

Dear list,

Below are the results of a somewhat painful attempt to work out who is in charge of the money in Iraq. I've tried to outline the role of the main bodies, based largely on their founding documents. There's then some information on current officials, and their personal and institutional bias. There are also brief accounts of what the bodies have been doing, if they have been doing anything in public. It's a mess, but then I'm not the best person to be doing this: it would be extremely useful if Iraq Revenue Watch could find an accountant or an economist to do this properly. It's all too easy to mistake, say, the US-run IRRF for the UN/WB-run IRFF. Also, apologies for the fact that this plain-text version is probably all but unreadable.

Some caveats

- the below is not complete. There isn't, for example, an entry for the Governing Council, or for the US and UK governments, and there's very little on what the CPA's been up to. I could go on for ever adding more information. Conversely, the fact that information is here doesn't mean it's important. I've jammed in information that isn't entirely significant here for the sake of having somewhere to put it
- I don't know what's really going on. This information is based largely on official documents, plus a smattering of media reports. I have no idea what's going on in the ground in Iraq (or Kuwait, or wherever all these phantom bodies are based)
- I am not a lawyer. I am not an economist. I am not an Iraqi. So there are almost certainly hideous mistakes below. If you find them, please let me know!
- There are no dramatic revelations or insightful critiques here – I'm having enough trouble getting my head round who's doing what.

In bewilderment,

Dan

Ministry of Planning and Development Cooperation

This was the ministry of planning until CPA regulation 7 (5 December 2003) renamed it and defined its functions (order 7, section II.3). It is expected to:

- promote international assistance to Iraq, liaise with donors.
- develop procedures for allocation of donations geographically and by sector (these are presented as proposals to the Iraqi Strategic Review Board, 'with the concurrence of the ministry of finance'). These should form an efficient, comprehensive and integrated plan. Monitor international assistance to ensure prioritization and equitable distribution
- Represent Iraq to UN/World Bank trust funds (together with the Iraqi Strategic Review Board). Also responsible for all other (non-IMF) IFI assistance (reg 7, 5.1.b)
- 'work closely with the ministry of finance and the central bank of Iraq to ensure that assistance from the international financial institutions is allocated consistently with the national budget'
- work with CPA's Program Management Office to take into account existing commitments and the US Government's apportionment of funds
- chair the Council for International Coordination

The current minister of planning is Mahdi al-Hafiz of the Independent Democrats Movement. His name is also spelt Mehdi Hafedh. Hafiz, a Shi'ite, worked in the Iraqi Oil Ministry from 1975 to 1979, and served in the Iraqi delegation to the United Nations in Geneva in 1978-80. He represented Iraq at 2004 World Economic Forum, where his biography described him as:

"BSc in Chemistry; MA in Sociology; PhD in Economic Science. Formerly: Special Adviser of UNIDO; Director-General and Senior Expert with UN Agencies, UNCTAD, ESCWA, UNISCO; Minister Plenipotentiary at the Iraqi Mission in Geneva. Currently, Minister of Planning and Development of Iraq. Chairman, Iraqi Strategic Review Board for the Reconstruction of Iraq. Founder, Arab Organization for Human Rights. Adviser, Arab Thought Foundation. Professor of Economics in Iraqi universities. Former President, Arab Society for Economic

Research. Former Member of the Board, Arab Thought Forum, Amman. Author of many books on Arab affairs and economic and social issues.”ⁱⁱ

Ministry of Finance

Responsible for IMF assistance (CPA reg 7, 5.1.a)

The minister of finance is Kamil Mubdir al-Kaylani: Sunni Arab; b. Baghdad, 1959, a businessman with a degree from Mustansariyya Uni in economics who ran a contracting firm in Baghdad. Was reportedly installed on the urging of the Iraqi National Congress. Kaylani is a liberaliser, and in September apparently went beyond his brief by advocating complete liberalization, and was criticised for it by the Governing Councilⁱⁱⁱ. (). Juan Cole passes on some gossip about his appointment:

“An informed reader wrote me that she was told that "Kaylani was brought in as minister specifically with the plan to announce this [economic liberalization plan]. He was the Iraqi National Congress's nominee as minister." The sentiment among some high Coalition officials is that the plan is "ridiculous" insofar as it lacks any restrictions on the export of profits abroad. Kaylani is also said to have fired several very able persons in the Finance Department.”ⁱⁱⁱ

Ministry of Trade

Minister is Ali Allawi. WEF bio describes him as:

“1968, BSc in Civil Engineering, MIT; 1969, MSc in Regional Planning, London School of Economics; 1971, MBA, Harvard Business School. 1971-77, joined the Young Professional Program and later became Investment Officer, IFC/Capital Markets Department, World Bank Group; 1977-78, Consultant, Arab Fund for Economic and Social Development, Kuwait; 1978-87, Managing Director, Arab International Finance, Merchant Bank, London; 1987-92, Chairman, Intercapital Group, Investment Services, London and Switzerland; 1992-2003, Chairman, FISA Group, Investment Management, London; since 2003, Minister of Trade of Iraq.”^{iv}

Other ministries

All ministries submit programs to the Ministry of Planning and Development Cooperation, which presents them to the Iraqi Strategic Review Board. The ministries of public works and Housing and Construction are likely to have a significant role here. CPA reg 7 (Section 5) requires the ministry of finance, the central bank, and the ministry for planning to consult regularly on IFI assistance

Note that there is a CPA presence within each ministry. It is hard to know how significant this is, but various media reports and second-hand word of mouth suggest they're fairly influential. Glen has a useful list of CPA senior advisers.^v

Iraqi Strategic Review Board

Established 5 Dec 03 by CPA regulation 7:

“as the Iraqi organization, operating under the authority of the Governing Council or its successor, that will work on behalf of the Iraqi people to forge a strong partnership among the interim Iraqi administration and contributing governments, international organizations and other entities that provide grants, loans, guarantees, or other financial or technical assistance in support of Iraq's relief, recovery and development efforts”

