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PROPOSED PROCESS
FOR
ADDRESSING POST TRANSITION-DEVELOPMENT FUND FOR IRAQ

The **purpose** of this paper is to propose a legal and logical method for transferring financial responsibility to the new Iraqi government.

Current Situation: As we draw closer to Transition, we are struggling with how to close out the Development Fund for Iraq (DFI). Currently, we are operating under the assumption that we must transfer all assets of the current DFI account (created by UNSCR 1483) to the Iraqis on 30 June. If this is the case, we will leave the new Iraqi government with significant contractual commitments negotiated by CPA. They will be responsible for receiving and validating payment instructions as well as making the actual payments for various programs instituted by CPA. This will require extensive training by the CPA concerning contract management and authorization procedures in addition to specifics related to authorized signatures, receiving reports, etc. This will obviously be a very cumbersome process.

Concerns: The new Iraqi government will not be legally bound by contracts or programs negotiated and established by CPA. In fact, many CPA initiatives were not supported by Iraqi ministries. As a result, it is possible that the new government will cancel or defer payment for these requirements making CPA independently liable for these obligations.

To minimize this potential liability and ensure continuation of critical contracts, CPA anticipates increased usage of Letters of Credit. This option could potentially tie up \$2-3B to cover related contract costs. In addition, new vendors/contractors must be informed of the potential of this risk prior to agreeing to new contracts. This may result in fewer interested bidders and/or increased project costs.



There is also the concern as to the new government's ability to accurately and efficiently process ongoing payments. Presently, there is not an integrated operations/accounting system in place to process these payments.

It is clear that the near term success of the new Iraqi government could be jeopardized by either their unwillingness or inability to comply with previously established contractual obligations.

Discussion: As stated above, it is assumed UNSCR 1483 directs that CPA transfer the DFI account to the new Iraqi government. However, UNSCR 1483 does not address the dissolution of the Development Fund for Iraq. What it does is direct that "all proceeds from such sales shall be deposited into the Development Fund of Iraq until such time as an internationally recognized, representative government of Iraq is properly constituted."

Proposal: The new sovereign Iraqi government will stand up on 1 July. We propose creating a new Iraq government managed fund with the same protections guaranteed under the current UN resolution. The initial deposit into this account will come from the agreed available balance in the current DFI account less funds reserved for pending contractual commitments. In addition, in accordance with UNSCR 1483, we propose all future oil revenue less the five percent for reparations, be deposited into this new Iraq account.

CPA (or the successor organization) would use remaining funds in the DFI to continue payments for all previously committed obligations. As obligations are cleared, the Iraqi government would receive any available funds.

Advantages of this proposal are as follows:

- 1) Ensures CPA contractual commitments will continue to be honored
- 2) Eliminates need to establish Letters of Credit solely for the purpose of guaranteeing payment after Transition.

- 3) Ensures programs set in place under the Program Review Board can continue
- 4) Reduces liability and potential criticism
- 5) Simplifies audit process—ongoing requirements can easily be separated and tracked
- 6) Prevents loss of credibility for both CPA and Iraqi government
- 7) Reduces financial costs for new contracts
- 8) Eases efforts related to the financial transition

Disadvantages of this proposal

- 1) New Iraqi Government can protest and demand full authority over existing DFI balances
- 2) Funds remaining in the CPA-managed DFI account could be insufficient requiring additional funds transfers back from the new DFI account
- 3) Extends life of CPA DFI account
- 4) Requires additional manpower commitment beyond original plan
- 5) Requires longer term oversight by the IAMB or other international body

RECOMMENDATION: General Counsel should explore this option for inclusion in a new UN resolution

FUTURE OF THE DEVELOPMENT FUND FOR IRAQ

- Absent further action, the Development Fund for Iraq (DFI) will operate as follows, after CPA transfers full governance authority to the Iraqi Interim Government on June 30th:
 - The DFI will continue to exist, but there will be no authority to disburse funds from the DFI.
 - Under the International Advisory and Monitoring Board's (IAMB's) Terms of Reference, "[o]nce an internationally recognized, representative government of Iraq is properly constituted, as specified in resolution 1483, arrangements will be made for the prompt dissolution of the IAMB."
 - Proceeds from sales of Iraqi petroleum, petroleum products and natural gas will no longer be mandatorily deposited into the DFI, however, sales of these products would still have to be made "consistent with prevailing international market best practices" and subject to audit by independent public accountants reporting to the IAMB.
 - Five percent (5%) of these proceeds will continue to be deposited into the U.N. Compensation Fund established under U.N. Security Council Resolution 687 (1991) and subsequent relevant resolutions.
 - Assets of the previous government of Iraq located overseas will continue to be frozen and deposited into the DFI.
 - The Development Fund for Iraq will continue to enjoy the privileges, immunities and protections set forth in U.N. Security Council Resolution 1483 (2003).
- The CPA proposes that the DFI operate as follows, after June 30th:
 - Proceeds from sales of Iraqi petroleum, petroleum products and natural gas should continue to be deposited into the DFI.
 - The body of the Iraqi Interim Government vested with national legislative authority should possess the power to disburse funds from the DFI, for the purposes set forth in paragraph 14 of Resolution 1483.
 - The DFI should remain subject to oversight by the IAMB, in accordance with the IAMB's current Terms of Reference, to ensure that sales of petroleum, petroleum products and natural gas are carried out in accordance with international market

best practices, and that the DFI is managed transparently and in accordance with international accounting standards.

