electric infrastructure repair. With the recent award of \$6 billion of contracting capacity for major construction, CPA expects that the execution pace of work will accelerate during the balance of the year.

On July 1, the new ambassador will have available \$7.4 billion for reconstruction including fourth quarter resources of approximately \$2.8 billion and 2005 funds of \$4.6 billion. While CPA has developed a plan for the use of these funds, the ambassador will have the flexibility to revise and redirect the \$7.4 billion subject to current legislative guidance.

#### **IRAQI FUNDS:**

The Iraqi budget relies on oil revenues, receipts from the Oil for Food (OFF) program and frozen assets, all of which are deposited in the Development Fund for Iraq (DFI).

When the March 2004 budget was adopted, it assumed \$5.4 billion in opening balances (primarily from 2003 OFF deposits), foreign seized assets of \$200 million and oil revenues of \$14.5 billion allowing for roughly \$20 billion in expenditures.

- The oil revenue assumptions included in the budget are based on estimates of a price per barrel of \$21. Last month's average price was \$27.50 suggesting there may be a future net gain in revenues that could contribute to meeting Iraqi budgetary needs.

After the budget was developed, the OFF deposited an additional \$2 billion in the DFI, which is currently available. The OFF is also expected to deposit another \$500 and \$700 million in the next seven to ten days.

CPA, in conjunction with relevant Iraqi ministries, has developed tentative plans for the use of the OFF revenues of \$2.5 to \$2.7 billion as follows:

Security:	\$1,000
Property Claims	250-350
Electricity	250-350
Food Basket Purchases	200-300
Oil Stabilization Fund	150-250
Oil Refinery Infrastructure	150-250
Agriculture	100-200
Private Sector Development	50-150
Central Bank Support	50-150
Vocational Education	50-150
TOTAL	2,250-3,150

### **EMERGING PRIORITIES**

Recently, a decision was made to consolidate the coordination of all security forces under the command of the CJTF which in turn, has identified \$3.9 billion in immediate equipment, weapons, uniforms, vehicles and other support needed by the Army, Police, Facility Protection Services, Civilian Defense Corps, and Border Guards. Of this amount, \$3.2 billion is available from the Supplemental.

To meet the additional need of \$700 million, Ambassador Bremer has provided \$500 million from within the Iraqi budget of \$20 billion (which is funded by DFI). In addition, he has committed to working with the Iraqis to secure \$500 million more to be drawn from the additional \$2 billion OFF funds recently deposited in the DFI.

When the next deposit (\$500-\$700 million) is made from the OFF, Ambassador Bremer has planned to make available an additional \$500 million for security purposes and for the Commander's Emergency Response Program (CERP), a high impact, low cost community based repair and reconstruction program. To date, CERP has completed 19,681 projects using \$225 million of a total of \$549 million available. Another roughly \$100 million of projects is currently underway.

### **DFI vs. SUPPLEMENTAL RESOURCES**

After July 1, all decisions bearing on the use of any funds in the DFI will be the exclusive responsibility of the sovereign Iraqi government. There is a view that funds included in the \$20 billion Iraqi budget or the additional funds of up to \$2.7 billion deposited by the OFF should be redirected now to pay for planned projects which were to be funded through the Supplemental appropriations. This would free Supplemental resources giving the U.S. Government control over more funds to address unanticipated emerging or post transition requirements.

The Iraqi budget of \$20 billion has been circulated and approved by the Ministries and the Governing Council as well as published on the CPA web site. Any interest in altering allocations or plans for this budget would necessitate discussions with the Council and Ministries.

While Ambassador Bremer has developed a recommendation for the use of the additional \$2.5-\$2.7 billion, those plans have not been formally approved by any Iraqi authority. Assuming up to \$1 billion of the total deposit is dedicated to emerging security and CERP needs as suggested by Ambassador Bremer, at least \$1.5-\$1.7 billion could be available to substitute for funding priorities currently covered by the Supplemental.

Bum / 25B

(b)(6)

b(2)

(b)(6)

b(2)

② Jhr

A) Memo

B) 7 Citin Jhr/Memo - Specifically - ?

