



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 15<sup>th</sup> 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 reapportioned 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-

The **end** of the IRRF means that **U.S. support** to Iraq is **evolving** toward a more **traditional** relief and development **program**.

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.

### TO OBTAIN A FULL REPORT

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## SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to submit to the Congress, Secretary Rice, Secretary Gates, and the American people the 13th Quarterly Report from the Special Inspector General for Iraq Reconstruction (SIGIR). During this quarter, I traveled to Iraq—for the 15th time since my appointment three years ago—to supervise the work of the 50 SIGIR auditors, inspectors, and investigators who provide the necessary, in-country oversight of the U.S. taxpayers' investment in Iraq's reconstruction.

This Report marks a significant evolution in the U.S. relief and reconstruction effort in Iraq: the part of the U.S. program supported by the Iraq Relief and Reconstruction Fund (IRRF) is nearly complete. Concomitantly, the Government of Iraq (GOI) is assuming progressively more of the financial burden for Iraq's continued recovery. This important shift, however, does not signify the end of substantial U.S. assistance to Iraq. To the contrary, American support for Iraq's recovery will remain relatively robust for the foreseeable future.

The evolution of the IRRF means that SIGIR's oversight mission in Iraq is evolving as well. Pursuant to its congressional directive, SIGIR continues to report on the investment of the IRRF and the relief funds appropriated in FY 2006. Over the remaining course of this year, however, SIGIR will adjust its personnel footprint in Iraq to comport with its gradually diminishing mission.

SIGIR previously used Section 2 of its Quarterly Reports to provide sector-by-sector updates on the IRRF program. Henceforth, Section 2 will include broader reviews of what was achieved through the overall reconstruction effort. In this Report, SIGIR compares the goals and expectations of IRRF 2 with projects and activities actually completed. Section 2 also contains a review of current U.S. funding programs supporting Iraq's recovery:

- Iraq Security Forces Fund
- Economic Support Fund
- Commander's Emergency Response Program

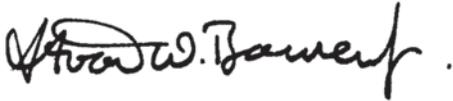
This quarter, SIGIR continued its comprehensive, on-the-ground oversight of Iraq reconstruction, producing 4 audits, 9 project assessments, and making progress on 79 investigations into allegations of fraud, waste, and abuse involving reconstruction funds. Section 3 contains summaries of this work. SIGIR's 4 audits bring to 86 the total number of audits

produced by SIGIR over the past three years. SIGIR's 9 inspections bring the total number of inspections completed to 94. SIGIR investigators progressed on a number of fraud cases this quarter, 28 of which are being prosecuted by the Department of Justice. To date, SIGIR's investigative work has resulted in 10 arrests, a 25-count indictment of 5 persons, 5 convictions, 3 imprisonments, \$3.6 million in restitution orders, and more than \$9 million recovered.

On March 22, 2007, the Senate Homeland Security and Government Affairs Committee conducted a hearing to receive SIGIR's third Lessons Learned Report, which focused on program and project management in Iraq reconstruction. Notable among the Report's recommendations is a proposal that the Congress consider measures to improve integration among the departments involved in civil-military post-conflict contingency planning and operations.

SIGIR remains dedicated to ensuring effective oversight of the U.S. investment in Iraq's relief and reconstruction. I am proud of the dedicated service of the many SIGIR auditors, inspectors, and investigators who continue to pursue their mission with professionalism, productivity, and perseverance.

Submitted April 30, 2007.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." with a period at the end. The signature is written in a cursive, flowing style.

Stuart W. Bowen, Jr.  
Inspector General

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**SIGIR SUMMARY OF PERFORMANCE**  
FEBRUARY 1, 2004 – APRIL 30, 2007<sup>a</sup>

**AUDIT**

Reports Issued	86
Recommendations Issued	270
Dollars Saved and Recovered	\$49,700,000
Funds Put to Better Use	\$7,800,000
Total Financial-related Impact	\$57,500,000

**INSPECTIONS**

Project Assessment Reports Issued	94
Limited On-site Assessments Issued	96
Satellite Imagery Reviews	304
Total Financial-related Impact	\$39,300,000

**INVESTIGATIONS**

Investigations Initiated Total	307
Investigations Closed or Referred	228
Open Investigations	79
Arrests	10
Convictions	5
Value of Funds Seized and Recovered	\$9,500,000

**HOTLINE CONTACTS**

Fax	14
Telephone	64
Walk-in	109
E-mail	328
Referrals	25
Total Hotline Contacts	567

**OTHER PRODUCTS**

Congressional Testimonies	16
Lessons Learned Reports Issued	3

<sup>a</sup> For details on Impact of SIGIR Operations, see Appendix B.





# SIGIR Observations

MOVING BEYOND THE IRRF

CHALLENGES CONFRONTING TRANSITION

TRANSITION BENCHMARKS

NOTABLE SIGIR ACTIVITIES THIS QUARTER

IMPACT OF SIGIR OPERATIONS

THE HUMAN TOLL

SECTION

1



This 13th Quarterly Report highlights an important period in the evolution of the U.S. rebuilding effort in Iraq: the Iraq Relief and Reconstruction Fund (IRRF) is almost entirely expended, and the Government of Iraq (GOI) is now assuming—as it must—much greater responsibility for financing Iraq’s national recovery.

The United States will continue to support Iraq’s recovery, but the U.S. role has evolved from bearing the principal financial burden for reconstruction to providing targeted support in key areas. This continuing assistance

includes managing remaining IRRF projects, providing guidance on GOI initiatives, and pushing forward with the Baghdad Security Plan.

Significantly, the end of the IRRF does not mark the end of oversight. Thus, during this reporting quarter, the Special Inspector General for Iraq Reconstruction (SIGIR) continued its comprehensive oversight of Iraq reconstruction, completing 4 audits, 9 project assessments, and making progress on 79 investigations into allegations of fraud, waste, and abuse.

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## MOVING BEYOND THE IRRF

In 2003, the Congress appropriated nearly \$21 billion to the 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 projects will be finished by the end of 2007.

The U.S. effort now focuses on specific assistance aimed at strengthening the GOI’s operating capacity, promoting economic and political reform, and stimulating private sector growth. Considerable resources continue to be devoted to improving security so that meaningful economic and political development can occur.

Moving beyond the IRRF must include increasing international donor support for Iraq. Thus, the GOI is working to develop multilateral funding for Iraq’s national recovery. The expected catalyst for this effort is the International Compact for Iraq, which is scheduled to be formally approved in early May.

Notwithstanding the importance of the international support anticipated by the Compact, donor funds will be a secondary rather than a leading component to Iraq’s recovery. The leading component must be the GOI’s effective expenditure of its own significant capital budget.

## CHALLENGES CONFRONTING TRANSITION

The U.S. government is focusing on four important challenges confronting transition in Iraq:

- improving the GOI's capital budget execution
- facilitating progress on anticorruption efforts
- implementing the Baghdad Security Plan
- providing targeted support to local governments through the Provincial Reconstruction Teams (PRTs)

Resolving these challenges will advance the transfer of relief and reconstruction responsibilities to the GOI.

### Budget Execution

Effective execution of Iraq's capital budget is an essential prerequisite to progress on Iraq's recovery.

In 2006, the GOI expended just a fraction of the funds allocated for capital projects. By the end of October 2006, the GOI had spent only 59% of its FY 2006 total budget and just 18% of its capital budget (according to the Iraq Reconstruction Management Office). By contrast, the GOI effectively executed its 2006 administrative budgets, expending 97% of the allocations for salaries and pensions.

Part of last year's capital budget execution problem stemmed from the fact that the new government of Iraq was not completely formed until mid-2006. Additionally, a weak understanding by Iraqi ministries of complex GOI

contracting regulations hamstrung the budget execution process.

The U.S. Coordinator for Economic Transition is leading the U.S. Embassy's Budget Execution Initiative to improve the capacity of the GOI to execute capital budgets at all levels. This includes improving contracting capacity by training key officials at ministries and in various governorates. The Coordinator recently observed that the GOI has shown "the commitment and organization to do a better job spending its money and beginning capital projects."

The Budget Execution Initiative comprises an interagency task force that is coordinating multi-front efforts to address the problem. For example, the capacity-development program of the U.S. Agency for International Development (USAID) includes a budget-execution component, and IRMO's senior consultants advise their respective ministries on budget execution.

The United States has allocated nearly \$20 million to support the Budget Execution Initiative. This investment, along with necessary GOI discipline on fiscal commitments, will advance Iraq's recovery. To help achieve budgetary discipline, the GOI directed, in January 2007, that any ministry that fails to spend 75% of its semiannual budget by June will forfeit the unexpended funds, with the remaining balance reapportioned by the Ministers of Finance and Planning.

## Anticorruption Activities

SIGIR has repeatedly observed that corruption is a significant impediment to Iraq's recovery. This quarter, Iraqi officials continued to report to SIGIR that significant amounts of GOI funds have been subject to improper diversion.

Three pillars comprise Iraq's anticorruption institutions: the Commission on Public Integrity (CPI), the Board of Supreme Audit (BSA), and the Iraqi inspectors general (IGs). CPI estimates that Iraq's annual financial loss to corruption exceeds \$5 billion, but that figure is difficult to confirm. BSA, the most credible and long-standing Iraqi oversight organization, reports that corruption afflicts virtually every Iraqi ministry. The Iraqi IGs and their 2,500-member staff made some progress this quarter, but they continue to struggle to achieve their mission.

In January 2007, IRMO established the Office of Accountability and Transparency (OAT) to coordinate the U.S. Embassy's support to Iraq's anticorruption institutions. This action was taken in response to a recommendation in SIGIR's 2006 audit report, entitled "Joint Survey of the U.S. Embassy-Iraq's Anti-corruption Program." Since its inception, OAT has achieved important milestones:

- the appointment of senior consultants for Iraq's inspectors general and BSA

- assisting the GOI in the development of the Iraqi Joint Anti-Corruption Council (JACC), which coordinates the primary anticorruption entities under the leadership of the Prime Minister

SIGIR is conducting a follow-up audit on U.S. support for anticorruption programs in Iraq.

## Reconstruction and the Baghdad Security Plan

Reconstruction is a major component of the new Baghdad Security Plan that President Bush announced in January 2007; the new Commander of the Multi-National Force-Iraq launched the Plan in February.

As part of this joint U.S.-GOI operation, 2,500 projects are planned in ten security areas throughout Baghdad. Many of these projects focus on providing or improving access to potable water, sewerage, electricity, schools, and medical facilities. SIGIR is reviewing progress on the reconstruction component of the Plan and will provide analysis in future Quarterly Reports.

## Provincial Reconstruction Teams

The Provincial Reconstruction Team (PRT) program is the most important nationwide capacity-building effort that the United States is managing in Iraq.

PRTs are civil-military teams designed to build capacity in local governance across Iraq through direct assistance to and training of provincial government personnel.

In October 2006, SIGIR audited the PRT program, identifying weaknesses in resources, staffing, and coordination between the Department of Defense (DoD) and the Department of State (DoS). SIGIR is in the process of a follow-on review to assess progress on the audit's recommendations. Preliminary findings suggest that much progress has been made since October 2006, including the execution of memoranda of agreement between DoD and DoS, staffing up of existing PRTs, and improving overall resource provision.

Pursuant to the Bagdad Security Plan, 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. As the PRT program expands, significant challenges must be overcome, including ensuring that PRTs are fully staffed with personnel possessing the right skill-sets and securing safe work environments.

PRTs interact with Provisional Reconstruction Development Committees (PRDCs) in Iraq's provinces. PRDCs comprise the community leaders and provincial officials responsible for managing the development of local infrastructure and the provision of services. They determine reconstruction priorities, oversee local contracting processes, and manage infrastructure projects provided with U.S. assistance funds and GOI resources.