- One percent (1%) of proceeds from sales of Iraqi petroleum, petroleum products and natural gas should be deposited into a new fund, to be managed by an appropriate organization, for reparation payments to Iraqis who have been victimized by crimes of the former regime.
- Five percent (5%) of proceeds from sales of Iraqi petroleum, petroleum products and natural gas should be deposited into the U.N. Compensation Fund established under U.N. Security Council Resolution 687 (1991).
- The Development Fund for Iraq should continue to enjoy the privileges, immunities and protections set forth in U.N. Security Council Resolution 1483 (2003).
- The following steps should be taken to ensure that the DFI operates as the CPA proposes, after June 30th:
 - The U.S. and the Iraqi Governing Council should support the inclusion of appropriate language regarding the DFI in a new U.N. Security Council Resolution and/or the Annex to the Transitional Administrative Law (TAL) also could include appropriate language regarding the DFI.
 - Provisions in the UNSCR and/or TAL Annex should include the following points:
 - ✓ After the dissolution of the Coalition Provisional Authority, funds in the Development Fund for Iraq shall be disbursed pursuant to procedures developed by the Iraqi Interim Government.
 - ✓ The proceeds of all export sales of petroleum, petroleum products, and natural gas from Iraq shall continue to be deposited in the DFI.
 - ✓ All export sales of petroleum, petroleum products and natural gas from Iraq will be made consistent with prevailing international market best practices and the DFI will continue to be subject to audit by independent public accountants approved by the IAMB of the DFI, as well as the Inspector General of the Iraqi Ministry of Finance.
 - ✓ The composition of the International Monitoring Board established in U.N. Security Council Resolution 1483 (2003) shall be expanded to include a representative of the internationally recognized, representative government of Iraq as a voting member.

- ✓ Contributions to the U.N. Compensation Fund established in accordance with Resolution 687 and subsequent relevant resolutions will continue to be five percent (5%) and remain in effect until all U.N. Compensation Commission claims are resolved.
- ✓ A Victims' Fund held by the Central Bank of Iraq and audited in the same manner as the DFI shall be established. It will be funded by 1 percent (1%) of the proceeds of all export sales of petroleum, petroleum products, and natural gas from Iraq.
- ✓ The Victims' Fund will be used solely to compensate the people of Iraq who have been victimized by crimes of the previous regime and shall be disbursed at the direction of the Iraqi Transitional Government.
- ✓ The DFI shall continue to enjoy the privileges, immunities and protections set forth in U.N. Security Council Resolution 1483 (2003). The Victims' Fund shall enjoy the same privileges, immunities and protections.

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PROG: 03/20/04 (use month/date/year format)

DRAFTED: [REDACTED]

AUTHORIZED: [REDACTED]

CLEARED: BremerJ

EXEC

CPA BAGHDAD
SECDEF WASHDC
SECSTATE WASHDC
WHITE HOUSE NSC WASHDC
CENTCOM

E.O.: 12958: N/A

TAGS: PREL, PGOV, IZ (use tags as appropriate)

SUBJECT: Military Commanders Playing Key Role in Iraq Reconstruction

1. Summary. Coalition military personnel in Iraq have obligated \$311 million of an available \$548.7 million on Iraqi reconstruction and relief projects. The Commander's Emergency Response Program (CERP) has been used by commanders in the field to respond to urgent humanitarian relief and reconstruction requirements by carrying out programs that will immediately assist the Iraqi people. Building on this success, the Administrator of the Coalition Provisional Authority (CPA) has directed that additional \$500 million for emergent security projects and up to \$500 million more for CERP projects should be allocated as soon as practicable. The CPA Program Management Office (PMO) and governorate coordinators are working closely with CJTF-7 to identify priority projects and provide management and contracting support for fast-tracked projects. This cable provides background on the Iraqi CERP program and discusses future plans.

2. CERP Success in Iraq. The Commander's Emergency Response Program (CERP) enables commanders in the field to respond to urgent humanitarian relief and reconstruction requirements by carrying out programs that will immediately assist the Iraqi people. CERP funds can be used for such things as improving water and sanitation infrastructure, food production and distribution, electrical power generation and distribution, improving irrigation systems and agriculture, purchasing school supplies and equipment, and civic clean-up. As of April 10, 2004, Major Subordinate Commands have completed 19,681 projects totaling \$225 million across Iraq.

3. CERP Funds Already Available. To date, a total of \$548.7 million has been available for Iraqi CERP programs. Until now, there have been three sources of CERP funding: (1) \$178.7 million of seized funds recovered from the previous regime; (2) \$230 million from the Development Fund for Iraqi (DFI); and (3) \$140 million from U.S. appropriated funds. Typically funds are committed, then obligated, then disbursed.

A. Committed CERP Funds: CERP funds committed is defined as those funds identified for a specific project (but not legally binding). As of March 31, 2004, approximately \$318.5 million was committed by units in the field.