C)

Need

① \$152M memo

② \$40M memo

**Seven City and Other Projects**

(as of May 5, 2004)

<u>Seven Cities</u>	<b>Dedicated Funds (millions)</b>
Baghdad	145
Baqubah	21.7
Fallujah	35.2
Mosul	27
Ramadi	35.2
Samarra	23
Tikrit	23
<b>Sub-total</b>	<b>310.1</b>

Other Projects

Najaf	7
Basrah	35
Port	1.5
Irrigation	30
<b>Sub-total</b>	<b>73.5</b>

<b>TOTAL</b>	<b>383.6</b>
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COALITION PROVISIONAL AUTHORITY  
BAGHDAD

MEMORANDUM FOR: Dr. Rice  
FROM: Paul Bremer  
SUBJECT: Critical Expenditures  
DATE: May 1 2004

You asked to know how I propose to spend the \$2.5 billion recently transferred to the DFI from the U.N. escrow account on security. The spending plan was developed in close coordination with the relevant Iraqi ministries and the Finance Minister. The plan is based upon a careful analysis of:

- the security situation; and
- the most critical unfunded needs of Iraq in 2004 and beyond.

We have also focused on the best way to make use of DFI funds for projects otherwise funded by the Supplemental to preserve leverage for the US Mission Baghdad.

*Critical needs*

1. I have allocated \$1 billion of the \$2.5 billion for security. Note that this is in addition to the \$1.3 billion provided for security in the regular Iraqi 2004 budget.
2. We have already offset \$220 million of Supplemental projects in the regular budget. The \$2.5 billion spending plan will offset an additional \$530 million of Supplemental expenditures, for a total Supplemental offset of over \$750 million. This money will be available to John Negroponte after transition, in addition to the roughly \$8 billion which by July 1 will not have been contracted. He will have lots of leverage.
3. Reserves of \$450-750 million are critical. First, the Iraqi Property Claims Commission will have liabilities of \$2 billion to \$5 billion. A down payment to begin funding the payment of claims is necessary to maintain stability particularly in the tinderbox area around Kirkuk. Second, the Revenue Stabilization Fund provides critical insurance. We cannot assume oil exports or oil prices will remain high. Already in recent weeks, sabotage has cut daily production by 400,000 barrels a day. It is likely that attacks on oil infrastructure will continue into 2005, and oil prices are always volatile. A revenue reserve to fund budgeted operating costs in the likely event of an interruption in oil revenue (97 percent of budgetary funding) will help the new Iraqi government maintain stability.

UNCLASSIFIED

UNCLASSIFIED

-2-

4. The \$200-300 million for the food basket must be funded to provide enough food to Iraq this year.

5. We have focused additional spending on projects that can be executed quickly and have maximum impact on providing critically needed revenue (oil) and services (e.g., electricity).

6. Other expenditures, like training, are aimed at getting young Iraqis off the streets and into literacy and/or vocational training and placement programs. This money is to be targeted at former military and militia to improve security. It is estimated that 50,000 Iraqis could be put through this training by the end of the year if this money is made available immediately.

*Limits to financing*

7. This spending plan also reflects the analysis of CPA and our Iraqi counterparts regarding current funding shortfalls. All other DFI funds are fully allocated in the budget. The requirements we have addressed are real, but represent only a part of the unfunded needs of Iraq.

8. While there may be \$1-1.5 billion of projected excess oil revenue between March and the end of the year, it would be irresponsible to use these unrealized funds now given the uncertainties involved in both production levels and oil prices.

9. Finally, we have a responsibility to think beyond the immediate. The additional \$2.5 billion, combined with the \$20 billion already budgeted expenditures, creates a huge gap between operating revenues and expenditures. The budget for 2005 will require painful cuts. Any excess revenues this year will be needed to support spending next year.

*Course of Action*

Having coordinated with the Iraqi government, I have decided to implement this spending plan. We will continue to look for additional opportunities to maximize the amount of Supplemental spending that can be offset by DFI expenditures.

UNCLASSIFIED

## \$2.5 billion of OFF refund

Item	Out of OFF Refund \$2.5 billion (\$millions)
<b>Security</b>	1000
<b>Food Basket</b>	200-300
<b>Reserves</b>	
IPCC Compensation	250-350
Oil Stabilization Dividend Fund	150-250
Central Bank Reserves	50-150
<b>Active Expenditures</b>	
Electricity	250-350
Oil	150-250
Agriculture	100-200
Private Sector Development	50-150
Vocational training	50-150



COALITION PROVISIONAL AUTHORITY  
BAGHDAD

May 5, 2004

MEMORANDUM

TO: The Administrator  
FROM: Director, PMO  
SUBJECT: Additional Funding Targets within the "CERP 500M"

1- This memo confirms our approval (per your authorization) of allocations of DFI funds for \$125 million in projects for the city of Baghdad and \$35 million for the region of CPA-South.