Membership: 5 members. 2 from Governing Council, 1 from CPA, Minister of planning and development cooperation, and minister of finance

The current chair is Mehdi Hafedh (also spelt Mahdi Hafez), Minister of Planning and Development Cooperation. The CPA representative is director of economic policy Marek Belka.^{vi} Mahmoud Ahmed Uthman, chairman of Al Khair Financial Investments Company^{vii} is also a member^{viii}

Functions:

- “provide overall policy guidance” on international assistance
- take action on recommendations from the ministry of planning and development cooperation for allocation of international assistance. Must accept, reject or query recommendations within 10 days

- “shall work closely with the Ministry of Planning and Development Cooperation and the Ministry of Finance to ensure that international assistance for Iraqi is actively fostered, properly allocated against Iraq's prioritized needs, effectively utilized and monitored, and integrated into the Iraqi national budget”

- chairman of board participates in International Reconstruction Fund Facility

As of late January 2004, the board was inactive^{ix} [], but by late February had “set up a plan covering the most urgent projects according to priorities, where donors could be of assistance in the next 12 months.”^x

Council for International Coordination (CIC)

From CPA public notice 'regarding the Council for International Coordination'

“The Council will be the CPA's focal point and coordinating body for international assistance in the relief, recovery and development of Iraq. The Council will encourage the international community to provide funds and other forms of assistance to Iraq and will coordinate assistance provided by States, non-governmental organizations and international organizations. In carrying out its responsibilities, the Council will work closely with the UN Special Representative and his designees and other organizations involved in the relief, recovery and development efforts”^{xi}

Originally chaired by Prof. Marek Belka (former deputy prime minister of Poland), with Australian official Andrew Goledzinowski as vice-chair. Since December 2003, chaired by Ministry of Planning and Development Coordination (CPA reg 7, II.3.i). Other members appointed by the CPA from potential donor nations.

Iraqi Inspectors General

CPA Order 57 (dated 2 Feb 2004, but not put on the CPA website until March) establishes these as:

“an effective program of audit, investigation and performance review to provide increased accountability, integrity and oversight of the ministries and to prevent, deter and identify waste, fraud, abuse of authority and illegal acts. It establishes independent Offices of Inspectors General to conduct investigations, audits, evaluations, inspections and other reviews in accordance with generally accepted professional standards”

Each ministry gets an Inspector-general's office, with an official appointed by Bremer for a five-year term. The inspector-general has extensive powers to investigate departmental affairs, reporting to the government at a high level. This appears to replicate the system of departmental Inspectors-General in the US (can any Americans shed more light on this?)

Central Bank of Iraq

The first post-war legislation on the CBI was CPA order 18, which prevented the bank from lending to Iraqi ministries, and removed it from the control of the Ministry of Finance. By CPA order 56 (6th March), the functions of the central bank are:

“achieving and maintaining domestic price stability, fostering and maintaining a stable and competitive market-based financial system, and promoting sustainable growth, employment, and prosperity in Iraq”

I've not read the full order, on the grounds that it's pretty long and I've never read another banking law with which to compare it. I do understand (via Mike – have I got this mixed up, Mike?) that it was drafted in London: you can all insert your own stereotypes about the British political climate vs. that in Washington or Baghdad.

The 'appointing authority' of the bank is the Administrator+Governing Council, then the Governing Council alone. In a surreal touch, Paul Bremer will act as a one-man 'legislature' with respect to the central bank.

Senior bank officials (governor, deputy governor, board members) are nominated by the governing council and approved by the CPA. These

nominations are due by April 6th. The existing governor of the bank is Sinan al Shabibi, whose WEF biography described him as:

“1966, BSc (Hons) in Economics, College of Economics and Political Sciences, Baghdad Univ.; 1970, Diploma in Advanced Studies (Economic Development), Univ. of Manchester; 1971, MA in Economics, Univ. of Manchester; 1975, PhD in Economics, Univ. of Bristol. 1975-77, Head, Importation and Marketing Section, Ministry of Oil, Iraq; 1977-80, Chief, Plan Preparation and Coordination Div., Ministry of Planning, Iraq; 1980-2001, Senior Economist, United Nations Conference on Trade and Development (UNCTAD). Consultant on Trade, Debt and Finance. Has undertaken research on financial flows, economics of disarmament, balance of payments, external debt, globalization, and the Iraqi Economy. Has managed projects for the implementation of policy, analytical and institutional aspects of debt management including the implementation of UNCTAD's Debt Management and Financial Analysis System (DMFAS) in several Arab countries. Coordinated UNCTAD's work on OPEC financial flows to other developing countries resulting in the production of numerous reports on the subject. Various teaching experience: Baghdad Univ.; Mustansiryah Univ., Iraq; Webster Univ., Geneva; Geneva Univ. Currently, Governor, Central Bank of Iraq.”^{xii}

CPA

Since January 2004, the CPA has released weekly reports on its economic activities^{xiii}

CPA orders and regulations concerning financial management are listed in Appendix A.

There doesn't seem to be much consensus within the CPA on who is in charge – different factions in Baghdad and Washington with different agendas and personal loyalties. This is mainly American politics, so I'm a little lost.

The CPA does seem to have access to more expertise on economics and financial policy than on Iraq, with any number of government and other experts putting in their opinions. So they managed to put out a 60+-page bank law in September (order 40), while other laws were a few pages of vague statements. In general, their policy is heavily skewed towards liberalization. For example one CPA position is 'Director of Private Sector Development', which includes “specific responsibility for helping the

state-owned enterprises resume normal operations”^{xiv} and seems to be interpreted by the current occupant, Thomas C. Foley, as chief advocate of privatisation. Mr. Foley, incidentally, has made significant donations to the Republican party^{xv}, and is a friend and supporter of George Bush^{xvi}. To add to the mix of roles the office's email is foreigninvestment@orha.centcom.mil.