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B. Obligated CERP Funds: CERP funds obligated is defined as those funds for which a contract has been signed and for which the MSC is now legally bound to pay. As of March 31, 2004, obligated CERP funds totaled approximately \$311.5 million of the \$318.5 million currently committed.

C. Disbursed CERP Funds: Disbursed funds are defined as those obligated funds actually paid out for partial and completed projects. As of March 31, 2004, CJTF-7 disbursed approximately \$285M million of the \$548.7 million for projects. As of 10 April 2004 CJTF-7 has disbursed 225.5M in completed projects.

D. Distributed CERP Funds. CERP funds distributed are defined as the amount of funds from the \$548.7M that MSCs are authorized to spend. These funds equal the MSCs commitments, obligations, disbursements, and uncommitted funds. (i.e., the difference between distributed and committed). As of April 10, 2004, CJTF-7 distributed 74% (\$408 million) of available funds.

E. Current CERP Balance. In addition to the additional \$500 million allocated by CPA, CJTF-7 has a balance of approximately \$177.5 million that can be directed for seven-city (or any other) reconstruction efforts.

4. Up to \$500 Million added to CERP. In addition to the approximately \$177.5 million currently available for CERP, CPA has made up to \$500 million more available to CJTF-7. The money is being apportioned from the CPA/MOF from the Development Fund for Iraq (DFI).

5. Priority to Projects in Seven Iraqi Cities. The CPA Administrator has directed that reconstruction efforts in the following cities be accelerated: Baghdad, Al Baqubah, Mosul, Ramadi, Samara, Tikrit and Fallujah. CJTF-7 does not allocate CERP dollars by city, rather, dollars are allocated to the MSCs based on assessment of the situation on the ground made by CJTF-7 in coordination with CENTCOM. In order to coordinate resources and reconstruction assets for these seven cities, CJTF-7 is currently working with PMO and CPA governance teams to produce a comprehensive needs requirements list for the seven cities. If MSCs lack the requisite contracting or program management expertise, PMO will work with CJTF-7 to provide the necessary support for larger projects.

6. CERP Funds Still Available for Seven Cities. The following details, by MSC, the amount of CERP funding remaining to be spent, and estimates of the amount of those funds we can reasonably expect will be spent in the seven cities of interest.

A. Baghdad. The First Calvary Division (1 CD) controls CERP funds for Baghdad. As of 31 March 2004 has \$32 million of CERP. CJTF-7 C8 estimates that all \$32 million will be used before June 30th.

B. Mosul. The Multinational Brigade-North (MNB-N) controls CERP funds for Mosul and currently has \$23.8 million of CERP left. CJTF-7 C8 anticipates using \$2-5 million in Mosul before June 30th.

C. Fallujah and Ramadi. The First Marine Expeditionary Force (1 MEF) controls CERP funds for Fallujah and Ramadi and currently has \$37 million of CERP left. CJTF-7 anticipates using \$7-10 million of this money for each city by June 30th.

D. Ba'qubah, Tikrit and Samarra. The First Infantry Division (1 ID) controls CERP funds for Baqubah and Samarra and currently has \$35.6 million of CERP left. CJTF-7 C8 anticipates using \$2-7 million for each city before June 30th.

7. Limitations on CERP Funding. While CERP projects provide effective and visible results for Iraqi reconstruction, it is important to recognize the limits. First, funds not expended by June 30, 2004 may have to be returned to the DFI for legal reasons. Second, given current operational demands on coalition forces it is unlikely that CJTF-7 will be able to spend \$500 million of new CERP before June 30, 2004. Nonetheless, CPA is committed to providing MSCs with as much as they can for critical projects. If military units lack specific contracting or program management expertise, the PMO will support the MSCs with all available resources.

8. CERP Points of Contact in Iraq. For additional information about Iraqi CERP funds, contact Colonel (b)(6) CJTF7-C8 (DSN (b)(6) (b)(6)) or Lieutenant Colonel (b)(6) CJTF7-C8 (DSN (b)(6)).

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HQ, CJTF-7
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(U) **FRAGO 1268 [CERP PROGRAM UPDATE DFI, APPROPRIATED AND SEIZED]** TO CJTF-7
OPORD 03-036

(U) THIS FRAGO HAS BEEN REVIEWED AND APPROVED FOR RELEASE BY [REDACTED] CJTF-7
C3 CHOPS

(U) **SUBJ: COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP).**

(U) REFERENCES:

- A. V CORPS FRAGO 104M TO OPORD FINAL VICTORY, COMMANDERS DISCRETIONARY RECOVERY PROGRAM, DTG 070220LMAY03
- B. V CORPS FRAGO 132M [CHANGE 1 TO FRAGO 104M - BDE CDR'S DISCRETIONARY FUNDS] TO V CORPS OPORD FINAL VICTORY, DTG 082130LMAY03
- C. CFLCC FRAGO 32 TO OPORD 03-033, DTD 080922LMAY03
- D. FRAGO 262 [CHANGE 1 TO V CORPS FRAGO 444M ESTABLISHING THE FACILITY PROTECTION SECURITY FORCE] TO CJTF-7 OPORD 03-36, 021944DJUL03
- E. FRAGO 438 [EXPANSION OF CERP TO NON-US COALITION FORCES TO CJTF-7 OPORD 03-36 171940DJUL03
- F. FRAGO 458M [CHANGE 2 TO FRAGO 104M - BDE CDR'S DISCRETIONARY FUNDS] TO V CORPS OPORD FINAL VICTORY
- G. CJTF-7 FRAGO 89 [COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP) FORMERLY THE BRIGADE COMMANDER'S DISCRETIONARY FUND] TO CJTF-7 OPORD 03-36, 192346JUN03
- H. CJTF-7 FRAGO 250 [AMENDMENT TO THE COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP) FORMERLY THE BRIGADE COMMANDERS' DISCRETIONARY FUND] TO CJTF-7 OPORD 03-36H.
- I. MEMORANDUM, CERP GUIDANCE, HEADQUARTERS, CJTF-7, CJTF7-CG, 11 DEC 03