These funds will be directed toward the execution and completion of projects specified in the attached.

The funding for CPA-South will be administered via R3P procedures.

Baghdad funds will be disbursed and executed through the most appropriate mechanisms available.

All actions will be coordinated through the appropriate CPA offices, primarily PMO, OMB (to include R3P), and CJTF-7.

2- This memo supercedes the 29 April memo entitled Accelerating Iraqi Reconstruction Programs, in those areas concerning the projects identified and dollar amounts apportioned for Baghdad.

Chief Operating Office	Approve: _____	Disapprove: _____
CJTF-7 c9	Approve: _____	Disapprove: _____
Director, OMB	Approve: _____	Disapprove: _____

Attachments: Project Lists for Baghdad and CPA-South

By: (b)(6) CPA RPC/PRB

Coordination:

## COALITION PROVISIONAL AUTHORITY-SOUTH

### List of Emergency Regional Projects designed to secure and retain consent

Sector	Details	Approx Cost US\$ million	Ready for Immediately
<i>Electricity Transmission and Distribution</i>			
	132 kv conductor 1,000km	\$3.0	
	132 kv stringing equipment	\$1.0	
	<i>sub total</i>	<u>\$4.0</u>	
<i>Health Provision</i>			
	Medical equipment and furniture to equip CPA-S hospitals	\$1.8	
	<i>sub total</i>	<u>\$1.8</u>	
<i>Law and Order</i>			
	Nasiriyah and Amarah Prisons- commissioning costs	\$0.6	\$0.3
	Purchase modified prisoner conveyance vehicles	\$1.3	\$1.3
	Supply of 3,300 sets bullet protective vests	\$1.5	\$1.5
	<i>sub total</i>	<u>\$3.4</u>	
<i>Telecommunications</i>			
	ITPC-Underground telephone cable and accessories- materials only	\$2.3	\$2.3
	Emergency communications package	\$0.7	\$0.7
	<i>sub total</i>	<u>\$3.0</u>	
<i>Water and Sanitation</i>			
	Rehabilitation of Al Faw Sewerage and Storm Water pumping stations	\$1.3	
	Six No 200m <sup>3</sup> /hour compact water units	\$2.0	\$2.0
	Spare Parts (pumps, tools, fittings etc) to sustain water rehabilitation programme	\$1.4	
	Renovate Petro Chem Wks reverse osmosis plant	\$1.5	\$1.5
	1.8 km sewerage pipeline	\$1.4	
	Sewage channels and culvert cleaning	\$1.5	
	Leak detection and repairs. Works contracts	\$1.0	
	<i>sub total</i>	<u>\$10.1</u>	
<i>Foods, Agriculture and Irrigation</i>			
	Supply and install equipment at two analytical laboratories for Umm Qasr Port	\$0.7	
	<i>sub total</i>	<u>\$0.7</u>	
	<i>Microcredit Program</i>	\$10.0	
	<i>Contingency Reserve for Existing Live Projects</i>	\$2.0	

Summary Reserve Emergency CPA-S Projects.xls

Total	<u>\$35.0</u>	<u>\$9.6</u>
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**Contracting**  
**within 10 days**

\$3.0  
\$1.0

\$1.8

\$0.3

\$1.3

\$1.4

\$1.4  
\$1.5  
\$1.0

\$0.7

\$2.0

\$15.4



### Prioritized Project Lists for Baghdad (\$425M)

<u>District</u>	<u>Description</u>	<u>Cost(\$K)</u>
Al Rashid	DCI sewage Lift Station Renovation and line replacement.	\$250
Al Rashid	District-level sewer line replacement	\$250
	District wide pump station repairs/maint and existing pump station generator maint	\$1,500
Al Rashid	Overhaul of sewer feeder lines	\$31,000
Al Rashid	Manhole security project (District wide)	\$5,000
Al Rashid	15 ea 500 kVA and 5 ea 2mW generators for sewage pumping stations.	\$2,000
Sadr	Repair existing sewer lines	\$19,000
Sadr	Installation of 5 sewer pumping stations	\$3,000
Sadr	Connection of homes to main sewer lines	\$10,000
Sadr	Installation of dedicated power lines to sewage	\$1,000
Sadr	Al Sha'ab Pump Station (Ph II and III)	\$7,000
Sadr/Rusafa/9 Nissan	Kadus St main sewer line	\$20,000
Baghdad City	Second Landfill for City (SE)	\$25,000

