



Congress created SIGIR to provide independent oversight of U.S. funds used for the reconstruction of Iraq by:

- promoting economy, efficiency, and effectiveness in the administration of programs and operations
- preventing and detecting waste, fraud, and abuse in such programs and operations
- keeping the Secretary of State, Secretary of Defense, Congress, and American taxpayers informed about problems, deficiencies, and recommendations for corrective action relating to the administration of programs and operations

Stuart W. Bowen, Jr., was appointed Inspector General in January 2004. This past February, the IG returned from his 15th trip to Iraq to review progress on the reconstruction effort.

Moving Beyond the IRRF

In 2003, the Congress appropriated nearly \$21 billion to the Iraq Relief and Reconstruction Fund (IRRF). Today, more than 98% of these taxpayer dollars have been obligated, and more than 84% have been expended. Most IRRF projects are now complete, and most of the remaining ones are estimated to be complete by the end of 2007. U.S. support to Iraq thus is evolving toward a more traditional relief and development program, with U.S. funds and activities now focusing more on targeted technical assistance to enhance the operating capacity of the Government of Iraq (GOI), to promote political and economic reform, and to stimulate growth. Considerable effort continues to center on improving security so that meaningful economic and political development can occur.

With the end of the IRRF, SIGIR will now provide broader reviews of what was achieved through the overall program. Section 2 of this Quarterly Report compares the original goals and expectations of IRRF 2 with the projects and activities actually completed and provides a review of the continuing funding streams supporting Iraq: the Iraq Security Forces Fund; the Economic Support Fund; and the Commander's Emergency Response Program.

Transition

The GOI is assuming most of the financial burden for financing its national recovery. The U.S. government is focusing on four activities essential to furthering a full and successful transfer of relief and reconstruction responsibilities to the GOI:



Sustainability of U.S.-funded reconstruction projects remains a significant issue in Iraq today.

1. IRAQI CAPITAL BUDGET EXECUTION

In 2006, the GOI expended only a fraction of its allocated capital budgets. The GOI must dramatically increase capital expenditures in 2007, including spending unexpended 2006 funds. To help achieve that end, the GOI directed that any ministry unable to spend 75% of its semiannual budget by June will forfeit the unexpended funds. The unspent balance will be reappropriated by the Ministers of Finance and Planning.

2. PROGRESS OF ANTICORRUPTION EFFORTS

There has been notable progress in promoting Iraqi-led anticorruption programs this quarter. In January 2007, IRMO established the Office of Accountability and Transparency (OAT) to coordinate the U.S. Embassy's anti-

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corruption strategy. OAT has achieved some significant milestones already, including the appointment of senior consultants for Iraq's inspectors general and the Board of Supreme Audit (BSA). OAT is also assisting the GOI in the development of the Iraqi Joint Anti-Corruption Council (JACC), which brings together the primary anticorruption entities under the leadership of the Prime Minister.

3. BAGHDAD SECURITY PLAN

Reconstruction is a significant component of the new Baghdad Security Plan. As part of this new effort, 2,500 projects are planned in 10 security areas throughout Baghdad. Many of these projects focus on providing or improving access to potable water, sewerage, electricity, schools, and medical facilities.

4. PROVINCIAL RECONSTRUCTION TEAMS

In October 2006, SIGIR conducted an audit of the Provincial Reconstruction Team (PRT) program, which identified weaknesses in resources, staffing, and coordination between DoD and DoS. SIGIR is now assessing progress on the audit's recommendations. Preliminary findings suggest that real progress has been made since October 2006, including the execution of memoranda of agreement between DoD and DoS, staffing of existing PRTs, and improvement of resource provision.

The PRT program is significantly expanding. In March 2007, team leaders for ten new PRTs arrived in Iraq; six of the new teams are located in Baghdad to support the Baghdad Security Plan.

Notable SIGIR Activities this Quarter

LESSONS LEARNED: On March 22, 2007, SIGIR released its third and final lessons learned report, *Iraq Reconstruction: Lessons in Program and Project Management*, at a hearing of the Senate Committee on Homeland Security and Governmental Affairs. SIGIR offered nine recommendations for future post-conflict reconstruction operations, focusing on reforms that support further integration between civilian and military agencies.

AUDITS: SIGIR completed four audits, including updates on the status and sustainment of the Advanced First Responder Network, a review of the management of the Commander's Emergency Response Program for FY 2006, and a review of internal controls related to disbursements of IRRF apportioned to the Department of State.

INSPECTIONS: SIGIR completed 9 project assessments (including 8 sustainment reviews and 6 construction reviews). To date, SIGIR has conducted 94 project assessments. Sustainability reviews this quarter included the Tallil Military Base, the Erbil Maternity and Pediatric Hospital, the Bab Shams Police Station, the Baghdad International Airport (BIAP) Power Plant Enhancement, and the BIAP Special Forces Barracks.

INVESTIGATIONS: SIGIR investigators are working on 79 ongoing investigations, 28 of which await prosecution at the Department of Justice. To date, 19 individuals or companies have been suspended, 16 other individuals or companies have been proposed for debarment, and 9 have been debarred. SIGIR's work has resulted in 10 arrests, one 25-count indictment of 5 people, 5 convictions, 3 imprisonments, \$3.6 million in restitution, orders, and \$9 million recovered.

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