(U) MAPS: [NO CHANGE]

(U) TIME ZONE USED THROUGHOUT THIS ORDER: DELTA

(U) TASK ORGANIZATION: [NO CHANGE]

1. (U) SITUATION. [NO CHANGE]

2. (U) MISSION. [NO CHANGE]

3. (U) EXECUTION. [NO CHANGE]

3.A. (U) COMMANDER'S INTENT [CHANGE]

3.B. (U) CONCEPT OF THE OPERATION. TO DATE CERP HAS BEEN FUNDED WITH SEIZED IRAQI ASSETS. CERP WILL BE FUNDED FROM THREE DIFFERENT SOURCES SEIZED IRAQI ASSETS, APPROPRIATED FUNDS, AND DEVELOPMENTAL FUND FOR IRAQ (DFI) FUNDS. EACH OF THESE THREE CATEGORIES OF FUNDING MUST BE MANAGED AS A SEPARATE ACCOUNT. COMMANDERS MUST ENSURE THEY HAVE THE APPROPRIATE MANAGEMENT CONTROLS TO PROPERLY ACCOUNT FOR THESE FUNDS.

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3.B.1. THE THREE TYPES OF FUNDS AVAILABLE ARE SEIZED, DFI, AND APPROPRIATED CERP. SEIZED CERP ARE FUNDS THAT HAVE BEEN CAPTURED DURING ON-GOING COMBAT OPERATIONS. DFI IS A FUND ESTABLISHED BY THE UNITED NATIONS TO ASSIST WITH RECONSTRUCTION AND RECOVERY OPERATIONS IN IRAQ. APPROPRIATED CERP ARE FUNDS PROVIDED BY THE U.S. GOVERNMENT. THE THREE CERP FUNDS EACH HAVE SLIGHTLY DIFFERENT REQUIREMENTS FOR USE AND REPORTING. UNITS MUST PROVIDE THE NECESSARY OVERSIGHT TO ENSURE COMPLIANCE WITH ESTABLISHED POLICIES AND PROCEDURES TO PREVENT FRAUD, WASTE AND ABUSE OF CERP FUNDS.

3.B.3. (U) C8, CJTF-7 WILL ISSUE SEPARATE RESOURCE DISTRIBUTION DOCUMENTS TO SUBORDINATE UNITS C8/COMPTROLLERS FOR EACH TYPE OF FUNDING SEIZED, DFI, APPROPRIATED.

3.C (U) TASKS TO SUBORDINATE UNITS. [CHANGE]

3.C.1. (U) MANAGE EACH OF THE THREE TYPE OF FUNDING SEPARATELY. THE SEIZED, DFI AND APPROPRIATED CAN NOT BE USED TOGETHER ON ANY PROJECT.

3.C.2. (U) CERP FUNDS CAN NOT BE USED TOGETHER WITH OMA FUNDING.

3.D. (U) COORDINATING INSTRUCTIONS. [CHANGE]

3.D.1. (U) COMMANDERS MUST PROVIDE THE NECESSARY OVERSIGHT TO ENSURE COMPLIANCE WITH ESTABLISHED POLICIES AND PROCEDURES AND TO PREVENT FRAUD OF CERP FUNDS. INTERNAL CONTROL PROGRAMS SHOULD BE PREPARED TO WITHSTAND SCRUTINY OF PERIODIC AUDITS.

3.D.2. (U) A SEPARATE CERP PURCHASE REQUEST AND COMMITMENT WILL BE INITIATED TO PAY FOR ALL PROJECTS OR REQUIREMENTS VALUED AT OVER \$10,000. PROJECT PURCHASING OFFICERS WILL NOT USE THEIR CERP BULK FUNDS TO PAY FOR OR CONTRACT FOR PROJECTS VALUED OVER \$10,000. A SEPARATE BULK FUND MUST BE USED FOR THESE REQUIREMENTS.

3.D.3. (U) UNITS WILL OPEN A SEPARATE DOCUMENT REGISTER FOR EACH TYPE OF FUNDING. THE DOCUMENT REGISTER WILL HAVE THE FOLLOWING ENTRIES CONTROL NUMBER, DOCUMENT NUMBER, CUMMULATIVE FUNDS COMMITTED, CUMMULATIVE FUNDS OBLIGATED, CUMMULATIVE FUNDS DISBURSED AND UNCOMMITTED BALANCE. THIS DOCUMENT REGISTER WILL BE MAINTAINED SEPARATELY FROM THE OMA, SEIZED, OR ANY OTHER DOCUMENT REGISTER.