**Cum Total(\$K) Priority**

\$250	1
\$500	2
\$2,000	3
\$33,000	4
\$38,000	5
\$40,000	6
\$59,000	7
\$62,000	8
\$72,000	9
\$73,000	10
\$80,000	11
\$100,000	12
\$125,000	13

Millions of Dollars	CPA Allocations			Thru 2nd Quarter		Estimated Allocations (based on unapportioned funds)			
Category	Jan. 5 CPA Allocation	April 5 Revised CPA Allocation	Change from Jan. 5	Apportioned	Obligations (as of Nov. 24)	3rdQ	4thQ	FY 2005	TOTAL
Law Enforcement	1,331	1,396	65	1,049	45	225	122	0	1,396
-- Police Training and Technical Assistance	950	1,043	93	818	45	103	122	0	1,043
-- Traffic Police	0	0	0	0	0	0	0	0	0
-- Border Enforcement	300	280	-20	150	0	130	0	0	280
-- Facilities Protection Services	81	73	-8	81	0	-8	0	0	73
National Security	1,912	1,847	-65	1,434	337	268	146	0	1,847
-- Iraqi Armed Forces	1,711	1,608	-106	1,294	308	218	94	0	1,806
of which:									
-- IAF Facilities	602	602	0	591	242	11	0	0	602
-- IAF Equipment	714	608	-106	407	34	137	64	0	608
-- IAF Operations and Training	395	395	0	295	31	70	30	0	395
-- Civil Defense Corps	201	242	41	140	29	50	52	0	242
of which:									
-- Operations and Personnel	150	161	11	89	23	20	52	0	161
-- Equipment	51	81	30	51	6	30	0	0	81
-- Other Technical Investigative Methods	5	5	0	2	0	2	2	0	5
-- Witness Protection Program	40	40	0	15	0	15	10	0	40
-- Penal Facilities	100	100	0	33	0	33	33	0	100
-- Reconstruction and Modernization of Detention Facilities	124	139	15	42	0	54	41	2	139
-- Facilities Protection, Mine Removal, Fire Service, and Public Safety Facility and Equipment Repairs	275	275	0	215	25	60	0	0	275
of which:									
-- [Demining]	[61]	[61]	0	[61]	[25]	0	0	0	[61]
-- Public Safety Training and Facilities	149	139	-10	149	7	-10	0	0	139
-- National Security Communications Network	90	90	0	25	0	50	15	0	90
-- Rule of Law in Iraq	0	30	30	0	0	10	20	0	30
-- Investigations of Crimes Against Humanity	75	75	0	5	0	60	10	0	75

Millions of Dollars	CPA Allocations			Thru 2nd Quarter		Estimated Allocations (based on unapportioned funds)			
Category	Jan. 5 CPA Allocation	April 5 Revised CPA Allocation	Change from Jan. 5	Apportioned	Obligations (as of Mar. 31)	3rdQ	4thQ	FY 2005	TOTAL
- Judicial Security and Facilities	150	135	-15	30	0	25	20	60	135
- Democracy Building Activities	458	451	-7	458	260	-7	0	0	451
- U.S. Institute of Peace (USIP)	10	10	0	10	0	0	0	0	10
- Generation	2,810	2,791	-19	1,164	853	231	600	796	2,791
- Transmission	1,550	1,550	0	258	78	146	407	739	1,550
- Network Infrastructure	1,000	998	-2	111	90	428	459	0	998
- Automated Monitoring and Control System	150	150	0	125	0	25	0	0	150
- Institutional Strengthening	0	0	0	0	0	0	0	0	0
- Security	50	50	0	50	19	0	0	0	50
- Infrastructure	1,200	1,200	0	1,200	54	0	0	0	1,200
- Emergency Supplies of Refined Petroleum Products	501	501	0	400	396	101	0	0	501
Public Works Projects	3,557	3,373	-184	453	32	277	428	2,215	3,373
- Potable Water	2,830	2,646	-184	347	14	201	368	1,730	2,646
- Water Conservation	31	31	0	15	0	16	0	0	31
- Sewerage	675	675	0	70	0	60	60	485	675
- Solid Waste Management/Trash Trucks	0	0	0	0	0	0	0	0	0
- Other Solid Waste Management	21	21	0	21	18	0	0	0	21
Water Resources Projects	775	775	0	44	0	43	190	488	775
- Pumping Stations and Generators	159	159	0	44	0	23	93	0	159
- Irrigation and Drainage Systems	128	128	0	0	0	0	10	118	128
- Major Irrigation Projects	151	151	0	0	0	5	21	126	151
- Dam Repair, Rehab, and New Construction	152	152	0	0	0	16	27	109	152
- Umm Qasr to Basra Water Pipeline and Treatment Plant	114	114	0	0	0	0	28	85	114
- Marsh Projects	0	0	0	0	0	0	0	0	0
- Basra Channel Flushing	71	71	0	0	0	0	12	59	71
- Civil Aviation	115	115	0	1	0	114	0	0	115