The CPA website lists its economic priorities as:

- Build financial market structures
- Develop transparent budgeting and accounting arrangements
- Develop framework for sound public sector finances and resource allocation
- Pay reform for public employees
- Private sector initiatives
- Commence reform of tax systems
- Remove subsidies/develop social safety net
- Implement policy towards State-owned Enterprises (SOEs)
- Design oil trust fund
- Lay foundations for an open economy
- Pursue national strategy for Human Resources Development

This represents part of the CPA's wider target of improving security, essential services, the economy, governance and strategic communications.

CPA Regulation 7 (5/12/03) appears to devolve to the Governing Council a good deal of responsibility for coordinating external financial assistance:

“The CPA recognizes that, as stated in Resolution 1511, the Governing Council and its ministers are the principal bodies of the Iraqi interim administration, which, without prejudice to its further evolution, embodies the sovereignty of Iraq during the period of transition, and that, consistent with Resolutions 1483 and 1511, these bodies have the authority to carry out the functions and responsibilities set forth in this Regulation. Any additional authority the CPA has with respect to such

functions and responsibilities is hereby delegated to the Governing Council, for further delegation as it deems appropriate, consistent with this Regulation”

This may not be as sweeping as it seems, for several reasons:

1. It does no more than say 'we'll abide by the security council resolution'. Any ambiguities there are simply carried on
2. There are plenty of ambiguities in UNSCRs 1483 and 1511. Not only were they, like most resolutions, drafted to allow plenty of ambiguity, but these documents quickly become irrelevant in such a fast-changing context. 1483 was passed back in May, when there was no governing council and the 'Authority' was the only body on the ground to which power could be devolved. 1511 does determine that the GC and cabinet “are the principal bodies of the Iraqi interim administration” and encourages international donors to work with them. But it doesn't transfer control of specific economic instruments such as the Development Fund for Iraq.
3. A good part of the money involved comes from the US, either directly or via the IMF, World Bank, etc. US policy will still have an extremely loud voice in Iraq.
4. “The functions and responsibilities set forth in this regulation” refers only to International Donor Assistance. The CPA continues to see itself as in charge of wider financial management – just this week they've introduced a new law governing the Central Bank (order 56)

CPA Program Management Office

“The Iraq Program Management Office (PMO) manages the \$18.4 billion appropriated by the US Congress to support the reconstruction of Iraqi infrastructure. In broadest terms, this office is responsible for all activities associated with program, project, asset, construction and financial management of that portion of the reconstruction effort undertaken by the US”^{xvii}

The figure of \$18.4 billion apparently refers to the \$18.649bn appropriation made through the 'Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, FY 2004' (Public Law 108-106^{xviii}), less allocations of \$110 million for Liberia and Sudan, and \$100 million for Jordan. At least \$1,275,100,000 is ringfenced for Afghanistan^{xix}, and much of the rest is required to support operations in both Iraq and Afghanistan.

Judging from its website^{xx} and from media reports, the PMO is noticeably targeted towards an American corporate audience. Most contracts appear to have been channelled through US-based corporations^{xxi}. The Office considers that its primary responsibility is “to ensure Americans receive the best value possible from their investment into the Iraqi infrastructure for the benefit of the Iraqi people^{xxii}”

The administration of this office involves an extreme form of outsourcing:

“The PMO uses an interesting management structure where a "nucleus" of U.S. government employees, along with some representation from Iraq and other nations, represent the "owner's" interest in the enterprise. Contractors are hired to provide the program management, both on an overall scale, as well as in each of the construction sectors. The sectors are oil, electricity, public works & water, security & justice, transportation & communications, and buildings, education & health. Other contractors are assigned work within those sectors to perform the construction tasks.^{xxiii}”

The Program Management office is led by Rear Admiral David J. Nash, a retired Navy engineer and manager with Parsons Brinkerhoff Construction Services^{xxiv}

In theory, three deputy directors are appointed, one US military representative, one from the US Agency for International Development (USAID), and an Iraqi. The two American deputies are Major General Ronald L. Johnson and Lawrence Crandall, respectively. No Iraqi deputy has yet been appointed.^{xxv} The PMO website contains more organisational information^{xxvi}

United States Agency for International Development (USAID)

*“USAID assists Iraqis in reconstructing their country by working within the Coalition Provisional Authority (CPA). USAID programs are implemented in coordination with the United Nations, World Bank, International Monetary Fund (IMF), Coalition country partners, nongovernmental organizations (NGOs), and private sector partners. The USAID Mission in Iraq carries out programs in education, health care, food security, infrastructure reconstruction, airport and seaport management, economic growth, community development, local governance, and transition initiatives. The USAID Mission in Iraq implements programs in four strategic areas:
- Restoring Essential Infrastructure*

- *Supporting Essential Health and Education*
- *Expanding Economic Opportunity*
- *Improving Efficiency and Accountability of Government*^{xxvii}

USAID is the main US foreign aid agency, and was initially central to US aid operations in Iraq. USAID's function in awarding reconstruction contracts now appears to have been passed to the Program Management Office^{xxviii}.

USAID has awarded twelve contracts and five grants for reconstruction work in war-torn Iraq. All of these have been awarded to American companies. Four draft procurement actions have been announced but not yet awarded.

There has been heavy criticism of the USAID-led contracting process, which initially restricted contracts to American companies^{xxxix}, and then to those from countries which participated in the Iraq war^{xxx}.