CONTROL NUMBER	DOCUMENT NUMBER	CUMULATIVE FUNDS ALLOCATED	CUMULATIVE FUNDS COMMITTED	CUMULATIVE FUNDS OBLIGATED	CUMULATIVE FUNDS DISBURSED	UNCOMMITTED BALANCE
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3.D.4. (U) COMPTROLLERS WILL FUND CITE ALL DFI CERP BULK FUND WITH THE FOLLOWING: CERP DFI (THREE DIGIT UNIT DESIGNATION) (JULIEN DATE) (FOUR DIGIT SERIAL NUMBER)

3.D.5. (U) LIMITATIONS ON FUND EXPENDITURES: [CHANGE]

3.D.5.A. (U) DIFFERENT TYPES OF CERP FUNDS MAY NOT BE USED FOR A SINGLE PROJECT. IF A PROJECT IS STARTED WITH ONE TYPE OF CERP FUNDS ALL SUBSEQUENT PAYMENTS MUST BE MADE WITH THE SAME TYPE OF CERP FUNDS.

3.D.5.B. (U) APPROPRIATED CERP FUNDS WILL NOT BE USED TO PAY REWARDS. CJTF-7 FRAGO 250 SPECIFICES THE PROCEDURES AND POLICIES FOR PAYING REWARDS UNDER

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THE CERP PROGRAM. SEIZED CERP OR DFI CERP CAN BE USED TO PAY FOR REWARDS UNDER CERP PROGRAM.

3.D.5.C. (U) SEIZED AND DFI CERP CAN NOT BE USED TO REPAIR COLLATERAL DAMAGE CAUSED BY COMBAT OPERATIONS. TO REPAIR COLLATERAL DAMAGE CAUSED BY COMBAT OPERATIONS THAT IS NOT OTHERWISE COMPENSABLE BECAUSE OF COMBAT EXCLUSIONS UNITS MAY USE APPROPRIATED CERP FUNDS.

3.D.5.D. (U) NO CERP FUNDS, SEIZED, DFI OR APPROPRIATED CERP FUNDS WILL BE USED FOR EITHER THE DIRECT OR INDIRECT BENEFIT OF CJTF-7 FORCES, TO INCLUDE COALITION FORCES.

3.D.5.E. (U) NO CERP FUNDS, SEIZED, DFI OR APPROPRIATED CERP FUNDS WILL BE USED FOR ENTERTAINMENT OF LOCAL IRAQI POPULATION.

3.D.5.F. (U) NO CERP FUNDS, SEIZED, DFI OR APPROPRIATED CERP FUNDS WILL BE USED TO FUND ANY TYPE OF WEAPONS BUY BACK PROGRAMS.

3.D.5.G. (U) NO CERP FUNDS, SEIZED, DFI OR APPROPRIATED CERP FUNDS WILL BE USED TO BUY FIREARMS, AMMUNITION, OR THE REMOVAL OF UNEXPLODED ORDNANCE (UXO) FOR ANY PURPOSE.

3.D.5.H. (U) NO CERP FUNDS, SEIZED, DFI OR APPROPRIATED CERP FUNDS WILL BE USED FOR DUPLICATING SERVICES AVAILABLE THROUGH MUNICIPAL GOVERNMENTS.

3.D.5.F. (U) UNITS CANNOT MIX CERP FUNDS AND UNIT OPERATIONS AND MAINTENANCE (OMA) FUNDS. PPOS MUST USE SEPARATE SF44'S AND DOCUMENT REGISTER FOR THESE FUNDS.

3.D.5.G. (U) NO CERP FUNDS, SEIZED, DFI OR APPROPRIATED CERP FUNDS WILL BE USED TO PROVIDE SUPPORT TO INDIVIDUALS OR PRIVATE BUSINESSES (EXCEPTIONS POSSIBLE, I.E. REPAIR DAMAGE CAUSED BY COALITION FORCES IF NOT OTHERWISE COMPENSABLE AS A CLAIM BECAUSE OF COMBAT EXCLUSIONS.)

3.D.5.H. (U) NO CERP FUNDS, SEIZED, DFI OR APPROPRIATED CERP FUNDS WILL BE USED TO PAY SALARIES TO THE CIVIL WORK FORCE OR PENSIONS OR SALARIES FUNDED DIRECTLY BY CPA VIA IRAQI MINISTRIES AND LOCAL GST. UNITS MAY CONTINUE TO FUND FPS PAYMENTS IN ACCORDANCE WITH CJTF-7 FRAGO 262.

3.D.7. (U) ALL PROJECT PURCHASING OFFICERS WILL RECONCILE THEIR ACCOUNTS WITH FINANCE, RESOURCE MANAGEMENT, AND THEIR BRIGADE/DIVISION COMMANDER.

3.D.9. (U) RECORD ALL PAYMENTS ON SF44 TO DOCUMENT PURCHASES MADE UNDER THIS PROGRAM. PROJECT PURCHASING OFFICERS ARE AUTHORIZED TO MAKE PURCHASES AND TO PAY FOR PROJECTS UP TO \$50,000 AT BRIGADE LEVEL AND \$100,000 AT DIVISION LEVEL WITH THE SF 44 FOR THIS PROGRAM ONLY.