## TRANSITION BENCHMARKS

In 2007, the GOI must meet specific milestones to demonstrate progress, but it has thus far achieved mixed results on several important reconstruction-related issues:

- the hydrocarbon law
- the transfer and sustainment of U.S.-funded infrastructure and systems
- the International Compact for Iraq

### The Hydrocarbon Law

Approval of a national hydrocarbon law by Iraq's Council of Representatives (COR) would stimulate significant private investment into Iraq's oil sector and thus provide substantial new revenue for Iraq's recovery. But without clear investment rules in place, multinational oil companies remain reluctant to invest in Iraq's oil sector. This reluctance has the effect of holding down Iraq's national income from potential levels and, consequently, delays the investment needed to restore the system's infrastructure.

The hydrocarbon law, originally slated for adoption by the COR by the end of 2006, was approved by the Council of Ministers in February 2007. Currently, the COR is considering the legislation, but delays continue because of controversy over certain provisions in the law, particularly the proposed language on the division of oil revenues and on the GOI's centralized authority over investment agreements made by provincial governments.

### Transfer and Sustainment of U.S.-funded Infrastructure and Systems

SIGIR previously raised concerns about the processes for transferring and sustaining U.S.-funded infrastructure and systems to the GOI. In its last Quarterly Report, SIGIR observed limited progress on ensuring the sustainability of reconstruction programs and projects. SIGIR's ongoing assessments of reconstruction projects suggest that efforts to improve the transition of programs and projects must be enhanced. See Section 3 for SIGIR assessment reports.

### The International Compact

The Compact was formally introduced at the United Nations on March 16, 2007, and it is scheduled to be adopted in early May 2007. The Compact will require Iraq to establish benchmarks for normalizing the security environment, reconciling the political environment, and revitalizing the economic environment.

In anticipation of the Compact's adoption, the GOI has begun to develop the processes necessary for tracking required progress. The Compact's conditions-based agenda demands a specific responsiveness from the GOI on security, transparency, and economic reform in return for international financial support.

## NOTABLE SIGIR ACTIVITIES THIS QUARTER

### Audits

During this quarter, SIGIR auditors completed four audits. To date, SIGIR has completed 86 audit products. SIGIR continues work on 16 audits and plans to start at least 8 more next quarter. This quarter's audits addressed these issues:

- an update on the status of the Advanced First Responder Network (AFRN) project to improve the communications capabilities of Iraq's emergency first responders
- a restricted review of sustainment of AFRN
- a review of the management of the Commander's Emergency Response Program for FY 2006
- a review of internal controls related to disbursements of the IRRF apportioned to DoS

### Inspections

SIGIR completed 9 project assessment reports. Since the Inspections program began in summer 2005, SIGIR has completed 94 project assessments, 96 limited on-site inspections, and 304 aerial assessments.

SIGIR's sustainment reviews focus on whether the projects delivered to the Iraqis are being operated and maintained in accordance with contract specifications and manufacturer warranties. SIGIR found that, in seven projects visited this quarter, sustainment had not been properly carried out, posing a threat to

the condition and durability of the buildings and equipment turned over to the Iraqis. In one other sustainment review, SIGIR found that sustainment had been properly addressed and the projects should continue to remain functional.

### Investigations

This quarter, SIGIR expanded its investigative footprint in Iraq and the United States. SIGIR now has 19 investigators on staff, all of whom are former federal law enforcement agents. Eight of these agents are assigned to Baghdad; the balance of its investigative staff is assigned to the Arlington, Virginia office. SIGIR continues to field the largest number of fraud investigators in Iraq.

SIGIR investigators are working on 79 ongoing investigations, 28 of which await prosecution at the Department of Justice (DoJ). To date, SIGIR's work has resulted in 10 arrests, a 25-count indictment of 5 people, 5 convictions, 3 imprisonments, \$3.6 million in restitution orders, and more than \$9 million recovered.

Since December 2005, SIGIR has worked with a range of agencies to suspend or debar contractors for wrongful conduct involving Iraq reconstruction and Army support contracts in Iraq. Of these, 19 individuals or companies have been suspended, 16 other individuals or companies have been proposed for debarment, and 9 have been debarred. This

quarter, as a result of SIGIR's oversight work, the Department of the Army asked the Parsons Corporation to show cause why the firm should not be proposed for debarment.

### **Lessons Learned Report**

On March 22, 2007, SIGIR released its third Lessons Learned Report, *Iraq Reconstruction: Lessons in Program and Project Management*, at a hearing before the Senate Committee on Homeland Security and Governmental Affairs. Included among the main findings in the report was a recommendation that Congress

consider a reform measure to promote better integration among DoD, USAID, and DoS with respect to post-conflict contingency planning and operations.

At the conclusion of the hearing, the Chairman of the Senate Committee said, "I agree with the SIGIR that the State and Defense Departments and USAID must work together much more effectively on post-conflict reconstruction and I will examine possible legislative fixes to achieve that goal."

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### IMPACT OF SIGIR OPERATIONS

SIGIR oversight continues to produce a wide range of benefits. SIGIR advice and recommendations on policy have promoted economy, efficiency, and effectiveness in the conduct of the U.S. reconstruction program in Iraq and have served as a deterrent to malfeasance. SIGIR's reports and analyses have enabled the U.S. government to improve its efforts in Iraq and to plan more effectively for future efforts.

SIGIR oversight has produced tangible financial benefits. Through April 30, 2007, SIGIR audits have saved or recovered \$49.7

million and are working to recover another \$106.6 million of potential improper or duplicate payments. SIGIR investigations have recovered or seized \$9.5 million in assets and are working on the recovery of an additional \$18.6 million. SIGIR inspections have made recommendations to ensure the effective use of an estimated \$39 million in reconstruction projects.

For the data supporting these benefits, see Appendix B.

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## THE HUMAN TOLL

Violence continues to exact a deadly toll on reconstruction contractors, journalists, and Iraqi citizens.

- Since Iraq reconstruction began, 916 death claims for civilian contractors working on U.S.-funded projects in Iraq have been filed. In the quarter ending March 31, 2007, the Department of Labor reported 146 new death claims.
- DoS reports that 16 U.S. civilians died in Iraq this quarter. Since the beginning of the U.S. reconstruction effort, 224 U.S. civilians have died in Iraq.

This quarter, 9 journalists were killed in Iraq, bringing the total number to 100 since March 2003. Also, 37 media support workers have been killed in Iraq since hostilities began, including one this quarter, according to the Committee To Protect Journalists.<sup>1</sup>

Violence continues to force thousands of Iraqis to leave their homes each month. The Office of the UN High Commissioner for Refugees (UNHCR) estimates that during and after the Saddam Hussein regime, more than 4 million Iraqis have been displaced. According to UNHCR, “the international community is facing a much larger and more complex humanitarian crisis than the one aid agencies planned for during the run-up to the 2003 war.”<sup>2</sup>



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# Status of Iraq Reconstruction

INTRODUCTION

IRAQ RELIEF AND RECONSTRUCTION FUND 2 (IRRF 2)

STATUS OF THE ELECTRICITY SECTOR

STATUS OF THE OIL AND GAS SECTOR

STATUS OF THE WATER SECTOR

STATUS OF THE ECONOMIC

AND SOCIETAL DEVELOPMENT SECTOR

STATUS OF THE HEALTH CARE SECTOR

STATUS OF THE TRANSPORTATION

AND COMMUNICATIONS SECTOR

COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP)

ECONOMIC SUPPORT FUND (ESF)

IRAQ SECURITY FORCES FUND (ISFF)

CROSS-SECTOR ISSUES

CONTRACTS

COST-TO-COMPLETE DATA

SOURCES OF FUNDING FOR IRAQ RECONSTRUCTION

SECTION

2



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## INTRODUCTION

Nearly all of the Iraq Relief and Reconstruction Fund (IRRF) has been spent, and most IRRF-funded reconstruction projects are complete. The focus of Iraq reconstruction is shifting from supplemental funding streams and toward annual budget-cycle allocations to support development assistance.

SIGIR's mandate covers oversight of IRRF 1, IRRF 2, and all reconstruction money made available by the Congress in FY 2006. Funds within SIGIR's jurisdiction include the Economic Support Fund (ESF) for FY 2006, the Commander's Emergency Response Program (CERP), and the Iraq Security Forces Fund (ISFF).

### Scope

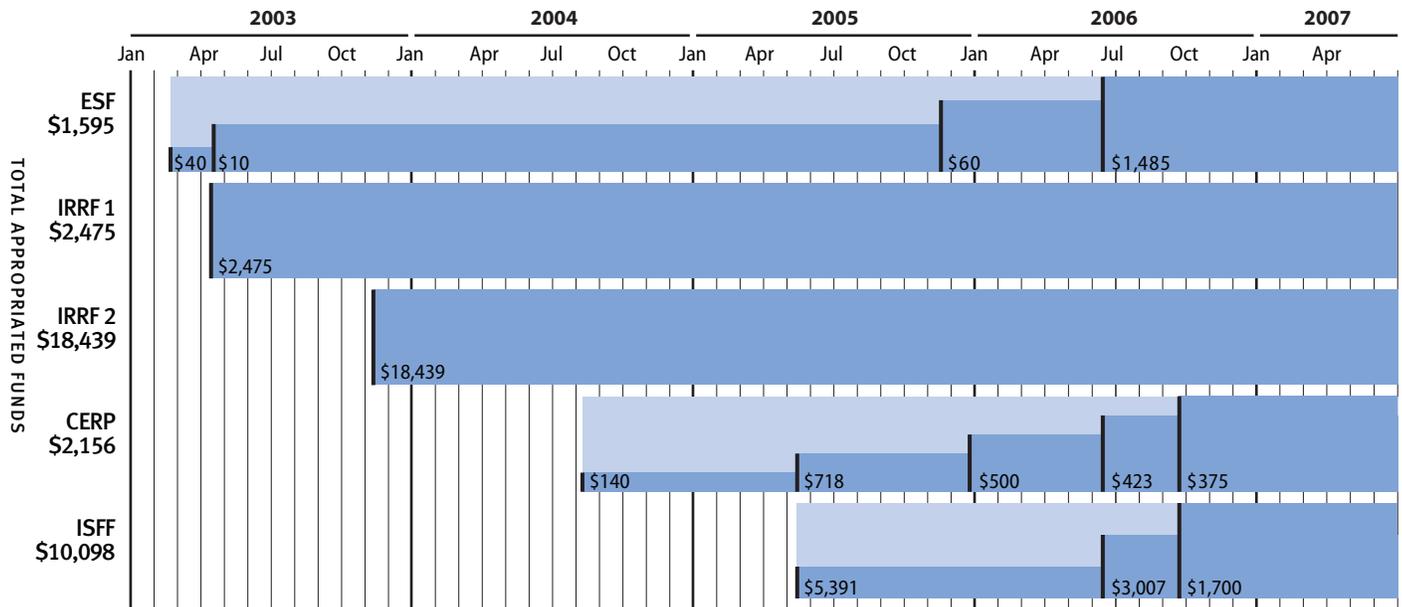
This section provides a review of the goals of IRRF 2, the current status of IRRF-funded reconstruction, and updates on non-IRRF funding streams. For a snapshot of all U.S. funds supporting Iraq reconstruction, see Figures 2-1 and 2-2.

This section analyzes several cross-cutting issues that continue to affect the sustainability of U.S.-funded projects in Iraq and impact development across reconstruction sectors. This section also highlights the continuing challenges in security, capacity development, operations and maintenance (O&M), and budget execution.

The concluding portion of this section provides information on contracts, costs to complete, updates on the sources of funding for Iraq reconstruction, and the continuing effort to support Iraqi anticorruption institutions.