The USAID office of the inspector-general is required to audit US expenditure in Iraq, including through the Iraq Relief and Reconstruction Fund, and has been allocated a budget for this by Congress^{xxxi}. The Office of the Inspector-general has produced a number of reports^{xxxii} and letters to Congress^{xxxiii}

Iraq Relief and Reconstruction Fund

Section 2202 of Public law 108-106 requires transparent and fair procedures for the allocation of contracts from the IRRF^{xxxiv}. Section 2207 of this law required the OMB and CPA to submit by 5 Jan 2004 a report on the proposed uses of IRRF funds, and quarterly reports after that. This report gives funding plans for 2004-5.^{xxxv}

Estimated Iraq Relief and Reconstruction Fund (IRRF) Spending by Quarter

(millions of \$)	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	FY 2005
Security & Law Enforcement	772	1,561	586	324	0
Justice, Public Safety	99	920	221	161	75
Electric Sector	434	1,210	483	867	2,566
Oil Infrastructure	0	1,600	101	0	0
Water Resources & Sanitation	18	402	322	652	2,939
Transportation & Telecomm	0	164	259	77	0
Roads, Bridges & Construction	0	33	153	73	112
Health Care	50	280	225	173	65
Private Sector Development	0	65	66	24	30
Education, Refugees & HumRights	15	124	84	58	0
Totals*	1,388	6,357	2,499	2,408	5,787

* Totals may not match due to rounding

Development Fund for Iraq

This is an extremely important fund, acting in effect as the budget for Iraq. Administered by the CPA, with funds held primarily in New York. There are 2 sources of authority governing the DFI, UN Security Council resolutions (1483 and 1511) and CPA laws (regulations 2 and 3)

Administration

UN Security Council resolution 1483:

“13. Notes further that the funds in the Development Fund for Iraq shall be disbursed at the direction of the Authority, in consultation with the Iraqi interim administration, for the purposes set out in paragraph 14 below;”

Since 19 June 2003, payments from the DFI have been administered by the Program Review Board (see below).

Auditing

In theory, the DFI is rigorously audited by the International Advisory and Monitoring Board (see below). In practise, the IAMB wasn't set up until 5 months after the DFI, and hasn't yet got round to doing any auditing, let alone moving to Iraq. Indirectly, the UN secretary-general should be reporting to the security council on the DFI's work (by para 24 of UNSCR 1483). Some donations have also been made to the fund. According to an Iraq Revenue Watch report^{xxxvi}, the DFI had spent about \$1.5billion without any auditing, before the establishment of the IAMB. In particular:

“ Many UN officials believe that Iraqi oil revenue should not have been spent until the IAMB was functioning. Others are also dissatisfied with the Development Fund's lack of transparency. Members of Congress have called for an investigation into allegations that the US-led Coalition Provisional Authority allowed Kellogg, Brown and Root, a subsidiary of Halliburton, to purchase \$600 million worth of fuel at inflated prices with Iraqi oil money.”

PURPOSES

CPA Order 2 and UNSCR1483 use essentially the same language to describe the DFI's aims,

“to meet the humanitarian needs of the Iraqi people, for the economic reconstruction and repair of Iraq's infrastructure, for the continued disarmament of Iraq, and for the costs of Iraqi civilian administration, and for other purposes benefiting the people of Iraq;”^{xxxvii}

CPA order 2 replaces the last clause of this with “and for other purposes the Administrator deems to be for the benefit of the people of Iraq.”

FUNDS.

UNSCR 1483 (para 17) transferred to the fund \$1bn from the Oil for Food account, and any money remaining in the account after outstanding payments. Para 20 diverts to the DFI all oil revenue, less 5% in reparations for the 1991 Gulf War. Para 23 requires the transfer to the DFI of foreign assets of Saddam Hussein, but many countries have been slow to comply (see the re-iteration of this demand in UNSCR1511); I'm not sure to what extent this problem has now been solved.

The DFI held about \$5 billion in early December 2003^{xxxviii}. According to the CPA, it had dispersed by \$5,330,304,430.02 by 5 March 2003^{xxxix}

LEGAL STATUS.

UNSCR1483, para 22, confers on the DFI a degree of legal immunity which I don't really understand:

“22. Noting the relevance of the establishment of an internationally recognized, representative government of Iraq and the desirability of prompt completion of the restructuring of Iraq's debt as referred to in paragraph 15 above, further decides that, until December 31, 2007, unless the Council decides otherwise, petroleum, petroleum products, and natural

gas originating in Iraq shall be immune, until title passes to the initial purchaser from legal proceedings against them and not be subject to any form of attachment, garnishment, or execution, and that all States shall take any steps that may be necessary under their respective domestic legal systems to assure this protection, and that proceeds and obligations arising from sales thereof, as well as the Development Fund for Iraq, shall enjoy privileges and immunities equivalent to those enjoyed by the United Nations except that the above mentioned privileges and immunities will not apply with respect to any legal proceeding in which recourse to such proceeds or obligations is necessary to satisfy liability for damages assessed in connection with an ecological accident, including an oil spill, that occurs after the date of adoption of this resolution;”

The CPA has a page on the DFI^{xl}. On 10 June 2003, Iraq Revenue Watch released a commentary on the DFI^{xli}

Program Review Board

The PRB was established by CPA Regulations 2 and 3. According to regulation 2, the PRB:

“reviews all competing requirements for the relief and recovery of Iraq, assesses all available resources, and, in consultation with the Iraqi interim administration, when established, develops for the approval of the Administrator spending plans, consistent with a comprehensive budgetary framework, that identify prioritized requirements for proposed disbursements from the Fund; considers in this process information provided by the CPA International Coordination Council, the International Advisory and Monitoring Board, and other entities, as appropriate”

Membership

Voting members.

1. Chairman (appointed by CPA administrator) CPA officials: directors of Economic Policy, Civil Affairs Policy, Operations, and Security Affairs, and USAID Iraq mission
2. Representatives of Commander of coalition forces, Iraqi ministry of finance, UK, Australia, and the Council for International Coordination.
3. When taking action on any matter directly relating to the disposition of funds appropriated by the U.S. Congress, the voting membership of

the Board also shall include authorized representatives of the U.S. Department of Defense, U.S. Department of Treasury and U.S. Department of State. With approval of the Administrator, a CPA Director who serves as a voting member may serve concurrently as an authorized representative of the U.S. Departments of Defense, Treasury or State.

Non-voting members:

CPA Comptroller, CPA General Counsel, Program Coordinator of the Board, Authorized representatives of U.S. Office of Management and Budget, U.S. Office of the Secretary of Defense, International Monetary Fund, World Bank, U .N. Special Representative of the Secretary General, International Advisory and Monitoring Board

Duties

- **General.** The Board shall be responsible for recommending expenditures of resources from the Development Fund for Iraq and other resources identified in subsection 6 (3) of this Regulation, in a manner that meets the interests of the people of Iraq, furthers CPA's policy objectives, and comports fully with the CPA's stewardship and financial management duties under applicable laws and regulations, including United Nations Security Council Resolution 1483 (2003). The Board shall not be responsible for overseeing the manner in which approved spending requirements are executed.
- **Funding Plan.** The Board shall be responsible for reviewing all identified requirements for the resources for which the Board is responsible; prioritizing these requirements; and integrating the prioritized requirements into a funding plan that forecasts available resources, recommends allocations of those resources, consistent with the purposes for which they are lawfully available and the relative priorities of all identified spending requirements; and sets forth the justification for the proposed expenditures and the recommended manner in which the expenditures should be executed (i.e., by contract or otherwise). In performing this function, the Board shall consider relevant information concerning relief and recovery efforts in Iraq and related budgeting documents, including the Iraqi Ministry of Finance budget of Iraqi resources.

- Responsible for:
 - o Funds appropriated for such purposes by the US Congress
 - o Iraqi property lawfully vested in the US Treasury, to the extent that the Secretary of Defense is designated with authority to use such property to assist the Iraqi people and assist in the reconstruction of Iraq
 - o Iraqi state- or regime-owned cash, funds, realizable securities, or other state- or regime-owned movable property seized in Iraq consistent with the laws and usages of war
 - o The Development Fund for Iraq

Administration

CPA memorandum 4 (20 August 2003) provides rules for the activities of the PRB. Day-to-day administration is carried out by the Program Review Committee. All proposed funding plans require approval from the CPA administrator

Transparency

The PRB's activities are recorded in some detail on the CPA website^{xlii}. This includes minutes of meetings, and details of disbursements.

International Advisory and Monitoring Board

“The purpose of the International Advisory and Monitoring Board (IAMB) shall be to promote the objectives set forth in United Nations Security Council Resolution 1483 (2003) (resolution 1483) of ensuring that the Development Fund for Iraq (DFI) is used in a transparent manner for the purposes set out in operative paragraph 14 of that resolution and that export sales of petroleum, petroleum products and natural gas from Iraq are made consistent with prevailing international market best practices.”^{xliii}

UNSCR 1483 required the establishment of the IAMB:

“12. Notes the establishment of a Development Fund for Iraq to be held by the Central Bank of Iraq and to be audited by independent public accountants approved by the

International Advisory and Monitoring Board of the Development Fund for Iraq and looks forward to the early meeting of that International Advisory and Monitoring Board, whose members shall include duly qualified representatives of the Secretary-General, of the Managing Director of the International Monetary Fund, of the Director-General of the Arab Fund for Social and Economic Development, and of the President of the World Bank;”

This was not implemented until October 2003. In the meantime the USA proposed a set of terms of reference, envisaging a toothless body with the CPA appointing the first chair and 5 non-voting members). Unlike the final draft, it does not propose the creation of a secretariat for the IAMB, an omission which would have made it reliant on the CPA for administrative support^{xliv}. Under French and German pressure^{xlv}, UNSCR 1511 (para 23) pushed for the creation of the IAMB, which was finally established in October.

Since then, it has achieved very little. In 3 meetings so far (9/12/03, 22/12/03, 12/2/04), it has not appointed auditors, or found qualified Iraqi observers as required in their terms of reference. As far as I can tell no office has been established in Iraq (at least, the IAMB is meeting in Kuwait). The IAMB now has a website at www.iamb.info, although this currently contains very little information.

UNSCR1483 (para 24) requires the UN secretary-general to report to the security council on the work of the IAMB. I'm not sure whether this has happened, or in what form – so far, he can't have had much to say.

Membership

(dictated by UNSCR 1483, para 12):

The International Monetary Fund: Mr. Bert E. Keuppens, Senior Advisor, Finance Department;

The United Nations: Mr. Jean-Pierre Halbwachs, Assistant Secretary General and Controller; (the UN representative will chair meetings for the first year)

The World Bank: Mr. Fayeuzul Choudhury, Vice-President and Controller. The Representative of the Head of the Arab Fund for Economic and Social Development is to be named shortly

The IMF provides^{xlvi} biographies of IAMB members.

INTERNATIONAL RECONSTRUCTION FUND FACILITY

“a mechanism which will allow governments to contribute to the rebuilding of Iraq's economy and infrastructure through projects administered by UN agencies and the World Bank. The Facility will have two trust funds operating under joint UN-World Bank coordination. Donors will have the option of channeling resources through the World Bank Iraq Trust Fund, to be administered by the Bank, and/or the UNDG Iraq Trust Fund, to be administered by the United Nations Development Program (UNDP) on behalf of itself and other participating UN organizations. Beginning in 2004, funding from the Facility will be used to address priorities identified in the Needs Assessment carried out in Iraq this past summer by the World Bank and the United Nations Development Group (UNDG), in consultation with the International Monetary Fund.”^{xlvi}

“The International Reconstruction Fund Facility for Iraq (IRFFI) is being jointly operated by the World Bank and the United Nations group. Both international bodies will work together until 2007”^{xlviii}

The IRFF is not yet based in Iraq, for security reasons, and has no immediate plans to relocate there.

The Iraqi Strategic Review Board will guide donors and make the final decision on recommendations from the Ministries of Planning and Finance. The Iraqi Ministry of Planning, renamed the Ministry of Planning and Development Cooperation (MoPDC) will serve as the Interim Iraqi Administration's primary link to the Facility and will ensure that funds are equitably distributed^{xliv}.

The fund will focus on technical assistance, quick-impact projects and transition activities that need to be implemented rapidly and flexibly^l.

Many (but not all) of the pledges made at the Madrid conference of 23-4 October 2003 were channelled through the IRFF. These pledges totalled £13.61 billion, including \$2.16 billion in 2004, although it is not clear how many of these commitments have been fulfilled, and how much money is controlled by the IRFF. The Daily Star (Lebanon) reports that pledges worth a further \$1bn were made at a March donors' conference in Abu Dhabi, but again it is unclear how many of these donations make use of the IRFF^{li}. At the same time, the IRFF held its first preparatory meeting in

Abu Dhabi on 28 Feb 2004^{lii}. Thus, it does not appear to have been active in providing funding for Iraq.

UN-World Bank Trust Fund Facility

This is referred to from time to time (sometimes just as the “World Bank Trust Fund Facility”). I suspect it's the same as the IRFF, but I'm not sure – anyone know?

Appendix A: Relevant CPA Orders and Regulations

CPA laws establishing relevant bodies

The Development Fund for Iraq (Regulation 2, 15 June 2003)

Program Review Board (Regulation 3, 19 June 2003)

Establishment of the Iraqi Property Reconciliation Facility (Regulation 4, 26 June 2003)

Council for International Coordination (Regulation 5, 17 June 2003)

Governing Council of Iraq (Regulation 6, 13 July 2003)

International Donor Assistance (Regulation 7, 5 December 2003)

Delegation of Authority Regarding Establishment of a Property Claims Commission (Regulation 8, 14 January 2004)

Iraqi Inspectors General (Order 57, 10 February 2004)

CPA laws concerning the seizure of assets

Dissolution of Entities (Order 2, 23 August 2003). This gives the CPA control over assets of the Baath party and the former government of Iraq. Note that the dissolution of the Board of Supreme Audit enacted in this order was repealed by Order 34 (21 September 2003)

Management of Property and Assets of the Iraqi Baath Party (Order 4, 25 May 2003. This elaborates on the asset-seizure provisions of Order 2, for example by establishing a Confiscation Appeals Tribunal. Assets are held by the CPA which will "hold [them] in trust and for the use and benefit of the people of Iraq".

Management and Use of Iraqi Public Property (Order 9, 8 June 2003. This establishes procedures for the use and allocation of seized property by the CPA.

Confiscation of Property Used In Or Resulting From Certain Crimes (Order 25, 21 September 2003)

Amendment To Coalition Provisional Authority Order Number 2 (Order 34, 1 September 2003). This reinstates the Board of Supreme Audit

CPA laws concerning Trade policy and liberalisation

Licensing Telecommunications Services and Equipment (Order 11, 9 June 2003). This establishes CPA licensing of commercial radio and telecommunications. Non-commercial broadcasts are exempt.

Trade Liberalization Policy (Order 12, 08 June 2003). This suspends customs duties on almost all goods. Exceptions are made to prohibit export of some foods and animals, and of many basic materials (wood, water pipes, etc), and import of weapons.

Foreign Investment (Order 39, 21 September 2003). This controversial law allows foreign investors great scope for investment in Iraq. Restrictions are imposed on foreign investment in the oil and financial sectors, and on foreign ownership of real estate. Amended by Order 46

Amendment to Order 39 (Order 46, 21 December 2003)

Suspension of Exclusive Agency Status of Iraqi State Company for Water Transportation (Order 51, 21 January 2004)

CPA laws concerning Fiscal Management

Measures to Insure the Independence of the Central Bank of Iraq (Order 18, 7 July 2003). This prevents the Central Bank of Iraq lending to government ministries, and allows it to set monetary policy without the approval of the Ministry of Finance

Trade Bank of Iraq (Order 20, 17 July 2003). This law establishes a bank, underwritten by and distributing profits to the Development Fund for Iraq, to facilitate import and export of goods and services

Bank Law (Order 40, 24 September 2003)

New Iraqi Dinar Banknotes (Order 43, 15 October 2003)

Central Bank Law (Order 56, 08 March 2004)

CPA laws concerning Public-sector financial management

Reform of Salaries and Employment (Order 30, 08 September 2003)

Regulation of Oil Distribution (Order 36, 03 October 2003)

Pensions for Judges (Order 52, 14 January 2004)

Public Defender's Fees (Order 53, 16 January 2004)

Public Sector Death and Disability Benefits (Order 63, 06 March 2004)

CPA laws concerning taxation

Tax Strategy for 2003 (Order 37, 21 September 2003). This suspended most taxes (including income tax and property rent tax) from April-December 2003. Exceptions are hotel and restaurant tax, property transfer tax, car sale fee, and petrol excise duties. Coalition forces, the CPA, international organisations and governments are exempt from taxation. Future tax rates will not exceed 15%

Reconstruction Levy (Order 38, 19 September 2003) This imposes a 5% import tariff from 2004-2006, with proceeds going to reconstruction and assistance to Iraq. Exemptions are made for humanitarian goods (books, medicine, food, clothing, etc) and for the CPA, coalition forces, foreign governments and NGOs. Amended by order 47

Amendment to Order 38 (Order 47, 1 January 2004)

Tax Strategy for 2004 (Order 49, 20 February 2004)

Appendix B: Extracts from UN Security Council Resolutions 1483 and 1511

1483 (22 May 2003)

12. Notes the establishment of a Development Fund for Iraq to be held by the Central Bank of Iraq and to be audited by independent public accountants approved by the International Advisory and Monitoring Board of the Development Fund for Iraq and looks forward to the early meeting of that International Advisory and Monitoring Board, whose members shall include duly qualified representatives of the Secretary-General, of the Managing Director of the International Monetary Fund, of the Director-General of the Arab Fund for Social and Economic Development, and of the President of the World Bank;