Millions of Dollars	CPA Allocations			Thru 2nd Quarter		Estimated Allocations (based on unapportioned funds)			
	Jan. 5 CPA Allocation	April 5 Revised CPA Allocation	Change from Jan. 5	Apportioned	Obligations (as of Mar. 24)	3rdQ	4thQ	FY 2005	TOTAL
Category									
-- Umm Qasr Port Rehab	40	40	0	40	3	0	0	0	40
-- Railroad Rehab and Restoration	210	210	0	84	11	126	0	0	210
-- Iraqi Telecom and Postal Corporation	20	20	0	5	0	10	5	0	20
of which:									
-- [Postal IT ZIP Codes]	[0]	[0]	0	0	0	[0]	[0]	[0]	[0]
-- Iraqi Communications Systems	90	90	0	30	0	40	20	0	90
of which:									
-- [Business Practices for Iraqi TV and Radio]	[0]	[0]	0	0	0	[0]	[0]	[0]	[0]
-- [Numbering Scheme 911 Initiative]	[0]	[0]	0	0	0	[0]	[0]	[0]	[0]
-- Iraqi Communications Operations	25	25	0	5	0	12	8	0	25
-- Undistributed Reduction	0	0	0	0	0	0	0	0	0
-- Housing Construction	0	0	0	0	0	0	0	0	0
-- Public Buildings Construction and Repair	130	130	0	99	8	31	0	0	130
-- Roads & Bridges	240	240	0	20	0	120	40	60	240
-- Nationwide Hospital and Clinic Improvements	443	443	0	175	0	107	161	0	443
-- Equipment Procurement and Modernization	300	300	0	105	0	75	55	65	300
-- Pediatric Facility in Basra	50	50	0	50	0	0	0	0	50
-- Initiate 700m Basra Hospital Project	0	0	0	0	0	0	0	0	0
-- Health Care Partnerships	0	0	0	0	0	0	0	0	0
-- American-Iraqi Enterprise Fund	0	0	0	0	0	0	0	0	0
-- Expand Network of Employment Centers	8	8	0	6	0	2	1	0	8
-- Training	132	132	0	54	0	39	9	30	132
-- Micro-Small-Medium Enterprises	44	44	0	10	0	25	9	0	44

Millions of Dollars	CPA Allocations			Thru 2nd Quarter		Estimated Allocations (based on unapportioned funds)			
Category	Jan. 5 CPA Allocation	April 5 Revised CPA Allocation	Change from Jan. 5	Apportioned	Obligations (as of Mar. 20)	3rdQ	4thQ	FY 2005	TOTAL
- Migration & Refugee Assistance	105	105	0	105	0	0	0	0	105
- Local Information Centers	0	0	0	0	0	0	0	0	0
- Property Claims Tribunal	30	10	-20	15	0	-5	0	0	10
- Banking System Modernizations	30	30	0	22	0	8	0	0	30
- Business Training Courses	0	0	0	0	0	0	0	0	0
- Human Rights	15	15	0	12	0	4	0	0	15
- Education	90	89	-1	39	22	50	0	0	89
- Civic Programs	10	10	0	10	0	0	0	0	10
- USAID	0	29	29	29	0	0	0	0	29
- Administrative Expenses for CPA Successor	0	184	184	0	0	0	0	184	184
<b>GRAND TOTAL</b>	<b>18,439</b>	<b>18,439</b>	<b>0</b>	<b>8,186</b>	<b>2,239</b>	<b>2,794</b>	<b>2,811</b>	<b>4,649</b>	<b>18,439</b>

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING