

Coalition Provisional Authority

Ministry of Transportation

Finance Briefing

28 January 2004

**Office of
Ambassador Darrell Trent
Senior Advisor to the Iraqi Ministry of
Transportation**



02609

Funding Sources

Funding for Iraqi reconstruction and annual government operations is being made available from a number of sources—Iraqi-own source revenue particularly oil revenue, US Governments grants, grants from other donor nations, and grants and loans from international development agencies. At present, only Iraqi own-source revenues pass through the Iraqi Government annual budget; however, it is anticipated that over time an increasing proportion of other sources of funding will be reflected in the formal Iraqi budget.

2003 Iraqi Budget¹

The main source of revenue for the Iraqi budget is oil revenue (89%), which will be channeled through the Development Fund for Iraq (DFI). (see Appendix D for more information on DFI). Other revenue is derived from taxes, fees and charges and dividends from state-owned enterprises.

For the fiscal year ending 31 December 2003, the 2003 Iraqi budget totaled \$6,099.6m.² Funding allocated for operating and capital expenditure was \$2,002.1m and \$352.7m, respectively. Of this, the Iraqi Ministry of Transportation was allocated \$10.8m (0.5%) for operating and \$49.7m (13.9%) for capital expenditures (see Appendix A).

At 31 December 2003, operating funds had been fully expended and []%³ of capital funding had been completed. Details of individual projects are shown in Appendix A. Unspent monies from the '03 budget were allowed to be carried over with specific authorization by the Iraqi Governing Council's Ministry of Finance. Many projects are being completed in 2004.

Program Review Board (PRB) Funding⁴

The PRB has been designated by the CPA Administrator to control the emergency allocation of certain funds under CPA control for the purpose of Iraqi reconstruction. The sources of funds are US Government appropriations, the Development Fund for Iraq (oil sale proceeds) and vested and seized Iraqi assets.

Of total funding of \$373.7m approved to date, the Ministry of Transportation has been allocated \$20.9m for 20 projects, details of which are shown in Appendix C. Funding has been completed for 19 of these projects. For the Baghdad International Airport Security project, \$8.3m has been expended from the allocation of \$14.8m.

¹ See www.cpa-iraq.org/budget and click on 2003 Budget spreadsheet.

² All financial sums are stated in millions of US dollars. m=million.

³ We are awaiting this figure from the Iraqi MOF.

⁴ See www.cpa-iraq.org/budget/program-review-board.html

In addition, \$10m has been allocated to the Ministry of Oil for the rehabilitation of oil facilities at seaports and has, therefore, been classified as transportation expenditure. To the present, there has been no use of funds for this project.

2004 Iraqi Budget⁵

Total funding for the Ministry of Transportation (MOT) in the 2004 budget is expected to increase to \$84.8m, reflecting the full year funding requirement (funding in 2003 was on a part year basis, following the establishment of the new administration at the end of hostilities). However, in proportionate terms, Ministry of Transportation allocations will fall from 1.0% of total budget funding in 2003 to 0.62% in 2004. Details of projects which will be funded under the 2004 budget are shown in Appendix A spreadsheets.

2004 Additional Iraqi Budget

The relative decline in 2004 funding will be offset by the provision of an additional \$187m which is to be made available as a result of higher than expected oil revenues. CPA and Iraqi Ministries are at present prioritizing possible allocations of the additional funds. As of January 24, 2004, \$25m has been earmarked for railroad improvements and \$12m for spare parts at the ports, leaving \$150m still available for various transportation projects. The Iraqi MOT and CPA/MOT are working together to earmark these funds (see Appendix A).

2003 US Government Supplemental Funding (to be expended in 2004)

In late 2003, the 108th Congress approved President Bush's request for an \$87 billion Supplemental spending bill to the fiscal 2003 budget. Of this sum, \$18.7 billion is for non-military reconstruction purposes. From this figure, \$365m of Supplemental funding has been made for Iraqi transport reconstruction work in 2003 (see Appendix B). This represents 44.2% of total funding available to the Iraqi central government sector for transport infrastructure and services in 2004. Up to 135 small to large reconstruction projects in the aviation, rail and maritime sectors are being evaluated for funding under the Supplemental program (see Appendix A).

While project planning is well advanced, there has been no disbursement of Supplemental funding for transport projects to date.

⁵ See www.ccp-iraq.org/budget and click on 2004 budget.

Other Funding⁶

In 2003 and 2004, USAID funding of \$119.9m is being made available for transport infrastructure work. To provide management services at Baghdad International Airport and the port of Umm Qasr, respectively, SkyLink has received a contract totaling \$17.5m and Stevedoring Services of America has received a contract totaling \$14.3m. USAID also provided \$59.7 million to Bechtel to rebuild the port of Umm Qasr, and rebuild the Baghdad and Basrah airports. Reconstruction of the Umm Qasr-Shouaiba railroad junction has been undertaken at a cost of \$18.7m, and crash/fire equipment totaling \$2.2m was provided to the Baghdad International Airport authorities. Additional funding totaling \$7.5m will be allocated to aviation reconstruction projects.

Department of Defense funding of transportation projects also takes place under the **Commanders Emergency Response Program** and is disbursed by the military authorities for urgent projects identified by military commanders. Funding of \$0.7m is being provided in 2004 for eighteen small-to-medium railroad rehabilitation and reconstruction projects.

Following the **Madrid Donors' Conference**, the **Italian Government** has promised \$2m for upgrading of meteorological services in 2004. Discussions will continue with other donor nations on transportation projects which they may be prepared to fund in 2004. In particular, negotiations are well advanced with the **Government of Japan** on a substantial contribution to Iraqi reconstruction (expected to be well in excess of \$1b).

CPA Ministry of Transportation

January 2004

Ambassador Darrell Trent, Senior Advisor to the Iraqi Ministry of Transportation

⁶ For comprehensive budget line-items, see Appendix A.

**APPENDIX A
Ministry of Transportation
Comprehensive Budget**

<u>CAPITAL EXPENDITURES</u>	<u>03 Iraq Budget</u>	<u>Program Review Board</u>	<u>04 Iraq</u>		<u>03 Supplemental (To be funded in '04)</u>	<u>USAID</u>	<u>CUMULATIVE</u>
			<u>Budget</u>	<u>04 ADD'L</u>			
<u>AVIATION</u>							
Basrah International Airport	2,200,000						2,200,000
Mosul Airport	2,700,000						2,700,000
Mosul Airport Infrastructure					21,265,000		21,265,000
Mosul Airport Air Navigation System (Comm. & Security)					15,582,400		15,582,400
BIAP Security Contract		14,840,000					14,840,000
BIAP Clean-up		11,200					11,200
BIAP Infrastructure					32,465,000		32,465,000
BIAP Air Navigation System, Initial	11,200,000						11,200,000
BIAP Air Navigation System (Comm. & Security)					23,404,400		23,404,400
Basrah, Mosul Air Navigation Sys.					17,140,000		17,140,000
Other Locations, Air Navigation Sys.					4,500,000		4,500,000
Air Navigation Department			20,000,000				20,000,000
Italian Meteorological Donation							
Remaining Procurement Items					643,200		643,200
Gates and Doors for Passenger Terminal		198,400					198,400
Bechtel Contract for BIAP & Basrah						21,700,000	21,700,000
SkyLink Contract for Airport Admin.						17,500,000	17,500,000
BIAP crash/fire rescue						2,200,000	2,200,000
Unallocated USAID funds						7,500,000	7,500,000
TOTAL AVIATION	16,100,000	15,049,600	20,000,000		115,000,000	48,900,000	215,049,600

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			<u>04 Iraqi Budget</u>	<u>04 ADD'L</u>	<u>USAID</u>	<u>USAID</u>	
<u>RAILROADS</u>							
VHF Line of Sight Radios	2,000,000		4,000,000				6,000,000
Baiji-Mosul Railway	1,000,000		5,000,000				6,000,000
Hilla-Samawa Railway	800,000						800,000
Baghdad-Baiji Railway	700,000						700,000
Railroad Security		57,692		25,000,000			25,057,692
Iraqi Railroad Security Contract (1 month)		36,600					36,600
Railroad Radio System		3,956,000					3,956,000
Rail and Telecom Op. Cost Funding		416,000					416,000
Iraqi Republican Railroad Wall Repair		245,200					245,200
Iraqi Republican Railroad-Startup Costs		181,830					181,830
Iraqi Republican Railroad Repair		131,280					131,280
Railroad Passenger Car Repair		131,280					131,280
Operations Start-Up-Shelsia Railroad		32,300					32,300
Locomotive Parts		3,770					3,770
Railroad Crane Repair Parts		990					990
Railroad Water Pump		600					600
Computer-Based Train Control System					15,200,000		15,200,000
Locomotive Repair Parts					7,900,000		7,900,000
Ganger Trolleys					10,800,000		10,800,000
Flashbutt Welders					4,000,000		4,000,000
Rail Clips					2,000,000		2,000,000
Rolling Stock Rehabilitation					2,400,000		2,400,000
Track Laying Machines					5,900,000		5,900,000
Spare Valves and Hoses					1,000,000		1,000,000
LPG Tank Wagons					4,400,000		4,400,000
Container Handling Equipment					6,000,000		6,000,000
Container Wagons					10,000,000		10,000,000
Shalschia Shop Rehabilitation and Repair					6,000,000		6,000,000

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Baghdad Station and Office Rehabilitation				11,900,000		11,900,000
Headquarters, Local Area Network (LAN)				1,500,000		1,500,000
Other Repair Shop Locations				15,300,000		15,300,000
Akashat Bridge Reconstruction	125,000					125,000
Umm Qasr-Shouaiba Jct Reconstruction					18,685,633	18,685,633
Fiber Optics Communication System				8,000,000		8,000,000
Other Track Maintenance				27,600,000		27,600,000
Turnouts				22,100,000		22,100,000
Local Points Signals				2,700,000		2,700,000
Rehabilitation of Other Stations				19,200,000		19,200,000
Sabonia-Rabla'a Track Reconstruction				10,300,000		10,300,000
Bayji-Mosul Track Reconstruction				3,000,000		3,000,000
Baghdad-Bayji Reconstruction				3,000,000		3,000,000
Coaches				10,000,000		10,000,000
TOTAL RAILROADS	4,500,000	5,318,542	9,000,000	25,000,000	210,000,000	18,685,633
						272,504,175

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<u>CAPITAL EXPENDITURES</u>	<u>03 Iraql Budget</u>	<u>Program Review Board</u>	<u>04 Iraql Budget</u>	<u>04 ADDL</u>	<u>Supplemental (To be funded in 04)</u>	<u>USAID</u>	<u>CUMULATIVE</u>
PORTS							
Reconstruction of Marine equipment			5,000,000				5,000,000
Spare Parts for Ports			2,000,000				2,000,000
Water-and Shore Side Fire and Safety					3,000,000		3,000,000
Maintenance dredging		10,000,000			3,500,000		13,500,000
Facilities Inspection-Repair					2,000,000		2,000,000
Upgrading Waterways and Berths					1,500,000		1,500,000
Flow Control, Security, and Environment					6,500,000		6,500,000
Umm Qasr Berths 1-9 Infrastructure					5,000,000		5,000,000
Electrical System					6,000,000		6,000,000
Transload gear and secure storage					2,000,000		2,000,000
Umm Qasr Berths 18, 19, and 20					6,500,000		6,500,000
Container Operations					3,000,000		3,000,000
Small vessels, parts, etc.					1,000,000		1,000,000
Bechtel Contract for Umm Qasr						38,000,000	38,000,000
SSA Contract for Seaport Admin.						14,300,000	14,300,000
TOTAL PORTS		10,000,000	5,000,000	12,000,000	40,000,000	52,300,000	119,300,000