# INTRODUCTION

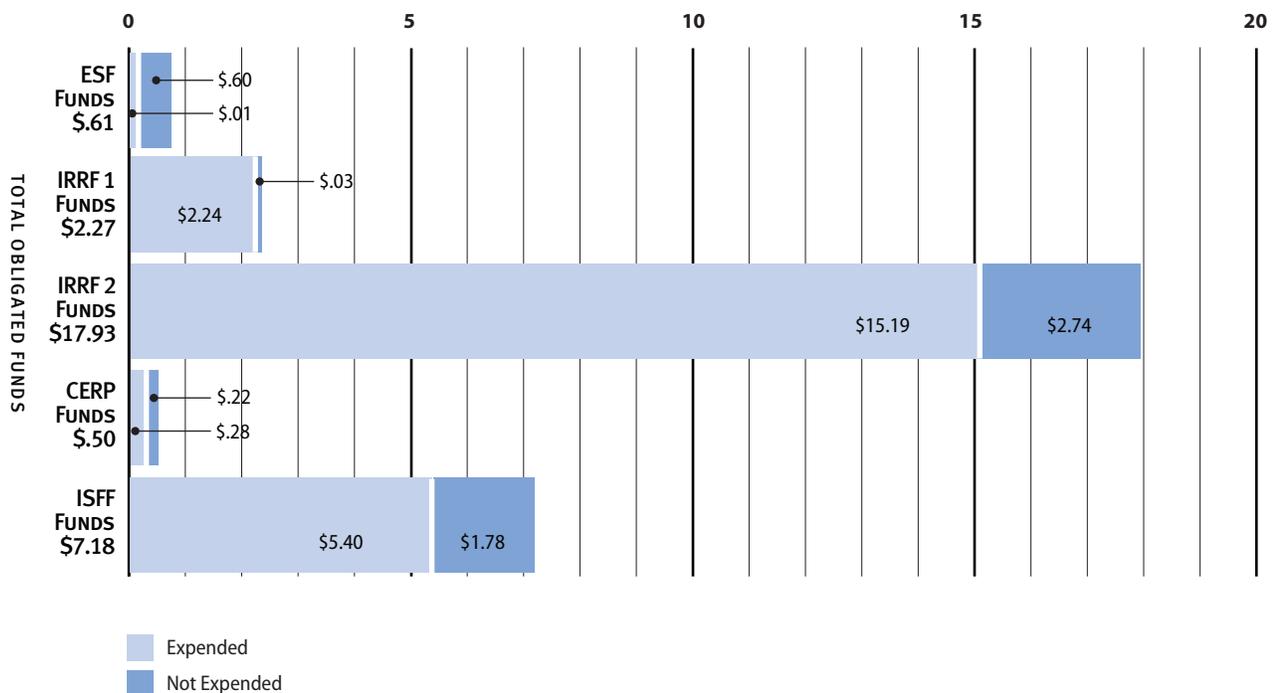
Figure 2-1  
**TIMELINE OF U.S. APPROPRIATIONS (INDIVIDUAL APPROPRIATIONS BY DATE)**  
 \$ Millions

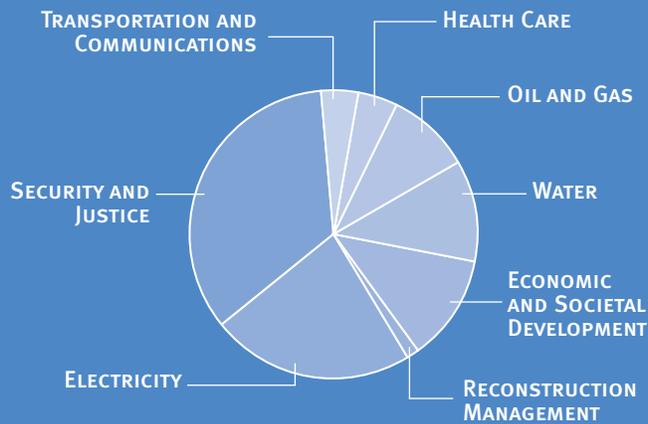


\* ESF, CERP, and ISFF funding listed incrementally

Figure 2-2  
**SUMMARY OF OBLIGATED U.S. RECONSTRUCTION FUNDING UNDER SIGIR OVERSIGHT**  
 \$ Billions

Source: This funding overview comprises information from various agencies.





## IRAQ RELIEF AND RECONSTRUCTION FUND 2

### section 2

# IRRF 2

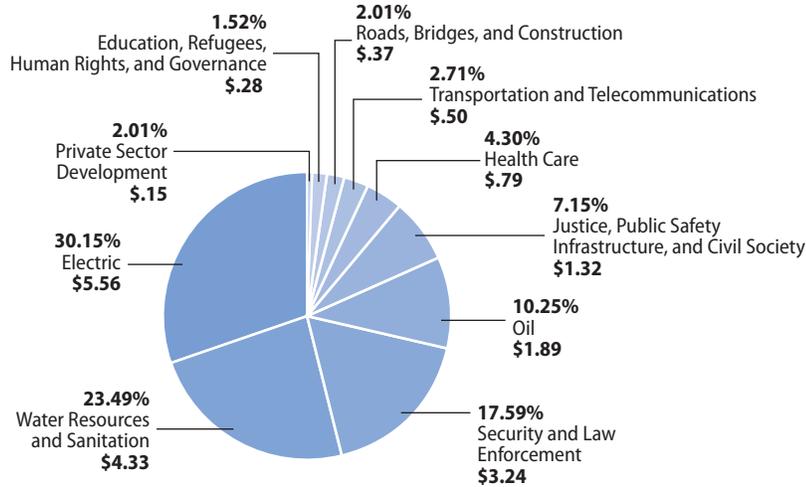
In April 2003, the Congress created the Iraq Relief and Reconstruction Fund (IRRF 1), appropriating \$2.475 billion. The reconstruction funds provided under P.L. 108-11 supported relief and reconstruction operations that produced immediate results for the people of Iraq.

In September 2003, the President submitted a \$20.3 billion budget request to the Congress, seeking additional supplemental funding for Iraq-related activities. A portion of this request would “finance the most critical needs for security and infrastructure that cannot be met with anticipated revenues from oil sales until the entire oil infrastructure becomes more robust.”<sup>3</sup> To support the request, the Coalition Provisional Authority (CPA) developed a document that discussed the current state of each of the key sectors, described illustrative projects, and provided estimated costs.

On November 6, 2003, the Congress approved \$18.4 billion for IRRF 2, emphasizing large-scale infrastructure projects pursuant to CPA’s request. CPA then issued competitively bid contracts to 12 major design-build contractors to execute reconstruction work. CPA created the Program Management Office (PMO) to oversee the program, in conjunction with seven private sector management contractors. USACE partnered with PMO to provide project management and oversight.

Figure 2-3 and Table 2-1 show how funding was originally allocated among ten sectors.

Figure 2-3  
**ORIGINAL ALLOCATIONS OF IRRF 2 FUNDS<sup>1</sup>**  
 \$ Billions, % of \$18.44 Billion  
 Source: P.L. 108-106 (11/6/2003)



Note: Numbers may be affected by rounding.

<sup>1</sup> The "Status of the IRRF" analysis focuses only on the \$18.44 billion approved under P.L. 108-106 in November 2003, commonly referred to as IRRF 2. It does not include the \$2.48 billion approved under P.L. 108-11 in April 2003, commonly referred to as IRRF 1.

## IRRF 2 ORIGINAL SPEND PLAN

In August 2003, PMO developed the projects that comprised the original program. With the assistance of CPA senior advisors and Iraqi ministries, USACE contractors identified approximately 5,000 projects, developed rough cost estimates for each (including security and program management costs), and prioritized the projects.<sup>4</sup>

CPA senior advisors and military commanders in the field continued to review and

prioritize the projects. In December 2003, PMO finalized a list of approximately 2,300 projects. This list was then approved and published in the first *Section 2207 Report*, in January 2004.<sup>5</sup>

Table 2-1 illustrates PMO's original project plan, by sector and subsector. As allocations, leadership, and priorities changed during the course of the IRRF 2 program, the program of projects also changed.

## ORIGINAL PMO SPEND PLAN (MILLIONS)

SECTOR	SUBSECTOR	TOTAL	OUTPUTS
Buildings	Education	\$88	870 schools repaired
	Health	493	14 hospitals, 261 new health clinics, and 1 pediatric hospital
	Public Buildings	40	4 functional ministry headquarters buildings
<b>Buildings Total</b>		<b>\$621</b>	
Communications		322	12 communication projects were planned
<b>Communications Total</b>		<b>\$322</b>	
Electrical	Communication and Control	\$150	1 dispatch center, fiber-optic cable, network rehab, 4 regional control centers, and 7 distribution control centers
	Distribution	1,000	154 substations, 179 feeder projects, and 20 maintenance buildings
	Generation	2,677	5,554 MW
	Transmission	1,542	305 substations, trainees, 923 km of power lines, additional transmission circuits of 2,416 km, PPA long lead items of 506 km equivalent, and SAIDI improvement
<b>Electrical Total</b>		<b>\$5,370</b>	
Public Works, Water Resources and Sanitation	Potable Water	\$2,830	8 million people benefited
	Sewerage	675	1 million people benefited
	Solid Waste	22	6 million people benefited
	Water Conservation	30	502,000 m <sup>3</sup> /day reduction in unaccounted-for water loss
<b>Public Works, Water Resources and Sanitation Total</b>		<b>\$3,557</b>	
Security	Interior	\$48	2 academies
	Interior, Justice	415	5 bases, 6 recruiting, and 1 defense HQ
	Military	461	167 border stations, 3 academies, 21 ports, 12 prisons, 241 fire stations, 164 police stations, 83 courts, 3 customs buildings, and 2 facilities
<b>Security Total</b>		<b>\$924</b>	
Transportation	Aviation	\$165	air navigation services at Baghdad, Basrah, Mosul, and Dahuk airports, and infrastructure at Baghdad, Basrah, and Mosul
	Bridges	64	7 bridges
	Highways	176	800 km of village roads, 140 km of highway, and 70 km of dual carriageway
	Ports	87	repair 6 berths, dredging the port of Umm Qasr, new port infrastructure, equipment and parts at port of Umm Qasr
	Railroads	226	1 railroad station,* 6 bridges, 1 GPS, 560 km of track, 1,337 km of track signalization, 1 LAN system, 1 locomotive repair facility, and installation of 1,200 km of fiber-optic cable
<b>Transportation Total</b>		<b>\$717</b>	
Water Resources and Sanitation	Water Resources	\$775	17 pump stations, 8 irrigation projects, 12 cams, 1 set of regulators, 150 generators, and 1 channel rehab
<b>Water Resources and Sanitation Total</b>		<b>\$775</b>	
<b>PMO Total</b>		<b>\$12,286</b>	
Reserve		\$4,000	
Others**		\$2,153	
<b>IRRF 2 Total</b>		<b>\$18,439</b>	

Note: Numbers may be affected by rounding.

\* There is another task order related to railroad station rehabilitation, but the metric is shown as N/A.

\*\* Others include two USACE oil contracts; thus, planned outputs for the Oil Sector are not included in this table.

Source: Former PMO official, September 9, 2006.

TABLE 2-1

## RECONSTRUCTION PROGRAM REALIGNMENTS

After CPA transferred its responsibilities to U.S. Mission-Iraq and the Iraqi Interim Government (IIG) in June 2004, the Iraq reconstruction program was realigned several times, reflecting an increased focus on security, economic development, and democracy.

The Iraq Reconstruction Management Office (IRMO) was created under DoS to assume responsibility for the strategic direction of the reconstruction effort. IRMO's review of the reconstruction program resulted in a re-ordering of the funding priorities, which were then submitted to the Congress in a series of approval requests.

