

Program Review Board (PRB) Meeting Minutes – 12 Jul 03

*Sherris
made some changes*

Attendees:	*Peter McPherson	Chair
	Sherri Kraham	PRB
	*Marek Belka	CIC
	Andrew Goledzinowski	CIC
	*Neil Mules	Australia
	*Steven Sabey	UK
	Owen Lewis	OGC
	Dan Hitchings	Ministry of Housing & Construction
	Ken Nations	CPA Comptroller
	Dave Dolph	CJTF-7 C8
	*Gillian MacLean	Div Ops
	Col. Tony Bell	HCA, CPA-CA
	*Gerald B. Thompson	MONS&D
	William Irvine	MOJ – Prisons
	Scott Castle	Gen Counsel, CPA
	Dave Oliver	Finance
	Chris Milligan	USAID
	Al Runnels	CFO
	Scott Brown	IMF
	Gary Vogler	CPA – Oil
	Maj Rebecca Freeze	CPA – Oil
	CPT Andy Altmire	CPA – Oil
	Anna Mary Portz	CPA – Governance
	Dan Devlin	CPA – Ministry of Finance
	Justin Tyson	Finance
	Don Bloomer	CPA – PMLC
	James Carrera	CPA – PMLC
	Donald F. Campbell	CPA – Ministry of Justice
	* Voting Member	

1. McPherson: Recommended reducing quorum requirements to 6 vs 7. No vote but consideration for next meeting. Finding it hard to meet quorum requirement; 11 voting members, 6 would represent a majority. PRB sends out numerous emails for members to respond, even those that commit don't necessarily show. Castle made argument against changing quorum rule, UN Security council resolution 1483 mandated transparency is sustained in part by level of participation in meetings, 70 % quorum is not out of line from what similar boards require; should heighten emphasis that the front office places on the attendance of these regularly scheduled meetings.
2. Status of Funds: OMB has released hold of authority on use of vested funds however, quickly running out of uncommitted vested funds, down to \$700M from the \$1.7B level, including prior commitments. All seized funds \$799M already committed. \$1.07B available from DFI. \$192M in oil revenue coming in. Budget has been allocated through July and the first 3rd of August, end of Aug not covered yet. Status of uncommitted funds to be provided at next meeting. Sherri Kraham to meet with Dave Oliver's staff to workout a process to compare things here (PRB) with the

budget; Current policy is that ministry funding requests are against ministry budget. Exceptions will be granted in conjunction with Dave Oliver's office. We need greater visibility on what the ministry budget will fund. There is a small amount in the budget available for the Board.

3. Contract procedures still not worked out. McPherson indicated that, in the interim, the Board should adopt a general statement of intent. The GC is still receiving comments on the guidance from coalition member states, UK response very constructive and generally very favorable. A contracting expert has joined the legal counsel's office. Consensus that we need to conclude guidance soon. Agreed that some commitment as a body to apply generally accepted contracting procedures sufficient to sustain transparency requirements of UN Security Council Resolution 1483.
4. The following motion was passed: "It is hereby moved that, pending the formal promulgation of CPA procedures for executing contracts and grants with vested and seized Iraqi funds and sums from the Development Fund for Iraq, any such contract or grant shall be carried out in accordance with generally accepted principles sufficient to ensure the transparency required under UN Security Council Resolution 1483. Procedures which apply to funds approved by the administrator in the Iraqi budget are under review." Col Bell expressed disagreement indicating his belief that this gives ministries ability to do what they want with no oversight; Sherri will distribute record of what has been approved since the formal establishment of the board.
5. Proposal #1 for \$1.7M . Abu-Ghraib has passed through the board several times, pending political issues which needed to be considered by Ambassador Bremer. Political decision made, now just need to formally pass through board. Abu-Ghraib passed.
6. Proposal #2 Iraq Telecom & Postal Company, allocated \$2M under operating budget. Requesting \$470,000 advance on the budget. Will be deducted from budget. Motion: Passed
7. Proposal #3, Uniforms. Original proposal \$730,000, asked how much per uniform, new request \$290,000. Board reduced to \$225,000. Motion: Passed
8. Proposal #4, Renovation of Police Stations in the central region. Total of 6 police stations and 1 maintenance facility for \$556,000. Dave Oliver: Where's the 'whole picture'? Why not a general overall plan? Request for same submitted about a month ago, Sherri will reiterate request from the board. Should come from Ministry budget in any case. No Vote.
9. Proposal #5, Security equipment for moving prisoners in re: to 7 new prisons. Dave Oliver: these items overlooked in budget. This covers transportation from where you detain people to the prisons. Problem: Killing guys and guards en route. ~~Sent to buy~~ everything locally but couldn't find the equipment. \$150,000 for the bus and equipment for the bus. Highest level of security to make everything work, personally recommend. Motion: Passed
10. Proposal #6: Oil security and import LPG. \$180M, board approved expenditure of \$90 M previously for import of LPG and benzene for last month. Gary Vogler: funds required over next 3 months will reduce as capacity to refine LPG grows – first month \$90M to \$60M for Sept to \$30M for Oct. Also, diesel fuel may need to be added, decision within next couple days. Dave Oliver: Wait for next PRB for consideration of diesel and pull out of this proposal. McPherson: Recommend include diesel based on urgency of buses and trucks, add addendum to motion not to ask for funds until needed. Vogler: Refineries not producing at full capacity. Most refineries went down until security issues can be worked out. Will have to import fuel at \$3M/ day. LPG is critical because refineries are having problems staying up. LPG produced at north and south gas plants. South gas plant looted won't be operational for a few weeks. North gas plant is operational but up and down, right now it's up. Only supplying at 60% LPG of the countries demand. McPherson: Problem identified awhile ago and only a portion of funds were approved, pending possible