3.D.10. (U) COMMANDERS ARE NOT AUTHORIZED TO DELIBERATELY OVER PAY. EXTRA PRECAUTION SHOULD BE TAKEN FOR EXPENSES OVER \$10,000.00. FOR PROJECTS OVER \$10,000, BRIGADE COMMANDERS MUST INFORM DIVISION COMMANDERS' IN ADVANCE, OBTAIN THREE BIDS FOR THE PROJECT, AND IDENTIFY AN INDIVIDUAL TO MANAGE THE PROJECT. DOCUMENT YOUR EFFORTS TO VERIFY COSTS ARE REASONABLE. FOR LARGER PROJECTS (OVER \$10,000) PROGRESS PAYMENTS MAY BE MADE AS OPPOSED TO A LUMP SUM PAYMENT UP FRONT. UNITS WILL ONLY MAKE PROGRESS PAYMENTS BASED ON CONTRACTOR PERFORMANCE. LARGE UP-FRONT PAYMENTS WILL NOT BE MADE.

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3.D.11. (U) WHEN A PROJECT IS STARTED UNITS WILL RESERVE SUFFICIENT FUNDS TO COMPLETE THE PROJECT WITH THE SAME TYPE OF FUNDING.

3.E. (U) REPORTS.

3.E.1. (U) A COLUMN HAS BEEN ADDED TO THE WEEKLY CERP FEEDER REPORT TO INDICATE THE TYPE OF FUNDING USED.

3.E.1.A. (U) UNITS MUST PROVIDE WEEKLY CERP REPORT OF COMPLETED PROJECTS ON SATURDAY OF EACH WEEK THROUGH UNIT COMPTROLLERS TO C8 CJTF-7. INCLUDE PROJECT NUMBER, UNIT, POC, POC PHONE, POC EMAIL, DATE, GOVERNATE, 6 DIGIT GRID, TOTAL PROJECT AMOUNT, PROJECT NAME, AND CATEGORY. THIS REPORT SHOULD BE PREPARED REFLECTING ALL PROJECTS PERFORMED UNDER THE BULK FUND.

PROJECT NUMBER	UNIT	POC	POC PHONE	POC EMAIL	DATE	GOVERNATE	GRID 6 DIGIT	TOTAL PROJECT AMOUNT	PROJECT NAME	CATEGORY
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3.E.1.B. (U) INDICATE THE TYPE OF FUNDING BY USING ONE OF THE FOLLOWING CODES: SZD FOR SEIZED, DFI FOR DFI, AND APP FOR APPROPRIATED CERP.

3.E.2. (U) MSC COMMANDER'S WILL BE REQUIRED TO SUBMIT A MONTHLY CERP STATUS OF FUNDS OF REPORT AND A STATEMENT OF ASSURANCE THAT ALL CONTROLS AND PROCEDURES WERE FOLLOWED. THE MONTHLY CERP STATUS OF FUNDS REPORT WILL BE SUBMITTED THRU C8, CJTF-7 ON THE 3RD OF EACH MONTH FOR EXPENDITURES THROUGH THE LAST SATURDAY OF THE MONTH.

3.E.2.A. (U) THE MSC COMMANDER'S STATUS REPORT WILL INCLUDE A MATIX, INCLUDING TYPE OF CERP FUNDING, CUMULATIVE FUNDS ALLOCATED, CUMULATIVE FUNDS COMMITTED, CUMULATIVE FUNDS OBLIGATED, CUMULATIVE FUNDS DISBURSED, UNCOMMITTED BALANCE AND VALUE OF UNFUNDED PROJECTS. IN ADDITION, UNITS SHOULD PROVIDE THE TOTALS FOR EACH COLUMN.

TYPE OF CERP FUNDING	CUMULATIVE FUNDS ALLOCATED	CUMULATIVE FUNDS COMMITTED	CUMULATIVE FUNDS OBLIGATED	CUMULATIVE FUNDS DISBURSED	UNCOMMITTED BALANCE	VALUE OF UNFUNDED PROJECTS
SEIZED CERP						
APPROPRIATED CERP						
DFI CERP						
TOTAL CERP						

3.E.2.B. (U) THE FOLLOWING DEFINITIONS OF EACH OF THE REPORT COLUMNS ARE PROVIDED:

3.E.2.B.1. (U) CUMULATIVE FUNDS ALLOCATED - THE TOTAL AMOUNT OF SPENDING AUTHORITY THAT HAS BEEN GRANTED TO THE MSC BY CJTF-7. THIS IS THE TOTAL AMOUNT AUTHORIZED ON RESOURCE DISTRIBUTION DOCUMENTS.

3.E.2.B.2. (U) CUMULATIVE FUNDS COMMITTED - TOTAL VALUE OF PROJECTS COMMANDERS AGREE TO FUND. IF YOU DON'T DO THE PROJECT OR MAKE THE PAYMENT, YOU ARE BREAKING FAITH.

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3.E.2.B.3. (U) CUMULATIVE FUNDS OBLIGATED - THE TOTAL VALUE OF CONTRACTUAL AGREEMENTS THAT HAVE BEEN MADE BY PROJECT PURCHASING OFFICERS.