**September 2004:** The Congress approved the realignment of \$3.46 billion. The security sector received the largest increase at \$1.8 billion, most of which went to training and equipping Iraqi forces.<sup>6</sup> Justice, public safety infrastructure, and civil society received an additional \$470 million, and democracy-building activities received \$380 million. Funds were also shifted to promote institutional reform, private sector development, and agriculture. Each sector's funding increased by \$100 million; \$360 million was allocated to debt forgiveness.<sup>7</sup>

Most of the money for these reallocations was taken out of the water resources and sanitation sector and the electricity sector because they had the most funding, and most projects in these sectors were not scheduled to begin until mid-2005. The funds for the electricity

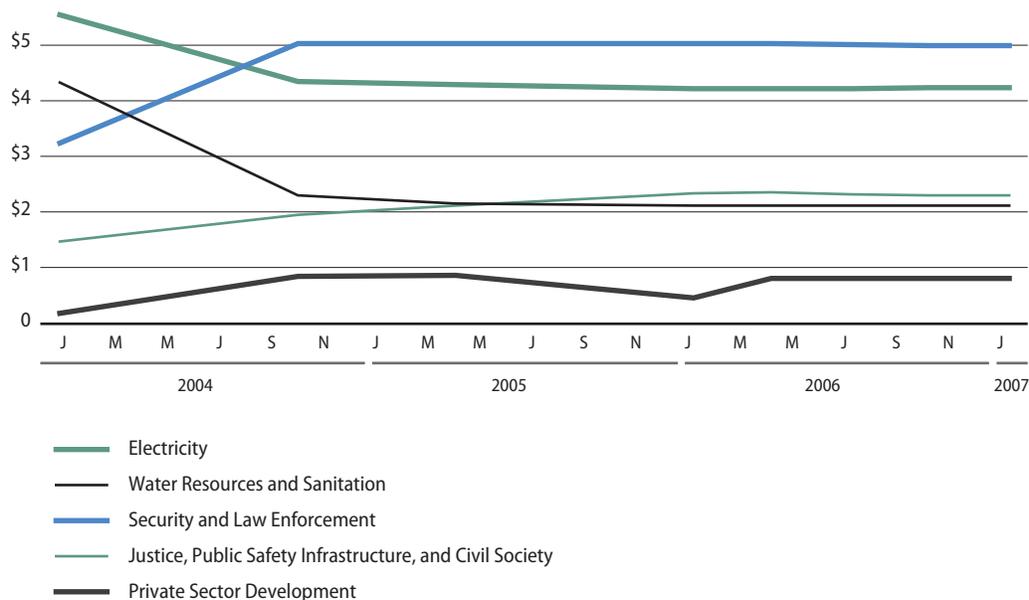
sector were cut by approximately \$1 billion; funds for the water sector were cut by \$1.9 billion (or 50% of the sector allocation). The oil sector shifted \$450 million from purchasing refined oil to enhancing oil infrastructure and improving export capacity.<sup>8</sup>

**December 2004:** A realignment of \$476 million moved money back into electricity to address near-term needs and to support the restoration of essential services in cities most directly affected by the insurgency. In response to insurgent attacks on electricity infrastructure, additional electricity security forces were trained.<sup>9</sup> In the water sector, \$63 million from funds previously allocated for sewerage projects were reprogrammed to potable water projects. To support the Consolidated Fiber Network (CFN), \$70 million was reprogrammed into the communications sector.<sup>10</sup>

**Spring 2005:** This realignment focused on sustainability and capacity development. The reconstruction focus shifted from a long-range, "design-build-turnover" project orientation to a systems orientation that emphasized "build-train-turnover." The plan sought to ensure that the U.S. government's investment would transfer effectively to the Iraqis.<sup>11</sup> During this phase, the U.S. government reallocated \$832 million within IRRF 2:

- \$225 million was allocated for job-creation activities, primarily funded through the cancellation of five long-range water projects. This funding also supported

Figure 2.4  
**SIGNIFICANT REALIGNMENTS OF IRRF 2 FUNDING BY SECTOR**  
 \$ Billions  
 Source: DoS, *Section 2207 Report*  
 (November 2003 - January 2007)



- essential services in Baghdad, the Community Action Program (CAP), housing rehabilitation grants, and small-business micro-loans.<sup>12</sup>
- \$607 million was redirected to fund a more integrated management program, including O&M for the electricity and water sectors. The initiative was largely funded by canceling two non-critical energy projects scheduled for a later date, according to DoS.<sup>13</sup>

**Fall 2005:** During this reprogramming, \$253.3 million was<sup>14</sup> moved out of electricity,

health care, transportation, and water, and into non-construction sectors, such as justice, public safety, and civil society, education, refugee assistance, and human rights.<sup>15</sup>

As of January 2006, reprogramming had resulted in more than \$5.5 billion in IRRF 2 realignments: \$3.46 billion in September 2004 and \$2.128 billion more subsequently.<sup>16</sup>

For an illustration of historical realignments among the original sectors of IRRF 2, see Figure 2-4.

## CHANGING METRICS AND GOALS

Since the start of U.S. reconstruction efforts, there have been continual funding realignments, leadership changes, and varied management challenges, including project scope and contractor changes. Thus, metrics have constantly evolved. Below are a few examples of how project metrics changed during the life of IRRF 2.

When the water resources and sanitation sector lost \$1.9 billion during the first funding realignment, PCO cancelled a number of water projects that were under design and planned to start in mid-2005.<sup>17</sup> Similarly, the significant reduction in funding in the electricity sector led to the cancellation of several major power generation projects, such as power stations and a diesel power plant.<sup>18</sup> Then changes required adjustments in the respective sectors' goals.

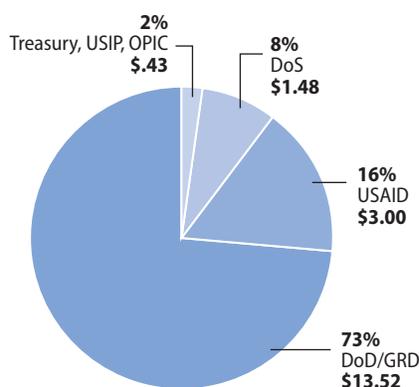
One of the goals for the security sector was to train and deploy 35,000 new police officers, increasing the number of trained officers to 85,000.<sup>19</sup> After the sector received \$1.8 billion in reallocated funds in September 2004, a project was added to train and equip even more police officers, bringing the total number to 135,000. In addition, a project was initiated to train and equip an additional 16,000 border officers, for a total of 32,000.<sup>20</sup>

In the health care sector, 150 primary healthcare centers (PHCs) were originally planned to be built, but cost increases reduced the number to 142. In April 2006, a SIGIR audit found that only 6 were completed. Today, only eight PHCs are open. In the education sector, the goal of renovating 1,200 schools was reduced to approximately 800.<sup>21</sup>



Security remains a major concern throughout Iraq.

Figure 2-5  
**IRRF 2 CURRENT ALLOCATIONS BY AGENCY**  
 \$ Billions, % of \$18.44 Billion  
 Source: IRMO, *Weekly Status Report* (3/13/2007)



Note: Numbers may be affected by rounding.

## REVISED GOALS AND ACHIEVED RESULTS BY AGENCY

As sector funding levels evolved throughout the life of IRRF 2, U.S. agencies revised metrics and expectations accordingly. Maintaining continuity of measurement has been a persistent challenge for the U.S. reconstruction program in Iraq.

For most U.S. reconstruction programs, the data was insufficient to summarize the agencies' original planned outputs and compare them to current achieved results. Moreover, agencies examining the same activity may have reported different end-state goals (for example,

USAID and DoD had different end-state goals for the electricity projects).<sup>22</sup>

Figure 2-5 summarizes current agency allocations of IRRF 2.

### DoD/GRD

DoD obligated \$8.7 billion of its IRRF 2 funds to construction projects, and approximately \$4.3 billion to non-construction activities, such as engineering, procurement, and equipment. GRD oversaw \$9 billion of the DoD construction projects. Table 2-2 shows the current

## GRD CURRENT PROJECT ACHIEVEMENTS AND END GOALS, AS OF 3/27/2007 (MILLIONS)

SECTOR	SUBSECTOR	IRRF 2 FUNDING	METRIC	CURRENT RESULTS	CURRENT END STATE
Electrical	Generation		U.S. contribution MWs (added and restored)	1,420 MW	1,879 MW
	Transmission		number of 132/400 kV substations	15	41
	Distribution		number of 33/11 kV substations	56	89
<b>Electrical Total</b>		<b>\$3,400</b>			
Oil	Crude Oil		production capacity (million barrels per day)	2.6 MBPD	3 MBPD
	Natural Gas		production capacity (million standard cubic feet per day)	730 MSCFD	800 MSCFD
	Liquefied Petroleum Gas		production capacity (tons per day)	1,700 TPD	3,000 TPD
<b>Oil Total</b>		<b>\$1,700</b>			
Public Works, Water Resources, and Sanitation	Potable Water		treatment capacity added people affected	434k m3 per day 2.3 million	1,136k m3 per day 5.2 million
	Sewerage		treatment capacity added people affected	48k m3 per day 228k	m3 per day 0
	Repair Dams, Barges, Canal			1	2
	Irrigated Land			31k ha	387k ha
<b>Water Total</b>		<b>\$1,700</b>			
Facilities	Communications		post office projects	32	34
			National Communication Media Commission Building	1	1
			Mamoon Switch Building	1	1
	Security		training academy projects	3	5
			police station	1	1
			fire station projects	90	95
			border forts	114	114
			point of entry	5	5
	Justice		Advanced First Responder Network projects	3	3
			courthouse projects	29	38
			secure documents storage facility		1
	Health		witness protection	1	5
			correctional facility projects		7
		hospital renovation projects	16	26	
Education and Buildings		Basrah Children's Hospital		1	
		primary healthcare centers	15	142	
Transportation		Health/Sciences Academy		1	
		school projects	811	809	
		government building projects	6	5	
		railway station renovations	92	98	
		aviation projects	14	19	
		port projects	6	7	
		village road projects (km)	34 (281 km)	41 (427 km)	
		expressways projects (km)		3 (157 km)	
		bridges	1	5	
		bridge approach		1	
	PRDC projects	18	56		
	expressway (km)		1 (23 km)		
<b>Facilities Total</b>		<b>\$2,200</b>			
<b>Grand Total</b>		<b>\$9,000</b>			

Source: GRD-PCO, response to SIGIR, March 27, 2007; GRD-PCO, Response to SIGIR, April 20, 2007 (PHC).

TABLE 2-2

**USAID IRRF 2 FINANCIAL SUMMARY (MILLIONS)**

SECTOR	APPORTIONMENT
Security and Law Enforcement	\$32
Electricity Sector	821
Oil Infrastructure	0
Justice, Public Safety, and Civil Society	57
Democracy	917
Education, Refugees, Human Rights, and Governance	177
Roads, Bridges, and Construction	22
Health Care	85
Transportation and Communications	55
Water Resources and Sanitation	414
Private Sector Development	393
Administrative Expenses (USAID DoS)	29
<b>Total</b>	<b>\$3,002</b>

Source: IRMO, *Weekly Status Report*, March 13, 2007, p.14.

TABLE 2-3

end-goals established and the current project results achieved by GRD, broken down by sector and subsector. This table should be used as a partial view of how the DoD/GRD funding of \$13.5 billion was spent.

**USAID**

The \$3.002 billion allocated to USAID is broken down by sectors, as shown in Table 2-3.<sup>23</sup>

**USAID INFRASTRUCTURE**

More than \$1.2 billion has gone to USAID’s Bechtel II contract, which focused on airports, buildings, emergency communications, power generation, railroads, roads and bridges, the Umm Qasr seaport, water and sanitation, and the Basrah Children’s Hospital.

In June 2005, USAID performed two audits on projects under Bechtel II. The audits reviewed electricity and water sectors projects; the results are in Table 2-4. SIGIR is conducting an ongoing review of the Bechtel contract.