13 Notes further that the funds in the Development Fund for Iraq shall be disbursed at the direction of the Authority, in consultation with the Iraqi interim administration, for the purposes set out in paragraph 14 below;

14. Underlines that the Development Fund for Iraq shall be used in a transparent manner to meet the humanitarian needs of the Iraqi people, for the economic reconstruction and repair of Iraq's infrastructure, for the continued disarmament of Iraq, and for the costs of Iraqi civilian administration, and for other purposes benefiting the people of Iraq;

15. Calls upon the international financial institutions to assist the people of Iraq in the reconstruction and development of their economy and to facilitate assistance by the broader donor community, and welcomes the readiness of creditors, including those of the Paris Club, to seek a solution to Iraq's sovereign debt problems;

...

17. Requests further that the Secretary-General transfer as soon as possible to the Development Fund for Iraq 1 billion United States dollars from unencumbered funds in the accounts established pursuant to paragraphs 8 (a) and 8 (b) of resolution 986 (1995), restore Government of Iraq funds that were provided by Member States to the Secretary-General

as requested in paragraph 1 of resolution 778 (1992), and decides that, after deducting all relevant United Nations expenses associated with the shipment of authorized contracts and costs to the Programme outlined in paragraph 16 (c) above, including residual obligations, all surplus funds in the escrow accounts established pursuant to paragraphs 8 (a), 8 (b), 8 (d), and 8 (f) of resolution 986 (1995) shall be transferred at the earliest possible time to the Development Fund for Iraq;

...

20. Decides that all export sales of petroleum, petroleum products, and natural gas from Iraq following the date of the adoption of this resolution shall be made consistent with prevailing international market best practices, to be audited by independent public accountants reporting to the International Advisory and Monitoring Board referred to in paragraph 12 above in order to ensure transparency, and decides further that, except as provided in paragraph 21 below, all proceeds from such sales shall be deposited into the Development Fund for Iraq until such time as an internationally recognized, representative government of Iraq is properly constituted;

...

22. Noting the relevance of the establishment of an internationally recognized, representative government of Iraq and the desirability of prompt completion of the restructuring of Iraq's debt as referred to in paragraph 15 above, further decides that, until December 31, 2007, unless the Council decides otherwise, petroleum, petroleum products, and natural gas originating in Iraq shall be immune, until title passes to the initial purchaser from legal proceedings against them and not be subject to any form of attachment, garnishment, or execution, and that all States shall take any steps that may be necessary under their respective domestic legal systems to assure this protection, and that proceeds and obligations arising from sales thereof, as well as the Development Fund for Iraq, shall enjoy privileges and immunities equivalent to those enjoyed by the United Nations except that the abovementioned privileges and immunities will not apply with respect to any legal proceeding in which recourse to such proceeds or obligations is necessary to satisfy liability for damages assessed in connection with an ecological accident, including an oil spill, that occurs after the date of adoption of this resolution;

23. Decides that all Member States in which there are:

(a) funds or other financial assets or economic resources of the previous Government of Iraq or its state bodies, corporations, or agencies, located outside Iraq as of the date of this resolution, or

(b) funds or other financial assets or economic resources that have been removed from Iraq, or acquired, by Saddam Hussein or other senior officials of the former Iraqi regime and their immediate family members, including entities owned or controlled, directly or indirectly, by them or by persons acting on their behalf or at their direction, shall freeze without delay those funds or other financial assets or economic resources and, unless these funds or other financial assets or economic resources are themselves the subject of a prior judicial, administrative, or arbitral lien or judgement, immediately shall cause their transfer to the Development Fund for Iraq, it being understood that, unless otherwise addressed, claims made by private individuals or non-government entities on those transferred funds or other financial assets may be presented to the internationally recognized, representative government of Iraq; and decides further that all such funds or other financial assets or economic resources shall enjoy the same privileges, immunities, and protections as provided under paragraph 22;

24. Requests the Secretary-General to report to the Council at regular intervals on the work of the Special Representative with respect to the implementation of this resolution and on the work of the International Advisory and Monitoring Board and encourages the United Kingdom of Great Britain and Northern Ireland and the United States of America to inform the Council at regular intervals of their efforts under this resolution;

1511 (16 October 2003)

20. Appeals to Member States and the international financial institutions to strengthen their efforts to assist the people of Iraq in the reconstruction and development of their economy, and urges those institutions to take immediate steps to provide their full range of loans and other financial assistance to Iraq, Working with the Governing Council and appropriate Iraqi ministries;

21. Urges Member States and international and regional organizations to support the Iraq reconstruction effort initiated at the 24 June 2003 United Nations Technical Consultations, including through substantial pledges at the 23-24 October 2003 International Donors Conference in Madrid;

22. Calls upon Member States and concerned organizations to help meet the needs of the Iraqi people by providing resources necessary for the rehabilitation and reconstruction of Iraq's economic infrastructure;

23.Emphasizes that the International Advisory and Monitoring Board IAMB referred to in paragraph 12 of resolution 1483 (2003) should be established as a priority, and reiterates that the Development Fund for Iraq shall be used in a transparent manner as set out in paragraph 14 of resolution 1483 (2003);

24. Reminds all Member States of their obligations under paragraphs 19 and 23 of resolution 1483 (2003) in particular the obligation to immediately cause the transfer of funds, other financial assets and economic resources to the Development Fund for Iraq for the benefit of the Iraqi people;