**APPENDIX A
Ministry of Transportation
Comprehensive Budget**

CAPITAL EXPENDITURES

HEADQUARTERS AND OTHER PROJECTS

	<u>03 Iraq Budget</u>	<u>Program Review Board</u>	<u>04 Iraq Budget</u>	<u>04 ADD'L</u>	<u>03 Supplemental (To be funded in 04)</u>	<u>USAID</u>	<u>CUMULATIVE</u>
Land Transport-Trade Creditors	22,700,000						22,700,000
Rebuild Ministry HQ	300,000		5,000,000				5,300,000
Land Transport HQ Reconstruction	1,000,000	195,000					1,195,000
Iraqi Delegate Transport HQ Reconstruction	250,000	195,000					445,000
Al-Dhial Transport HQ Reconstruction	950,000	176,000					1,126,000
Private Transport HQ Reconstruction	150,000						150,000
Water Transport HQ Reconstruction	550,000						550,000
Port Co. HQ Reconstruction	1,000,000						1,000,000
Passenger Transport HQ Reconstruction	1,200,000						1,200,000
Project Co. HQ Reconstruction	300,000						300,000
Meteorology HQ Reconstruction	650,000						650,000
Transportation				150,000,000			150,000,000
Other Capital Projects			23,000,000				23,000,000
Other Funding Sources							
Commanders Emergency Response Program							729,000
Other Donors (Italy-meteorological services)							2,000,000
TOTAL HEADQUARTERS	29,050,000	566,000	28,000,000	150,000,000			208,345,000
TOTAL (CAPITAL COSTS)	49,650,000	30,934,142	62,000,000	187,000,000	365,000,000	119,885,633	815,198,775

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<u>OPERATING EXPENDITURES</u>	<u>03 Iraqi Budget</u>	<u>Program Review Board</u>	<u>03 Supplemental (To be funded in '04)</u>				<u>CUMULATIVE</u>
			<u>04 Iraqi Budget</u>	<u>04 ADD'L</u>	<u>USAID</u>	<u>USAID</u>	
Salary Expenditures			2,733,000				2,733,000
Service Requirements	9,000,000		15,533,000				24,533,000
Goods Requirements	200,000		800,000				1,000,000
Assets Maintenance	600,000		2,400,000				3,000,000
Capital Expenditures (?)	1,000,000		1,333,000				2,333,000
TOTAL (OPERATING COSTS)	10,800,000		22,799,000				33,598,000
TOTAL ALL TRANSPORT	60,450,000	30,934,142	84,799,000	187,000,000	365,000,000	7,19,885,633	848,068,775

Appendix B
Ministry of Transportation

**2003 Supplemental Funding for Transport
(in millions)**

365, 2%



18700, 98%



APPENDIX C

Ministry of Transportation- PRB Funding to Date		Allocation	Expenditure
	Project		
2	Airport Clean-up	11,200	11,200
45	Iraqi Republican Railroad Repair	131,280	131,280
105	Door and Gate Repair Railroad Station	600	600
107	Railroad Crane Repair Parts	990	990
109	Security for Iraqi Republican Railroad	12,390	12,390
121	Railroad Passenger Car Repair	131,280	131,280
126	Railroad Radio System	3,956,154	3,956,154
128	Land Transport HQ Reconstruction	195,000	195,000
129	Iraqi Transport HQ Reconstruction	195,000	195,000
130	Al Dhilal Transport HQ Reconstruction	176,000	176,000
152	Locomotive Parts	3,765	3,765
153	Gates and Doors for Passenger Terminal	198,400	198,400
158	Railroad Security	57,692	57,692
222	Operations Start-up-Shelsia Railroad Maintenance Workshop	32,294	32,294
260	Iraqi Republican Railroad Start-up Costs	181,830	181,830
319	Iraqi Republican Railroad Wall Repair	245,200	245,200
328	Rail and Telecom Operational Funding	416,000	416,000
411	Baghdad International Airport Security	14,840,000	8,288,000
413	Iraqi Railroad Security (1-month contract)	36,667	36,667
	Akashat Bridge Reconstruction	125,000	125,000
	TOTAL	20,946,742	14,349,742
Ministry of Oil- For Transport		Allocation	Expenditure
461	Repair Seaports for Fuel	10,000,000	0