**USAID AGRICULTURE**

As part of USAID’s allocation in private sector development, \$100 million of IRRF 2 funding supported the Agriculture Reconstruction and Development Program for Iraq (ARDI) project. The contract intended to “expand agricultural productivity; rehabilitate the resource base; and restore the capacity of small and medium agro-enterprises to produce, process, and market agricultural goods and services.”<sup>24</sup> Of the 29 selected agriculture activities, 28 have either achieved their intended outputs or are on schedule, according to a USAID audit released on January 22, 2007.<sup>25</sup>

USAID also reported these highlights of ARDI’s achievements:

- distributed 169 seed cleaners
- rehabilitated 66 veterinary clinics, responsible for serving almost 5 million animals and 130,000 animal breeders
- rehabilitated 321,000 acres of irrigation systems
- reflooded 50 km<sup>2</sup> of marshlands
- repaired more than 2,000 tractors for agricultural production
- developed water and land use strategies<sup>26</sup>

## USAID INFRASTRUCTURE PROJECTS FUNDED BY IRRF 2 (\$ MILLIONS)

SECTOR	SUBSECTOR	IRRF 2 FUNDING (\$MIL)	RESULTS
Electrical Power	Baghdad South New Generation Phase II Equipment	\$118	Achieved
	Power Plant Maintenance Program	80	Achieved
	Mussayab Thermal Power Station	23	Descoped
	Baghdad Distribution Substations	148	Achieved
	Natural Gas Development for Power Generation	381	Cancelled
	Baiji Thermal Power Plant	2	Cancelled
<b>Total</b>		<b>\$752</b>	
Water and Sanitation	Baghdad Governorate Municipal Solid Waste Landfill	\$14	Achieved
	Irrigation and Drainage Pump Stations	10	Achieved
	Al Wadha Nos. 1, 2, and 3 Pump Stations	6	Achieved
	Rural Water Supply Project	85	Achieved
	Sadr City Water Treatment Plant	31	Achieved
	Shark Dijlah Water Treatment Plant	27	Achieved
	Zafranyah Sewage Trunk Line	21	Achieved
	Kadhamiya Sewage Collection System	3	Achieved
	Baghdad Potable Water Distribution Mains	20	Achieved
	Karbala Wastewater Treatment Plant	6	Achieved
	Karbala Water Treatment Plant	5	Achieved
	North East Sewer Trunk Line Study	2	Achieved
	Concept Designs for Rural Water Supply Project	.4	Achieved
<b>Total</b>		<b>\$231</b>	
<b>Grand Total</b>		<b>\$983</b>	

Source: Electric Power Sector: USAID, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005. Water and Sanitation: USAID, "Audit of USAID/Iraq's Water and Sanitation Rehabilitation Activities," June 29, 2005. USAID, response to SIGIR, April 21, 2007. Note: Numbers may be affected by rounding.

TABLE 2-4

In addition, the ARDI program demonstrated a 40% average wheat yield increase over traditional methods for farmers, utilizing a cost-effective technical package on test plots in three northern governorates.<sup>27</sup> The additional seed cleaners improved more than 30,000 tons of wheat seed for planting in the 2006-2007 season, benefiting 46,000 wheat-

producing farm families. The ARDI program also planted 21 date palm mother orchards that will produce 240,000 commercially viable offshoots per year.<sup>28</sup>

Finally, approximately 3,000 agribusinesses have generated at least 50% gains in income, including honey producers, mechanics, and tractor owners.<sup>29</sup>

### USAID LOCAL GOVERNANCE PROGRAM ACCOMPLISHMENTS

1. Conducted 22,000 democracy dialogues to educate citizens on democracy and political transitions. More than 790,000 Iraqis participated.
2. Established or rebuilt 16 governorate councils, 90 district councils, 194 city or sub-district councils, and 437 neighborhood councils.
3. Trained 2,000 council members (15% women), 28 governors, 42 deputy governors, 420 director generals, and key staff in 380 departments.
4. Supported the Women's Associations that defeated Resolution 137 (Sharia'h Law).
5. Organized elections for governors, mayors, and local councils throughout Iraq.
6. To clarify and reinforce their roles in Iraq's developing democracy, held National Agenda Dialogue Conferences that engaged stakeholders, such as academics, journalists, women, lawyers, health professionals, tribal leaders, community leaders, and civil-society organizations.
7. Awarded \$17.3 million in rapid response grants to enable local authorities to deliver services, including agriculture, education, health, electricity, sanitation, and water.
8. Trained more than 500 new provincial council members elected in January 2005.
9. Held regional constitutional conferences for Provincial Councils (PCs) about the role of local governments in the draft Constitution.
10. Assessed Provincial Reconstruction Development Committees and, with citizen participation, assisted them in identifying and prioritizing local development projects.
11. Established four Provincial Reconstruction Team (PRT) sites and mobilized staff. Work has begun to collect governance and service delivery baseline data, conduct PC core training modules, and establish a process to foster public participation.

Note: The table does not include information on the last year of the LGP project, according to USAID, April 21, 2007.  
Source: USAID website, <http://www.usaid.gov/iraq/accomplishments/locgov.html>.

TABLE 2-5

### DEMOCRACY, CIVIC PROGRAMS, AND LOCAL GOVERNANCE

The USAID Office of Transition Initiatives was supported by \$350 million of the IRRF 2, focusing on democracy building, human rights, civic programs, and investigations of crimes against humanity. USAID could not determine whether the intended outputs of the 4,789 grants under this contract were accomplished because of insufficient documentation. However, for the sample of 32 activities the USAID audit team visited, 31 had met the intended outputs of their respective grants. These activities included repairing roads,

providing equipment to schools, providing local employment, and providing equipment to ministries.<sup>30</sup>

Another contract, valued at \$61 million, was awarded to support the development of civil society organizations in areas of civic education, women's advocacy, anticorruption, and human rights. Of the 35 activities reviewed by the audit, 17 met intended outputs, 8 did not, and 10 could not be determined.<sup>31</sup>

USAID's Local Governance Program II, valued at \$262 million,<sup>32</sup> intends to "strengthen post-election, local government institutions to improve efficiency, representation, responsive-

ness, transparency, and accountability.”<sup>33</sup> Table 2-5 shows highlights of USAID accomplishments.

**EDUCATION**

A basic education program valued at approximately \$52 million was awarded in summer 2004. USAID performed an audit on the education program and reported the actual results against intended outputs. Most of the intended project outputs were achieved; however, a few fell short of the goals, and several activities

did not have adequate supporting documentation to support the reported outputs.<sup>34</sup> For a summary of project outputs and results on this contract, see Table 2-6.

**ECONOMIC DEVELOPMENT**

In addition to ARDI, USAID has two programs under its economic development initiatives, Economic Governance and Private Sector Development. USAID reports its funding and the accomplishments of these two programs in Table 2-7.

**USAID EDUCATION PROJECTS FUNDED BY IRRF 2, AS OF 9/30/2006**

INTENDED OUTPUT	REPORTED RESULT
Renovate 84 model schools	Completed 76 model schools
Provide 84 computer laboratories to model schools	Procured but not installed
Provide 84 science laboratories to model schools	Procured but not installed
Award grants to rehabilitate schools in rural areas	32 primary schools replaced; 5 primary schools in Baghdad rehabilitated
Train 10,000 English secondary school teachers	7,840 teachers trained
Train 12,000 teachers on information & computer technology training	13,516 teachers trained
One-week training for 17,000 teachers in pedagogy	17,377 teachers trained
Develop seven software modules	Achieved
Train eight Iraqi staff on the information system	Achieved
Train national and regional users on the information system	Achieved
Quality assurance of the information system	Achieved
Develop 13 preschool television shows	Achieved
Distribute 10,000 activity booklets	4,000 booklets produced and developed
Purchase and install servers	Purchased but delivery delayed
Develop training evaluation and administer pre- and post-tests	Not all had pre- and post-tests
Study tours to Egypt for Directors General	Cancelled

Source: USAID, “Follow-Up Audit of USAID/Iraq’s Education Activities,” February 4, 2007.

TABLE 2-6

**USAID ECONOMIC DEVELOPMENT PROJECTS FUNDED BY IRRF 2 (MILLIONS)**

PROGRAM	FUNDING	REPORTED RESULTS
Economic Governance	\$147	<p>FMIS has captured 80% of expenditures and 99% of revenues; 102 of 182 units have been equipped and trained to use the system.<sup>a</sup></p> <p>Assisted in securing IMF Stand-By Arrangement</p> <p>Expanded social safety net to cover 23% of Iraqis</p> <p>Strengthened capacity of ministries and CBI</p> <p>Initiated plans for banking sector reform</p> <p>Modernized Business Registry, registering more than 38,000 businesses<sup>b</sup></p> <p>Engaged GOI on formalizing budget processes and fiscal decentralization</p>
Private Sector Development	\$105	<p>Allowed 3,000 individuals and hundreds of firms to gain business skills</p> <p>Fostered microfinance lending in 17 of 18 governorates providing more than 17,000 loans worth more than 20 million<sup>c</sup></p> <p>Established WTO Unit, Investment Promotion Agency, Trade Information Center, Loan Guarantee Corporation</p> <p>Amended/drafted dozens of private sector reform laws</p>
<b>Total</b>	<b>\$252</b>	

Source: USAID website, <http://www.usaid.gov/iraq/accomplishments/econgov.html>

<sup>a</sup> USAID, response to SIGIR, April 21, 2007; for further discussion on FMIS, see sector update in Economic and Societal Development.

<sup>b</sup> USAID, response to SIGIR, April 21, 2007.

<sup>c</sup> USAID, response to SIGIR, April 21, 2007.

TABLE 2-7

**DoS**

Of the \$1.5 billion allocated to DoS, a significant portion (approximately \$770 million) went to police training and technical assistance. The project focuses on training police officers and constructing police stations. It also covers supplying advanced communications equipment, including setting up the Advanced First Responder Network (AFRN).<sup>35</sup> SIGIR conducted a follow-up on its AFRN review this quarter and found that corrective action improving the system had been taken. For more information, see Section 3 of this Report.

DoS oversaw an \$83 million project to fund a combination of minefield and battle-area clearance operations and explosive ordnance disposal missions. Nine indigenous mine action organizations were retrained and funded.<sup>36</sup>

Other projects under the Justice, Public Safety, and Civil Society sector include a \$110 million rule-of-law program on which DoS is partnering with DoD, USAID, and the Bureau of International Narcotics and Law Enforcement Affairs (INL). There is also a \$128 million project on investigations of crimes against

humanity. DoS concurrently manages a \$36 million program on witness protection.<sup>37</sup>

DoS also oversees approximately \$85 million of democracy-building activities, although USAID has been tasked with most of the democracy-building projects thus far. Finally, USAID and the DoS Bureau of Population, Refugees, and Migration manage \$186 million allocated for life assistance to refugees and internally displaced persons.

### **Treasury, USIP, and OPIC**

Treasury, the U.S. Institute of Peace (USIP), and the Overseas Private Investment Corporation (OPIC) were allocated \$427 million. When the Paris Club agreement took legal effect at the end of 2004 and the United States forgave its entire debt to Iraq (\$4.1 billion), Treasury obligated and disbursed \$352 million.<sup>38</sup>

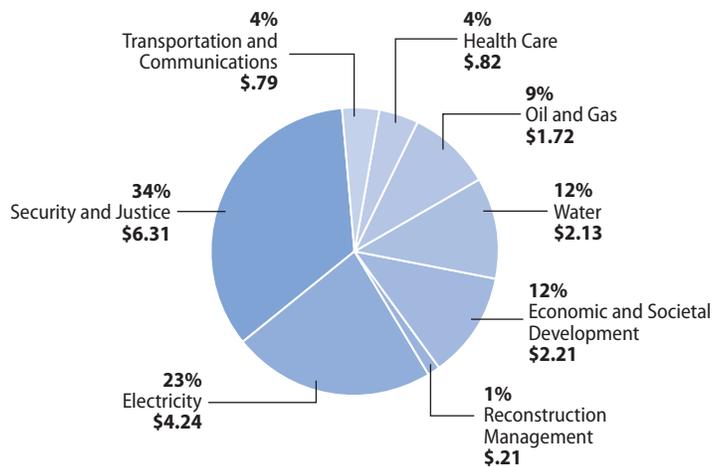
Treasury oversees almost all of the \$30 million dedicated to modernizing the banking system. The project focuses on rehabilitating the Central Bank of Iraq (CBI) and the national information technology that helps coordinate Iraq's private and public financial

institutions into a national banking system. Activities include implementing basic banking infrastructure, installing a system that is capable of accounting and accounts management functions, and building the institutional capacity of CBI.<sup>39</sup>

Approximately \$40 million was provided to OPIC to establish the Iraq Middle Market Development Fund (IMMDF).<sup>40</sup> The IMMDF is a loan program for small businesses in agriculture and other industry sectors. As of March 4, 2007, approximately \$34 million had been disbursed (12 loans). An additional \$11.7 million was approved for 4 loans, and 10 applications are under review for \$23.7 million.<sup>41</sup>

USIP was allocated \$10 million of the IRRF 2. This amount was intended to assist in "establishing rule of law and constitutional development and promoting prevention, management, and peaceful resolution of conflicts" in Iraq's reconstruction efforts. Activities have included training Iraqis on topics such as legislative development, rule of law, post-conflict programs, and inter-ethnic and other disputes associated with handling war crimes.<sup>42</sup>

Figure 2-6  
**IRRF 2 CURRENT ALLOCATIONS BY SECTOR**  
 \$ Billions, % of \$18.44 Billion  
 Source: DoS, *Iraq Weekly Status* (3/28/2007)



Note: Numbers may be affected by rounding.  
 See Appendix C for P.L. 108-106 cross-reference to SIGIR-defined sectors.