3.E.2.B.4. (U) UNCOMMITTED BALANCE - CUMULATIVE FUNDS ALLOCATED MINUS CUMULATIVE FUNDS COMMITTED.

3.E.2.B.5. (U) CUMULATIVE FUNDS DISBURSED - CUMULATIVE FUNDS ALLOCATED MINUS CUMULATIVE FUNDS COMMITTED. ACTUAL AMOUNT OF MONEY PAID OUT.

3.E.2.B.6. (U) VALUE OF UNFUNDED PROJECTS COMMANDERS HAVE IDENTIFIED BUT NOT MADE A COMMITMENT TO FUND.

3.E.2.C. (U) THE MSC COMMANDER'S MONTHLY CERP STATUS OF FUNDS REPORT WILL ALSO INCLUDE A FREE TEXT PARAGRAPH HIGHLIGHTING CERP CHALLENGES OR ISSUES.

3.E.2.D. (U) THE MSC COMMANDER'S STATEMENT, WILL ALSO INCLUDE THE FOLLOWING STATEMENT: I HAVE VERIFIED THAT ALL CONTROLS AND PROCEDURES WERE FOLLOWED, AND THE UNIT IS EXERCISING APPROPRIATE FISCAL OVERSIGHT IN ACCORDANCE WITH CJTF-7 FRAGMENTARY ORDERS AND COMMAND GUIDANCE. IN ADDITION, I CERTIFY THE MONTHLY STATUS OF FUNDS REPORT AS TRUE AND ACCURATE.

3.E.3. (U) DURING TRANSFER OF AUTHORITY, MSC COMMANDERS MUST VERIFY IN WRITING THAT THEY HAVE CLOSED OUT ALL PROJECTS POSSIBLE AND PAID OFF ALL OUTSTANDING BILLS. IF A PROJECT CAN NOT BE CLOSED OUT, IN-COMING AND OUT-GOING COMMANDERS MUST HAND OFF PROJECT IN WRITING.

3.E.3. (U) SUBMIT THE WEEKLY COMMANDER'S EMERGENCY RESPONSE PROGRAM FEEDER REPORTS AND THE COMMANDER'S MONTHLY STATUS OF CERP FUNDS REPORT TO THE C8, CJTF-7:

NIPR: (b)(6) OR
SIPR: (b)(6) OR
CENTRIX: (b)(6)

3.F. (U) PROJECT PURCHASING OFFICER / PAY AGENT TEAMS WILL CLEAR OUTSTANDING SF44S PRIOR TO OBTAINING ADDITIONAL FUNDING APPROVAL.

3.H. (U) POC FOR THIS FRAGO IS CJTF-7 C8, (b)(3):10 USC § (b)(6) DSN: (b)(6)
(b)(6) NIPR: (b)(6) OR
SIPR: (b)(6) OR
CENTRIX: (b)(6)

4. (U) SERVICE SUPPORT. [NO CHANGE]

5. (U) COMMAND AND SIGNAL. [CHANGE]

5.A. (U) AS A PART OF TRANSFER OF AUTHORITY, UNITS WILL BE REQUIRED TO COMPLETELY CLOSE AS MANY CERP PROJECTS AS POSSIBLE. IN-COMING AND OUT-GOING UNITS WILL CONDUCT A DELIBERATE HAND-OFF OF ALL UNFINISHED PROJECTS, INCLUDING: PROJECT, LOCATION, CONTRACT, CONTRACTOR, TOTAL VALUE, AMOUNT PAID, AMOUNT OWED, COMPLETE DATE, SOURCE OF FUNDS, FUNDS RESERVED, AND AND REMARKS. IN-COMING AND OUT-GOING COMMANDERS WILL ACKNOWLEDGE TRANSFER OF ON-GOING PROJECTS IN WRITING.

PROJECT	LOCATION	CONTRACT	CONTRACTOR	TOTAL VALUE	AMOUNT PAID	AMOUNT OWED	COMPLETE DATE	SOURCE OF FUNDS	FUNDS REERVED	REMARKS

UNCLASSIFIED

ACKNOWLEDGE

SANCHEZ
LTG

OFFICIAL:

(b)(3):10 USC
130b
c3

UNCLASSIFIED

[REDACTED] (0-6)

From: Wolfe, George B. (SES)
Sent: Wednesday, April 21, 2004 6:08 PM
To: [REDACTED] (0-6); [REDACTED] (O-6)
Subject: FW: Issue 2- CERP vs. R3P Spend Rates

Fyi/review/comment and for tomorrow's meeting thx

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

From: [REDACTED] (OTHER)
Sent: Wednesday, April 21, 2004 4:22 PM
To: Wolfe, George B. (SES)
Subject: Issue 2- CERP vs. R3P Spend Rates

Sir,

R3P and CERP expenditure is governed by two separate documents. R3P must adhere to CPA Memorandum #4 (attached). CERP is explicitly excepted from the Memo #4 constraints (see section 2, Applicability) and must follow guidance outlined in Frago 89 (also attached, end of Memo #4).