- i <http://www.weforum.org/site/knowledgenavigator.nsf/Content/Hafedh%20Mehdi>
- ii al-Zaman, via http://www.juancole.com/2003_09_01_juancole_archive.html#106447046341252932
- iii http://www.juancole.com/2003_09_01_juancole_archive.html#106438442815160722
- iv <http://www.weforum.org/site/knowledgenavigator.nsf/Content/Allawi%20Ali?open>
- v <http://www.middleeastreference.org.uk/iraqcpa.html>
- vi <http://www.tradearabia.com/routes/sections/News.asp?Article=64766&Sn=CONS>
- vii <http://www.commondreams.org/headlines03/0518-01.htm>
- viii http://www.dailystar.com.lb/business/04_03_04_d.asp
- ix Financial Times, 20 January 2004, via Radio Free Europe/Radio Liberty Iraq Report, Vol. 7, No. 4, January 30, 2004
- x <http://www.gulf-news.com/Articles/news.asp?ArticleID=112409>
- xi 18/6/03, http://www.cpa-iraq.org/regulations/20030618_20030618_CPANOTICE_Council_International_Coop.html.pdf
- xii http://www.weforum.org/site/knowledgenavigator.nsf/Content/The%20Future%20of%20Iraq%20%E2%80%93%20Workshop_2004?open
- xiii <http://www.cpa-iraq.org/economy/consolidated/index.html>
- xiv http://iraqcoalition.org/economy/priv_sect_dvlpt.html
- xv http://www.tpj.org/pioneers/thomas_foley.html
- xvi <http://financialtimes.printthis.clickability.com/pt/cpt?action=cpt&expire=&urlID=7155770&fb=Y&partnerID=1704>
- xvii from construction contract list at http://www.rebuilding-iraq.net/pdf/projects/construction_contracts_awarded.pdf
- xviii http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPAddress=162.140.64.88&filename=publ106.108&directory=/diskb/wais/data/108_cong_public_laws
- xix \$287,000,000 for 'foreign military financing', \$672,000,000 for accelerated economic assistance in Afghanistan, \$38,100,000 for USAID operating expenses in Afghanistan, and 3 allocations of \$73,000,000, \$170,000,000, and \$35,000,000 for anti-drug programmes. Public law 108-106 (2004)
- xx <http://rebuilding-iraq.net>
- xxi List of construction contracts, http://www.rebuilding-iraq.net/pdf/projects/construction_contracts_awarded.pdf. List of non-construction contracts, http://www.rebuilding-iraq.net/pdf/projects/non_construction_contracts_awarded.pdf
- xxii http://www.rebuilding-iraq.net/portal/page?_pageid=33,32248&_dad=portal&_schema=PORTAL
- xxiii Program Management Office website, http://www.rebuilding-iraq.net/portal/page?_pageid=33,32246&_dad=portal&_schema=PORTAL

xxiv http://www.rebuilding-iraq.net/portal/page?_pageid=33,35900&_dad=portal&_schema=PORTAL
xxv Program Management Office website, http://www.rebuilding-iraq.net/portal/page?_pageid=33,32246&_dad=portal&_schema=PORTAL
xxvi For example, a diagram of responsibilities at http://www.rebuilding-iraq.net/pdf/pmo_concept_of_ops_organization.pdf
xxvii <http://www.usaid.gov/iraq/>
xxviii 'BECHTEL BEATS AMEC TO \$ 1.8BN CONTRACT TO REBUILD IRAQ' , SAEED SHAH Independent, 8 January 2004
xxix Guardian, 18/3/2003, Independent, 18/3/2003, Independent, 12/3/2003
xxx "£11bn Iraq work open to British firms", Roland Watson and James Bone, Times, November 20, 2003
xxxi "In addition, for direct support of operations in Iraq, \$1,900,000, which shall be transferred to and merged with 'Operating Expenses of the United States Agency for International Development Office of Inspector General' for financial and performance audits of the Iraq Relief and Reconstruction Fund and other assistance to Iraq, to remain available until September 30, 2005." Public law 108-106 (2004), http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.88&filename=publ106.108&directory=/diskb/wais/data/108_cong_public_laws
xxxii http://www.usaid.gov/oig/iraq_reports.html
xxxiii http://www.usaid.gov/oig/iraq_letters.html
xxxiv http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.88&filename=publ106.108&directory=/diskb/wais/data/108_cong_public_laws
xxxv <http://www.whitehouse.gov/omb/legislative/index.html>. The main text of the report can be found at http://www.whitehouse.gov/omb/legislative/20040105-sec2207_main_report.pdf
xxxvi <http://www.iraqrevenuewatch.org/reports/120503.pdf>
xxxvii UN Security Council Resolution 1483, paragraph 14
xxxviii <http://www.iraqrevenuewatch.org/reports/120503.pdf>
xxxix http://www.cpa-iraq.org/budget/DFI_05mar2004.xls
xl http://www.cpa-iraq.org/budget/DFI_intro1.html
xli <http://www.iraqrevenuewatch.org/documents/dfi.shtml>
xlii http://www.cpa-iraq.org/budget/program_review_board.html
xliii IAMB terms of reference, <http://www.iamb.info/tor.htm>
xliv <http://www.casi.org.uk/info/cpa/iamb030611.pdf>
xlv <http://www.casi.org.uk/info/undocs/scres/2003/030909amendments.pdf>
xlvi <http://www.imf.org/external/np/sec/pr/2003/pr03209.htm>
xlvii UNDP press release, 11 December 2003, <http://www.undp.org/dpa/pressrelease/releases/2003/december/dec1103.html>
xlviii Daily Star (Lebanon), 4 March 2004 http://www.dailystar.com.lb/business/04_03_04_d.asp
xlix <http://www.un.org/apps/news/story.asp?NewsID=9188&Cr=iraq&Cr1=>
l Daily Star (Lebanon), 19 December 2003, http://www.dailystar.com.lb/business/19_12_03_d.asp
li Daily Star (Lebanon), 4 March 2004, http://www.dailystar.com.lb/business/04_03_04_d.asp
lii <http://www.gulf-news.com/Articles/news.asp?ArticleID=112409>