## CONTINUING ISSUES

IRRF 2 is currently more than 82% expended, and most large construction projects have been completed or are scheduled to finish in the near future.

Continuing issues in security, infrastructure degradation, management, capacity development, and sustainment have thwarted the

attainment of the approximate sector goals in oil and gas, electricity, and water systems, as well as health care infrastructure. For more information about reconstruction progress, see the sector updates in this Section.

Figure 2-6 shows the current sector allocations of IRRF 2.



## STATUS OF THE ELECTRICITY SECTOR

The initial U.S. reconstruction goal for the electricity sector was to increase generation to 6,750 megawatts (MW)<sup>43</sup> by the summer of 2004, from a pre-war level of 4,500 MW.<sup>44</sup> After the establishment of IRRF 2 in November 2003, the goal shifted to 6,000 MW by June 2004. The goal has remained 6,000 MW since then.<sup>45</sup>

The U.S. Department of Energy (DoE) reports that Iraq has a 2010 generation capacity goal of more than 18,000 MW, which will be needed to meet a peak demand of nearly 15,000 MW.<sup>46</sup> U.S.-funded electricity projects also include activities to boost transmission and distribution capabilities.

Despite reprogramming that reduced the sector by \$1 billion, electricity received the second-largest allocation (\$4.24 billion) of IRRF dollars (see Figure 2-7). At the end of this quarter, 75% of planned IRRF-funded

projects were complete, and 77% of the allocated dollars were expended.<sup>47</sup>

### U.S.-funded Results on Generation, Transmission, and Distribution

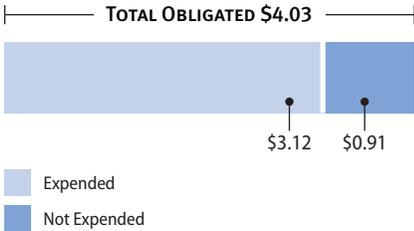
Iraq’s electricity sector suffers from aging and poorly maintained infrastructure; more than 85% of Iraqi power plants are at least 20 years old. In an effort to boost capabilities, the U.S. reconstruction program funds three major types of projects in the electricity sector:

- *Generation* facilities produce power for the system.
- *Transmission* networks carry that power across the country.
- *Distribution* networks deliver the transmitted power to local areas, homes, and businesses.



Protecting the linear infrastructure in the electricity sector remains a challenge across Iraq.

Figure 2-7  
**STATUS OF IRRF 2 FUNDS - ELECTRICITY**  
\$ Billions  
Source: DoS, *Iraq Weekly Status* (3/27/2007)



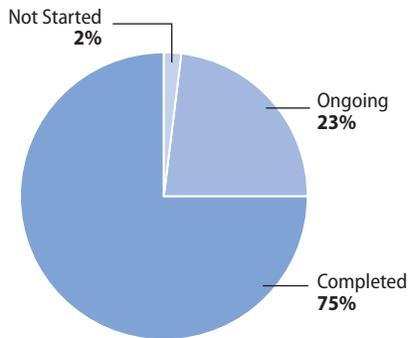
To date, 402 U.S.-funded projects have been completed. For the status of electricity projects by subsector, see Figure 2-8.<sup>48</sup> All remaining U.S.-funded generation projects will be finished by September 2007, except the computerized maintenance management system (CMMS), which is scheduled to be completed in April 2008.<sup>49</sup> However, O&M allocations by the GOI continue to limit the sustainability of U.S.-funded projects as responsibility is transferred to Iraqi operators.<sup>50</sup>

**GENERATION FACILITIES**

This quarter, the average daily power generation on the grid was 3,832 MW,<sup>51</sup> which is below reported pre-war levels (4,500 MW). Actual peak production is less than the total capacity partly because of planned and unplanned maintenance.<sup>52</sup>

The outputs of U.S. electricity projects are measured by the generation capacity added to the grid in MW. U.S. projects have contributed 2120 MW<sup>53</sup> to Iraq’s generation capacity. Table 2-8 and Figure 2-9 compares the pre-war levels with the U.S. goal set in November 2003 and this quarter’s average.

Figure 2-8  
**STATUS OF IRRF 2 PROJECTS - ELECTRICITY**  
 Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Distribution	7	88	330	425
Transmission	2	30	24	56
Generation	2	1	48	51
Automatic Monitoring and Control System		5		5
<b>Total</b>	<b>11</b>	<b>124</b>	<b>402</b>	<b>537</b>

**CURRENT ELECTRICITY GENERATION CAPACITY VS. PRE-WAR LEVEL (MEGAWATTS)**

OUTPUT METRIC	PRE-WAR LEVEL, AS OF MARCH 2003	U.S. GOAL	QUARTER AVERAGE
Generation Capacity	4,500	6,000	3,832

Source: Pre-war level: UN/World Bank *Joint Iraq Needs Assessment*, 2003, p. 28.  
 Note: GAO recently reported the pre-war level as 4,300 MW (GAO Report 06-697T, April 25, 2006, p. 19).  
 Goal: GRD response to SIGIR, March 27, 2007.  
 Current Status: IRMO, *Weekly Status Reports*, March 27, 2007.

TABLE 2-8

Figure 2-9  
**CURRENT ELECTRICITY GENERATION CAPACITY VS. PRE-WAR LEVEL**  
 Megawatts (MW)  
 Source: U.S. Iraqi Goal: GRD, Response to SIGIR (3/27/2007)

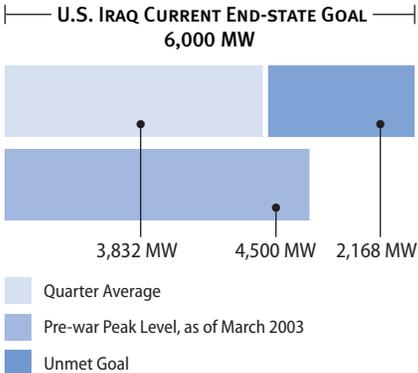
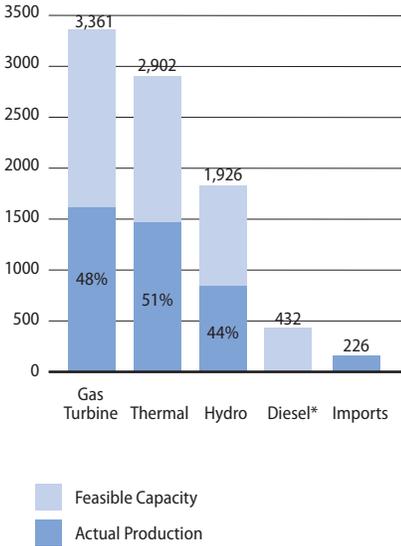


Figure 2-10  
**ACTUAL PRODUCTION VS. FEASIBLE ELECTRICITY CAPACITY**  
 Megawatts (MW)  
 Source: IRMO, *Daily Electricity Report* (1/1/2007 - 3/31/2007)



\*Diesel power produced less than 1% of the total feasible production.

Demand for electricity continues to outpace generation capacity, and operations at power plants continue to lack sufficient quantities of refined fuel to run generators at peak capacity. This quarter, insufficient supplies of fuel and water to generation facilities led to a loss of nearly 1,500 MW in production per day. As new generation projects come online, the issue of fuel and water supply grows more critical.<sup>54</sup>

As Figure 2-10 demonstrates, 52% of feasible capacity at gas turbine facilities that pro-

duce electricity goes unmet. Gas turbine plants lose approximately 1,800 MW of production per day because heavy fuel oil is used instead of natural gas.

**TRANSMISSION NETWORKS**

Twenty-four IRRF-funded transmission projects have been completed to date, 30 are in progress, and 2 have not started.<sup>55</sup> Sabotage of feeder lines continues to limit the impact of U.S.-funded projects by reducing the hours

CURRENT OUTCOMES VS. PRE-WAR LEVELS AND GOALS

OUTCOME METRIC	PRE-WAR LEVEL	IRAQ GOAL FOR JULY 2006	DAILY AVERAGE, LAST WEEK OF MARCH 2007
Iraq Hours of Power/Day	4-8	12	14
Baghdad Hours of Power/Day	16-24	12	6.5

Sources: Pre-war level: DoS Briefing by U.S. Embassy Baghdad, November 30, 2005; Goals: Joint U.S.-Iraqi Electricity Action Plan, March 12, 2006, p. 2.; Current Status: IRMO Weekly Status Reports, January - March 27, 2007.

TABLE 2-9

of power that Iraqis receive in their homes and businesses.<sup>56</sup> As a consequence, Baghdad continues to struggle with little government-produced power.

Transmission construction on overhead lines and substations continues at a sporadic pace, as 132 kV substations were started in Samarra, Salah al-Din, South Sulaymaniyah, Babil, Fallujah, Dahuk, and Nassriya. Planned substation work at Farbi and Jamila in Baghdad, East Diwaniya, Basrah, Ramadi, Dahuk, Hilla South, and Thi Qar did not start because of contractor and security issues.<sup>57</sup>

**DISTRIBUTION NETWORKS**

Distribution projects are crucial to bringing generated power into Iraqi homes. This quarter, the remaining 88 of 425 programmed projects are in progress.<sup>58</sup>

Distributing power from generation facilities to Iraqi homes remains a major challenge. Specifically, Baghdad continues to receive fewer hours of power than the rest of the country (averaging around 6.5 for the last week of March) because of attacks on power lines that feed the capital and the inability to transfer power to the capital from large plants in northern and southern Iraq.

This quarter’s hours of power show a slight decrease from the same period in 2006, when Baghdad received 8 hours of power for the

spring quarter. Baghdad has never had enough power plants to meet its own needs without importing power from other regions, and building new power plants is part of the GOI’s long-term generation plan.

Outside Baghdad, the measure of hours of power (average of 14 hours per day for the last week of March) is greater than before the U.S.-led invasion and roughly the same as it was during this quarter last year.<sup>59</sup> Daily electricity demand in Baghdad averaged approximately 1,800 MW this quarter.<sup>60</sup> For the hours of power available to Iraqis compared to pre-war levels, see Table 2-9.

Demand for electricity continues to surpass Iraq’s peak generation—8,533 MW demanded on average this quarter, compared to a peak generation output average of 3,832 MW.<sup>61</sup> See Figure 2-11.

Figure 2-12 shows the average daily load served this quarter compared to the established goal of 110,000 megawatt hours (MWh). GRD notes that average daily load served is a better measure of how much power is produced for the national grid because it measures generation over a period of time rather than the peak produced during the day.<sup>62</sup> During this quarter, the daily load served averaged 78,048 MWh, compared to 90,614 MWh last quarter and 88,455 MWh a year ago at this time.<sup>63</sup> The pre-war level was 98,000 MWh.