CERP's capability to achieve a more rapid spend rate is a function of four key items:

- 1-Frago 89's contracting requirements are minimal.
- 2-Military relationships with funds management are made easier through the presence of Finance Support Battalions, that can lend services and resources available in limited supply to CPA offices.
- 3-Manpower assets to conduct coordination, perform oversight, and manage projects are exponentially greater than those available to CPA.
- 4-In a restrictive security environment, only military assets have full freedom of movement to conduct the business of administering projects.

Example: A school refurbishment.

1-Project Identification-

CERP-With maneuver and civil affairs units conducting operations throughout an AOR; the military is approached at a school and asked to provide assistance. On the spot, a patrol can take digital photos and conduct a basic assessment of needs. Time- 1 day
 CPA-Receives a request for a project from a council meeting. CPA must then coordinate with organic transportation assets to visit the site, or solicit the assistance of FEST, IFEST, or Coalition Forces to conduct (or have conducted) an assessment. Time- 3-7days

2-Contracting-

CERP- Army Captain visits known local contractors, asks for bids, selects one, signs SF44. Time-1-2 days
 CPA- FEST or IFEST compiles scope of work, scope of work is reviewed by Contract Officers, Contract Officer posts for bids, contractor is selected, contractor signs contract. Time-7-14 days

3- Implementation-

CERP- Same team that identified project conducts regular patrols to monitor progress and dispense payments. The personnel on patrol are not involved in other project activities, so time comitted to the oversight of this project does not delay the progress of other projects moving through the pipeline.
 CPA-Vehicles and PSD's are limited, so Project Officer must wait to visit site, this delays progress payments, which may delay work. When the project officer is away from the office to visit sites, no further progress is made on project proposals, coordination, or updates of other projects.

4- Clearing the project

CERP- Reciepts and SF44 are turned in to local Financial Assets. Time- 1 day

4/22/2004

CPA- Reciepts, contracts, 1081s, SF250s, etc are compiled, travel to Baghdad is arranged, appointments with the CPA Comptroller are set, travel is conducted, reconciliation occurs, return travel made. Time- 2-3 days

CERP can implement more quickly than R3P, with a rough order of magnitude of 5days of adminstrative activities compared to 30 for CPA. This speed comes at the cost of transparency, a cohesive and integrated program, and potentially accountability.

Is this what you were looking for George?

Regards,

[REDACTED]
Regional Programs Coordinator
Coalition Provisional Authority

Baghdad, Iraq
Presidential Palace Rm S203

DSN (b)(6)

Com

Cel (b)(6)

(b)(6)

(b)(6) (0-6)

From: Wolfe, George B. (SES)
Sent: Wednesday, April 21, 2004 6:46 PM
To: (b)(6)
Cc:
Subject: RE: Accelerating Iraqi Reconstruction--Funding Mechanisms

Meeting will be in PMO conference room. George

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

From: Wolfe, George B. (SES)
Sent: Wednesday, April 21, 2004 5:34 PM
To: (b)(6)
Cc:
Subject: RE: Accelerating Iraqi Reconstruction--Funding Mechanisms

I would like for reps of omb, pmo, cjtf-7, coo, governance, and legal (let me know if you think I missed a necessary office) to meet TOMORROW AT 10 AM in order to develop, to the extent possible, a consensus approach to the means by which the "7 city" funds will be spent. I talked to [REDACTED] today, and he agrees that this would be useful. Among the issues to consider:

1. Should all the dfi money dedicated for these projects go to cerp (that is my starting point, subject to special circumstances requiring another approach)?
2. What needs to be done to ensure coordination to avoid left hand/right hand problems? For example, [REDACTED] tells me that some of the proposed sadr city projects may already be underway through R3P. The proposal that PMO take over coordination for all these projects should help here.
3. In what circumstances if any should we use the remaining seized funds (\$89 million) rather than dfi funds?
4. What is the relative speed with which those funds, ie dfi vs seized, can be spent?
5. What is the relative speed with which the different vehicles—cerp, r3p, pmo—can commit, obligate and spend money? Are there any ways that the cpa-imposed restrictions on speed could be lessened while still imposing adequate controls from an accountability and auditing perspective?
6. How do we address the 6/30 transition? Can dfi money be controlled and spent by cerp and/or pmo after that date (r3p, a cpa entity, will be gone)? If not, what arrangements should be made now to ensure that what we start can be finished post 6/30, eg, by pmo taking over from r3p and/or cerp?
7. cerp is going to have a lot of money to move quickly. What help do they need to do that?

Please let [REDACTED] know asap if you if at least one appropriate person from your office can attend. Additional people from your office are welcome if they add value. If you cannot send someone, pls let matt mulhern know, and we will reschedule the time if necessary. Place of meeting will be provided later.

Thanks to all. George

- c. Any positive balance in oil receipt account may be invested by the Minister of Finance, on the basis of an investment remit with the written consent of the Supervisory Board.
- d. The activities of the oil receipt account shall be subject to an external audit by the International Advisory and Monitoring Board, so long as that board continues to exist, until the interim and transitional governments have been replaced by a fully sovereign Iraqi government following national elections on the basis of a new constitution. Would it be subjected to audit by the supreme audit board, too, or should it be?

5.6. The Minister of Finance shall publish details of the oil receipt account within one week of the end of each month.