APPENDIX D**THE DEVELOPMENT FUND FOR IRAQ**

Background. United Nations Security Council Resolution 1483, dated 21 May 2003, sanctioned the establishment of the Development Fund for Iraq. Resolution 1483 and the laws and usages of war, authorized the Coalition Provisional Authority as the administrator of the Fund. At the request of the CPA Administrator in May, 2003, the U.S. Federal Reserve Bank of New York established the "Central Bank of Iraq-Development Fund for Iraq" account. The DFI is held on the books of the Central Bank of Iraq. The corpus of the DFI is held in the account at FRBNY for the Central Bank of Iraq. A portion of the fund has been transferred to Baghdad, Iraq and used to establish a DFI-Baghdad account at the Central Bank of Iraq, for the purpose of meeting cash payment requirements in country, for the benefit of the Iraqi people.

Disbursements. To date, disbursements from the DFI have been in support of the wheat purchase program, the currency exchange program, the electricity and oil infrastructure programs, equipment for Iraqis security forces, and for Iraqi civil service salaries and ministry budget operations.

Ministry of Transport & Communications**37**

This funding:

\$US1:ID1500

Provides for essential communication services
which should facilitate foreign investment.

\$USm

Reestablishes Civil Aviation Program

	<u>Actual 2002</u> <u>(Half Year)</u>	<u>Jul-Dec</u> <u>Proposal</u>	<u>Jul-Dec</u> <u>Approved 2003</u>
Number of Employees	244	244	244
Expenditures			
Operating Expenditures		10.8	10.8
Capital Expenditures		279.1	138.7
Revenues			
Landing fees/overflights		5.7	5.7
SOE dividends		0.0	15.0
Total		5.7	20.7
Operating Expenditures			
1 Staff Expenditures			
2 Service Requirements		9.0	9.0
3 Goods Requirements		0.2	0.2
4 Assets Maintenance		0.6	0.6
5 Capital Expenditures		1.0	1.0
6 Transferred Expenditures		0.0	0.0
7 Foreign Obligations			0.0
8 Special Programs			
9 Salaries & Retirements' rewards			
Total (excluding salaries)	0.0	10.8	10.8
Capital Expenditures			
Land Transport - trade creditors		26.6	22.7
ITPC - operating expenses support		3.9	2.0
Operating expense support - other companies		6.5	0.0
Initial recovery of Baghdad telecommunications		45.8	45.8
Telephone restoration		83.0	40.0
Internet reconstruction		1.7	1.7
Baghdad Airport		43.1	-
National ATC System		14.9	14.9
Rebuild Ministry HQ		0.3	0.3
Restoration of Postal Services		3.0	-
Company HQs		14.0	-
Optical fibre cable		2.0	2.0
VHF line of sight radios		2.0	2.0
Bajji - Mosul		1.0	1.0
Hilla - Samawa		0.8	0.8
Baghdad - Bajji		0.7	0.7
Reconst. Of Signaling and Tel systems		1.7	-
Maint of stations and workshops		1.3	-
Bridge reconstruction Fatha & Acashat		1.0	-

Reconstruction Workshops in Baghdad	2.7	-
Concrete Sleeper Factory	0.5	-
Reconstruction of Special machines	0.4	-
Basrah International Airport	8.8	2.2
Central & others stations recons.	2.7	-
Reconstruction 4 workshops	0.5	-
HQ building	0.1	-
Mosul Airport	2.7	2.7
Rolling stock reconst	0.5	-
Government data network	0.8	-
Expanding internet network	4.0	-
Sabonia - Rabiaa	0.7	-
Ghabishia - Basra - Umm Qasr	1.3	-
total	279.1	138.7
<i>incl. reconstruction</i>		45.8