Figure 2-11  
**ELECTRICITY DEMAND VS. AVAILABLE CAPACITY**  
 Monthly Average Megawatts (MW)  
 Source: IRMO, *Weekly Status Reports* (12/14/2005 - 3/27/2007)

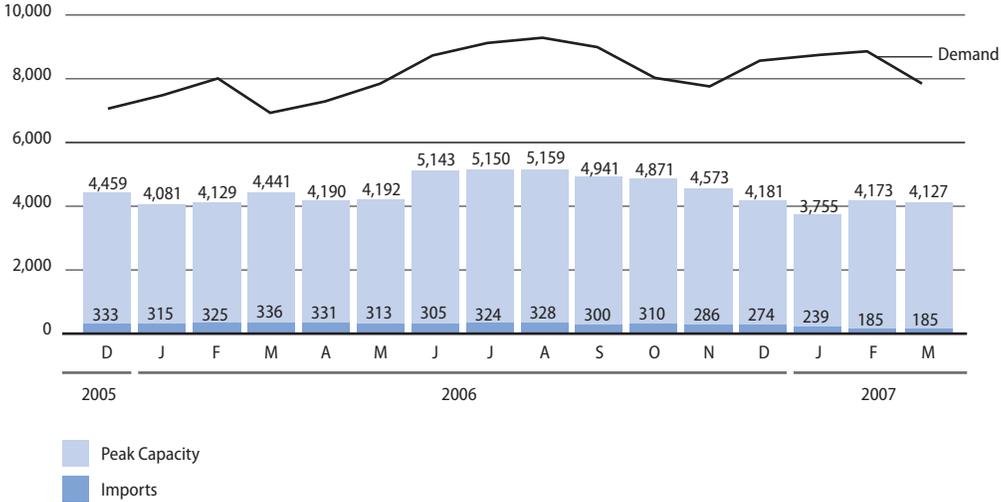
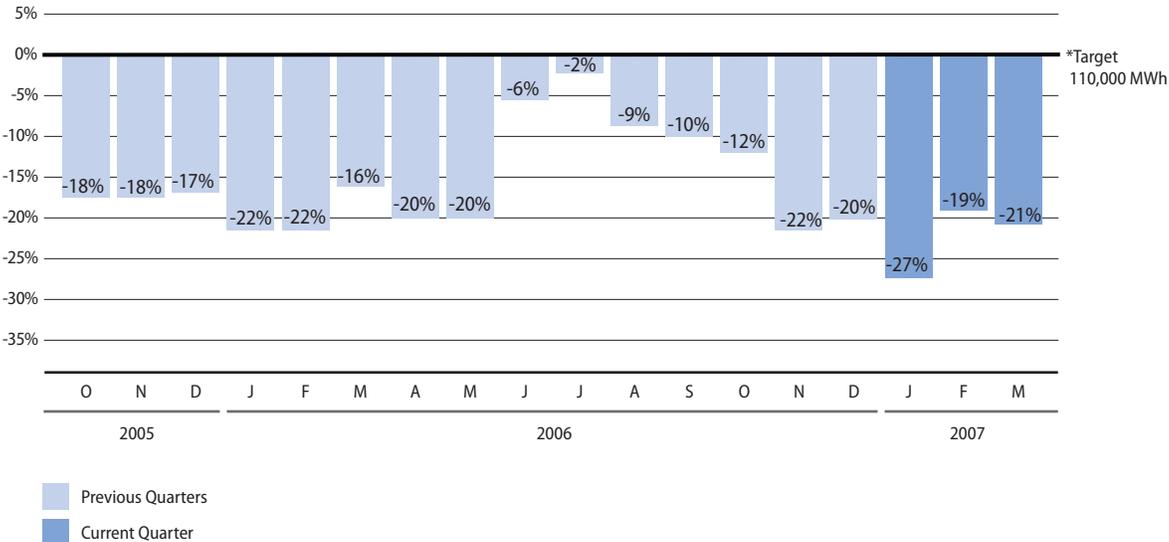


Figure 2-12  
**ELECTRICITY LOAD SERVED**  
 Monthly Average Electricity Load Served, Megawatt Hours (MWh)  
 Source: IRMO, *Weekly Status Reports* (9/28/2005 - 3/27/2007)



\* Target is a constant based on a goal set in summer 2005.

### **AUTOMATED MONITORING AND CONTROL**

Five U.S. projects are underway to provide an automated monitoring and control system, the Supervisory Control and Data Acquisition system (SCADA). SCADA will help maximize the availability of electricity across Iraq, especially in Baghdad. GRD noted last quarter that SCADA should help with the power system's stability. SCADA will contribute to both equal-

izing and stabilizing power in Iraq, although IRMO notes that equalization and system stability can only be achieved when generation capacity exceeds demand.<sup>65</sup>

IRMO also notes that many power plants will be taken offline for planned maintenance during this quarter and the next. In addition, IRMO expects that maintenance will be an issue at many of these power plants because of improper fuels being used in operation.<sup>66</sup>

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## **STATUS OF THE OIL AND GAS SECTOR**

Iraq relies on oil and gas production and export to generate the funds necessary “to achieve the politically vital goal of ensuring the stable provision and expansion of basic services.”<sup>64</sup> About 95% of Iraq's national income is derived from oil exports. Figure 13 shows the critical oil and gas infrastructure across Iraq, including the country's 4,350-mile pipeline system.

### **Oil Production, Exports, and Refining**

GRD estimates that oil production capacity reached 2.6 million BPD this quarter.<sup>67</sup> The actual level of production and exports dipped slightly, primarily because of a temporary shutdown caused by work at the Al Basrah Oil Terminal (ABOT) in January 2007.<sup>68</sup> Table 2-10 presents reconstruction project metrics against pre-war levels and U.S. and Iraqi end-state goals. As Table 2-10 reveals, Iraq continues to miss oil and gas production and export targets.

Figure 2-13  
**GAS AND OIL INFRASTRUCTURE BY GOVERNORATE**  
 Source: CIA Country Profile Map



**CURRENT OIL AND GAS PROJECT BENEFITS VS. PRE-WAR LEVEL AND GOAL**

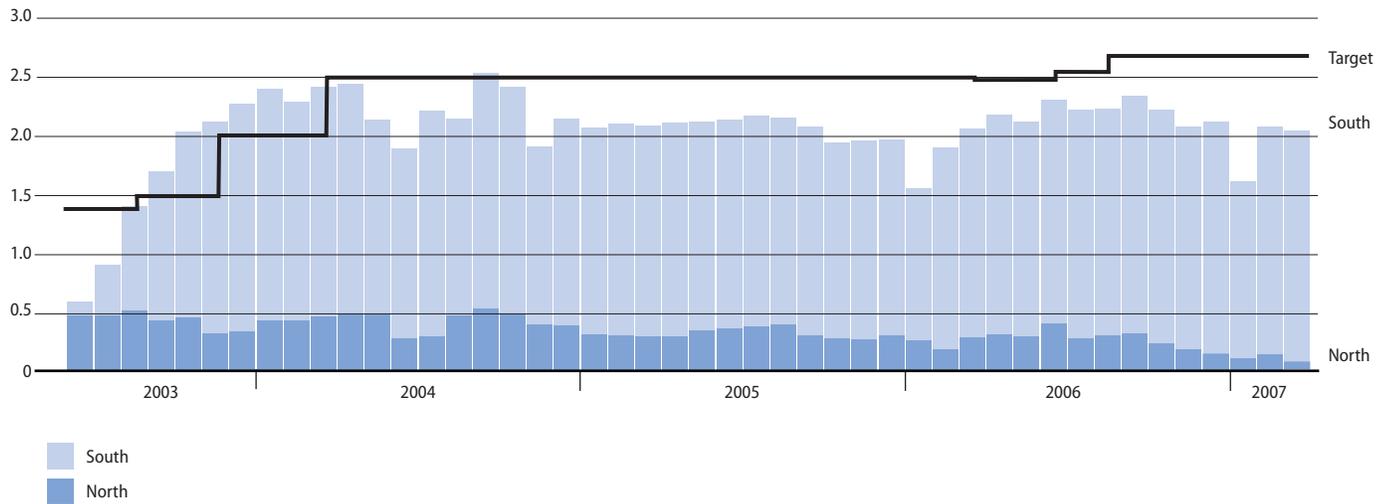
OUTCOMES METRICS	PRE-WAR LEVEL (2003)	QUARTER AVERAGE	U.S. GOALS	IRAQI GOALS
Oil Production Capacity (million BPD)	2.80	2.6*	3.0	2.8
Oil Production (actual) (million BPD)	2.58	1.95	Not Available	2.8
Export Levels (million BPD)	Not Available	1.44	2.2 (capacity)	1.7
Natural Gas Production Capacity	Not Available	760*	800	Not Available
LPG Production Capacity	Not Available	1,900*	3,000	Not Available

\*Data for these figures is taken from a GRD response to SIGIR, April 6, 2007, p.9.

Sources: Pre-war numbers—DoE Country Analysis Brief, meeting with DoE officials on May 31, 2006. Quarter Average—IRMO Monthly Import, Export, and Production Report, April 12, 2007; GRD, response to SIGIR, April 6, 2007, p. 1. (Natural Gas Production Capacity and LPG Production Capacity) "Sector Consolidated Results Update Meeting," September 10, 2006, p. 3 (natural gas production capacity and LPG production capacity). U.S. end-state goals—GRD-PCO, "Iraq Reconstruction Report," October 5, 2006, p. 3 (production capacity); DoS, response to SIGIR, July 24, 2006 (export capacity); Iraqi goals—meetings and discussions with DoS officials for April 2006 Quarterly Report; DoS, DoS response to SIGIR, April 19, 2007 (Iraqi export target).

TABLE 2-10

Figure 2-14  
**CRUDE OIL PRODUCTION BY REGION**  
 Millions of Barrels per Day, Monthly Average  
 Source: IRMO, *Monthly Import, Production, and Export* (March 2007)



## PRODUCTION

This quarter, crude oil production averaged 1.95 million BPD,<sup>69</sup> a drop from last quarter's output of 2.17 million BPD but an increase over output from the spring 2006 quarter, which was 1.84 million BPD. As Figure 2-14 reveals, Iraq has missed its quarterly production target every quarter since 2004.

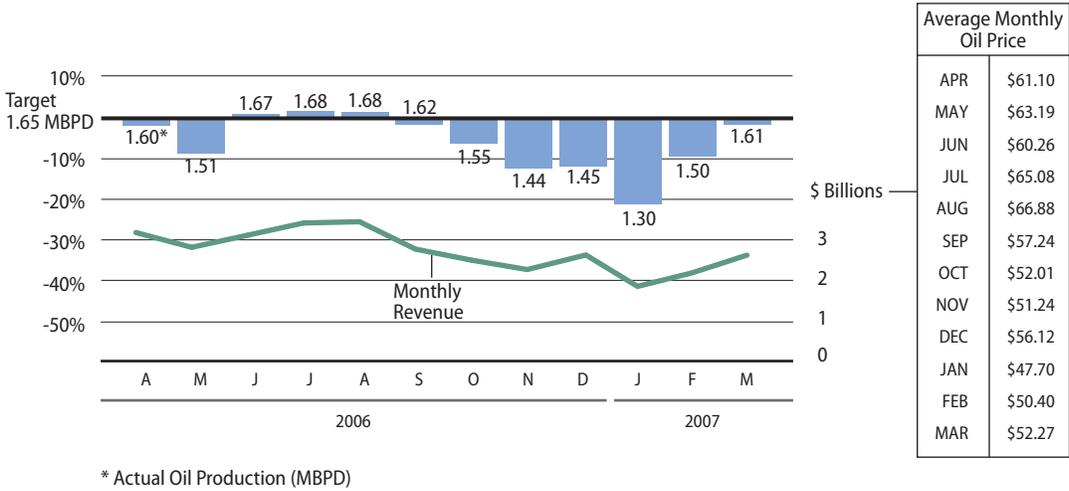
## EXPORTS

This quarter, exports averaged 1.44 million BPD, an increase from 2006 when exports for the spring quarter were 1.30 million BPD and 2005 when exports were 1.40 million BPD.<sup>70</sup> See Figure 2-15. U.S. reconstruction oil experts attribute the oil and gas sector's improved export performance to the refurbishment of gas-oil separation plants (GOSPs), intermittent operations of the Iraq-Turkey Pipeline (ITP), and rehabilitation work on the loading arms at the southern offshore loading berths ABOT.<sup>71</sup>

The ITP links the Kirkuk oil fields with the Turkish port city of Ceyhan and is the major export route for crude oil from the northern production fields. Only 2% of oil exports went through Ceyhan this quarter, and IRMO has not reported any exports through the ITP since January because attacks have shut down the pipeline.<sup>72</sup> In southern Iraq, another major network of pipeline routes links the Rumaila oil production fields with ABOT.