*Bought locally at
substantial savings.*

improvement in local capacities. Not a normal budget issue, should go away in about three months. Vogler: Looking into increasing flexibility by selling. McPherson: Budget drives to sell to monetize for flexibility. Sherri: If full amount not needed, won't disperse full amount and we'll get that money back. Questions about whether this contract was competed. Vogler: KBR trying to secure gasoline and LPG wherever they can find the best price. Question was with reference to KBR, not who they buy oil from. Oliver: Re: international competition; he indicated that he contacted the head of procurement of Ministry of Defense for UK and Australia concerning senior procurement specialist in country to conduct studies. Both countries are recruiting and sending procurement specialists to join our team. Deferred for a vote until someone could verify how the KBR contract was selected.

11. Proposal #7: Request for security contracts for Ministry of Oil, \$50M. Maj Freeze/ Gary Vogler present Oil Ministry's request. Cost to port security, \$800M, KBR cost to infrastructure due to looting and other damage. Cost of lost production to crude oil production, 8M barrels per day for July. Damage to infrastructure, \$1.8M a month or \$20M per day. Recent attacks on strategic pipeline. Forecast: 6 months crude export can't commit due to security issues. \$20M/ day last 90-120 days. Maj Freeze: Used historical data in coming up with costs; need to replace the 7,000 people who previously guarded infrastructure. Need weapons and communications. Rapid reaction capabilities. Need mobility, security with chain of command, nothing at Ministry of Oil level right now. Need someone with technical expertise and experience in oil and construction infrastructure. Need maritime capability for two platforms, the coast guard probably won't be established for about a year. Searched the internet for potential companies, six found in Baghdad. Over 24 months, phase over to the Iraqis. Ministry of Oil: Facilities may already be available. 18 operation centers, 350 vehicles, command and operations, \$29M. Salaries, \$70 per month. Looking at a 5 Aug 03 award date. McPherson: Further crunching will reduce amount, so reduce to \$45M, and if impossible, come back for extra \$5M. Need to be frugal; force oil ministry to find cheaper way. Real number crunching will be done by bidders is not necessarily true. Take out some requirements, principle still the same. Sherri: The question is regarding the tasks we believe are necessary to complete the task, not the cost associated with each task, which will bear out through the bidding process. McPherson: Oil ministry needs to rethink precisely what is in the bid, within \$45M process. As is, go with \$50M, speed will slow down the bid. Vogler: Bids come in at \$47M or \$48M, will delay process. Col Bell: approximately 3 weeks to process evaluations. McPherson: Board can move very rapidly; his view, do \$45M, if necessary, add \$5M. Maj Freeze: When going to bidders, no funding info provided. Motion Passed: unanimously for \$45M.
12. Proposal #6 Import of LPG continued: Many questions about the competition and the level of overhead 2-8% does not include overhead. Sherri: at the time of the first requirement, KBR was the only one on ground; no open competition possible; When we got the last funding request, we had an emergency situation. Competing the bid and mobilization would not be feasible to meet the immediacy of the requirements and wouldn't make sense considering we didn't know how much longer the requirement would exist, nor does it now since we are scaling down. General consensus that agreed with that approach. McPherson noted, however, that we must put our foot down concerning international competition. Consensus was that we would support international competition, however, need to move forward in this case. McPherson noted that in the future, if contract is sole sourced need to require a clear justification to support. Vogler: Most oil from Turkey, some from Kuwait. Vote: Passed unanimously. Minutes so reflect.

products instead of buying them.