Iraq relies heavily on ABOT as an export node, particularly when the northern pipeline system is down. This quarter, SIGIR Inspections reported on ABOT (PA-06-080), finding that refurbishment and repair work on the loading arms met the original objectives; however, because the entire Iraqi oil sector infrastructure is in need of improvement, successful work at ABOT will not appreciably increase export rates. SIGIR noted last quarter that meters were installed at ABOT. The process of

Figure 2-15  
**MONTHLY CRUDE OIL EXPORT AND REVENUE RAISED**  
 Millions of Barrels per Day (MBPDs), \$ Billions  
 Sources: DoS, *Iraq Weekly Status* (4/5/2006 - 3/28/2007), IMF SBA (Iraqi Target)



installing the meters led to a brief shutdown of the platform and contributed to lower crude oil output in January.

**REFINING**

Iraq transports crude oil produced in the northern fields near Kirkuk to Baiji for refining. The Baiji-Kirkuk Pipeline is the major route by which crude oil reaches the refineries. This network of four major pipelines is frequently attacked.

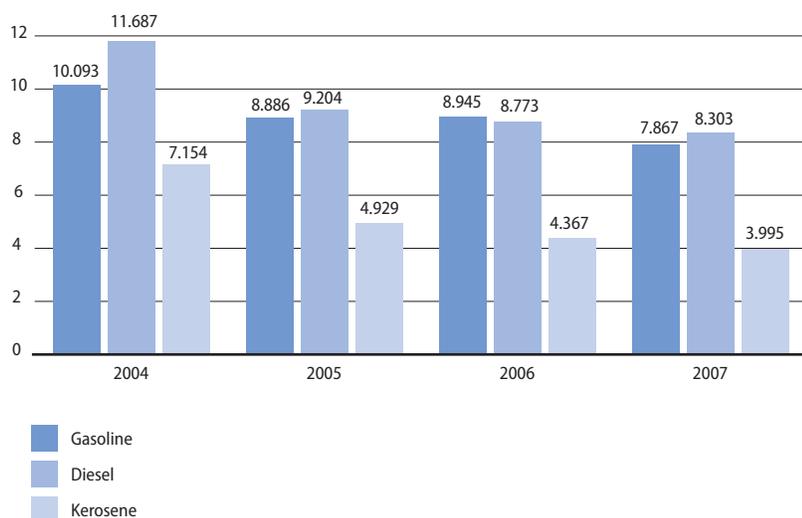
In 2006, Iraq’s refineries did not provide enough domestic capacity to supply the population with refined fuels for heating homes, fueling automobiles, and powering factories. Iraq’s inability to meet domestic demand forced the GOI to import kerosene, gasoline, diesel, and liquefied petroleum gas (LPG). Figure 2-16 shows the status of Iraq’s refined fuel production compared to performance over the last three years.

According to IRMO, Iraq stopped importing refined fuels on December 31, 2006, and plans to depend on refineries and private importers during 2007 with limited government importing.<sup>73</sup>

According to the IMF, domestic fuel prices will continue to increase in 2007. This quarter, NEA-I reported that two increases in fuel prices were implemented in January and March.<sup>74</sup> This increase follows the fuel liberalization policy enacted in 2006, which supports the elimination of fuel subsidies for gasoline and other refined fuel products.<sup>75</sup> The IMF also notes that an implicit budget subsidy will remain on domestically produced fuel products, like gas and diesel.<sup>76</sup>

While most of Iraq’s refined product moves by pipeline from refineries and Khor al-Zubair to depots, Iraq also depends on Turkey for refined fuel imports, a relationship that is complicated by Iraq’s unpaid debt to Turkey for

Figure 2-16  
**SPRING FUEL REFINERY PRODUCTION 2004 - 2007**  
 Millions of Liters  
 Source: IRMO, *Monthly Import, Export, and Production* (April 2007)



Note: For quarter ending March 31, 2007.

refined fuel imports. Beyond *procuring* refined fuel, Iraq also struggles with transporting and storing refined products once they enter the Iraqi market. *Transporting* the fuel becomes cumbersome if pipelines are interdicted, particularly because the product is then moved by truck across insecure parts of the country. *Storing* refined fuels is also a concern for Iraq. IRMO reports that security issues at particular depots and refineries can lead to shipment disruptions, turning typically sufficient storage into a problem. Last quarter, SIGIR also reported that Iraq lacked sufficient storage capacity at the Baiji refinery.<sup>77</sup>

## Hydrocarbon Law

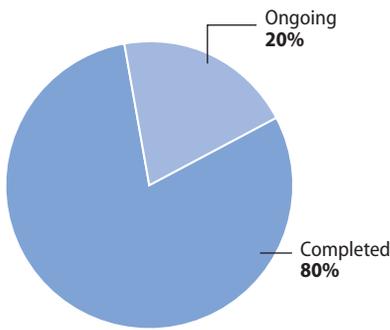
The first in a series of hydrocarbon laws will soon be considered by the Council of Representatives (CoR).<sup>78</sup> The legislation comprises a

series of four separate laws: a framework law, a revenue-sharing law, creation of a national oil company, and a law that outlines a regulatory role for the Ministry of Oil.<sup>79</sup> As authorities debate these “contentious issues,”<sup>80</sup> most international oil companies are awaiting the outcome of the debate before moving ahead with investment deals.

## Sector Development Results

Although U.S.-funded projects have helped increase crude oil production capacity and exports, a number of issues continue to significantly challenge sustained development in this sector, including the deteriorating security situation, inadequate maintenance of antiquated infrastructure, continued corruption, and a cumbersome budget and procurement execution process at the Ministry of Oil.

Figure 2-18  
**STATUS OF IRRF 2 PROJECTS - OIL AND GAS**  
 Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Southern Region Projects		5	15	20
Water Injection Pump Stations			13	13
Northern Region Projects		1	10	11
Dedicated Power		1	7	8
LPG/LNG Plant Refurbishment		5		5
General Projects			2	2
Restore Gas Oil Separation Plants			1	1
<b>Total</b>	<b>0</b>	<b>12</b>	<b>48</b>	<b>60</b>

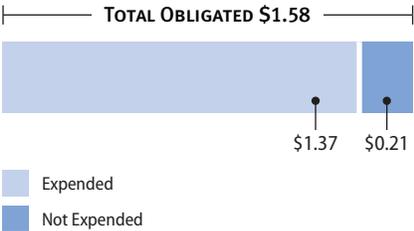
As of March 27, 2007, \$1.58 billion of the sector's original allocation of the IRRF 2 (\$1.72 billion) had been obligated, and \$1.37 billion had been expended (80%).<sup>81</sup> Figure 2-17 shows the status of sector funds.

U.S. reconstruction officials estimate that all U.S. construction projects in this sector will be completed by May 2007.<sup>82</sup> For a summary of U.S.-funded construction projects to date, see Figure 2-18.



Loading arms at Al Basrah Oil Terminal.

Figure 2-17  
**STATUS OF IRRF 2 FUNDS - OIL AND GAS**  
 \$ Billions  
 Source: DoS, *Iraq Weekly Status* (3/27/2007)



## STATUS OF THE WATER SECTOR

According to the International Red Cross, “both the quantity and quality of drinking water in Iraq remain insufficient despite limited improvement...water is often contaminated, owing to the poor repair of sewage and water-supply networks and the discharge of untreated sewage into rivers, which are the main source of drinking water.”<sup>83</sup> U.S.-funded projects aim to help the GOI address the challenges in this sector.

It is difficult to measure the direct impact of U.S.-funded projects. As a way to measure the impact of U.S. reconstruction efforts in the water sector, IRMO developed a set of metrics and standard methodologies.<sup>84</sup> SIGIR reports on two primary IRMO metrics for the water sector:

- maximum additional system capacity
- additional people served at standard level of service, considering actual system conditions<sup>85</sup>

GRD reports that U.S. contracts are increasingly awarded to Iraqi firms. Currently, GRD oversees about 150 water sector reconstruction projects,<sup>86</sup> and “over 90% of the water contracts are directly with Iraqi firms.”<sup>87</sup> GRD reports that, in general, Iraqi firms have showed the ability to stay within budget but have struggled to meet completion dates. In general, delays are caused by three factors:<sup>88</sup>

- “overly optimistic” U.S.-established completion dates
- the “complex environment,” where work is being performed

- the lack of an “institutional framework” for bureaucratic paperwork, such as approving permits

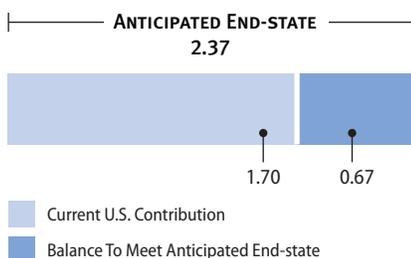
Last quarter, IRMO noted that the GOI’s insufficient budget for the water sector is a major concern for sustainment of U.S.-funded projects.<sup>89</sup>

### Potable Water

U.S.-funded projects continue to add potential capacity to the potable water system. The **Nassriya Water Supply Project** (\$262 million), which is currently scheduled to be completed this month,<sup>90</sup> and **Sharq Dijla Water Treatment Plant** (\$22.9 million), completed in 2006, have the potential to supply more than 1 million people with potable water.

The **Nassriya Water Plant**, the largest U.S.-funded water treatment plant in Iraq, has the capacity to supply 240,000 cubic meters of water per day. DoS reports that “about 100

Figure 2-19  
**OUTPUT OF U.S. POTABLE WATER PROJECTS**  
 Million Cubic Meters per Day  
 Source: GRD, Response to SIGIR (4/6/2007)



personnel are required<sup>91</sup> for its operation and until enough Iraqis are trained, the facility will not be operated or turned over to the Ministry of Municipalities and Public Works. The Sharq Dijla Water Treatment Plant has the capacity to potentially supply 196,000 cubic meters of water per day.

Another U.S.-funded program that is adding potable water capacity to the Iraq system is the **Small Potable Water Program** (\$116 million), a series of small water projects. This program focuses on contracting directly with Iraq firms, currently employing approximately 3,400 Iraqis, and potentially serving as many as 3.2 million people with potable water. The outputs of these IRRF-funded projects appear in Figure 2-19, which shows the current and anticipated capacity provided by completed water projects.

U.S. projects have provided capacity to supply potable water access to an estimated 5.6 million people—an increase from last quarter’s 5.4 million and more than half the anticipated end-state of 8.4 million people. The United States has now completed 88% of planned potable water projects.

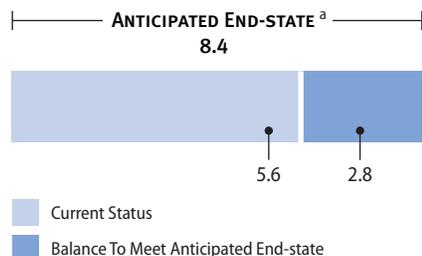
For a summary, see Figure 2-20.

## Sanitary Sewage

IRMO uses the same set of metrics to measure the impact of U.S. efforts in the sanitation sector as it does for potable water. Although measuring how much additional sewage is actually treated remains difficult,<sup>92</sup> U.S.-funded projects continue to add potential capacity to the sanitary sewage system.

The **Basrah Sewage Project**, completed in October 2006, added four new pumping stations to the Iraqi sewage system, in addition to constructing and rehabilitating sewage collection networks. The **Fallujah Wastewater System** (\$50.8 million) plans to install a wastewater treatment plant and collection system with the potential to benefit 228,000 people in Fallujah City.<sup>93</sup> According to the DoS *Section 2207 Report*, “worsening security conditions” continue to impact progress at this site.<sup>94</sup>

Figure 2-20  
**PEOPLE SERVED BY U.S. POTABLE WATER PROJECTS**  
 \$ Millions  
 Source: GRD, Response to SIGIR (4/6/2007)



<sup>a</sup> The estimated end-state is based on the estimated date for completing all water projects.

Figure 2-21  
**OUTPUT OF U.S. SANITARY SEWAGE PROJECTS**  
 Million Cubic Meters per Day  
 Source: IRMO, Response to SIGIR (4/6/2007)

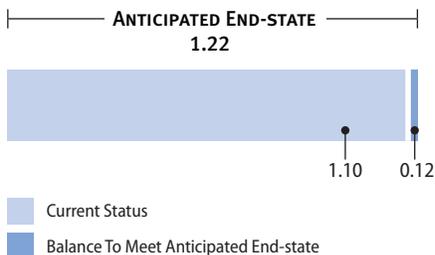


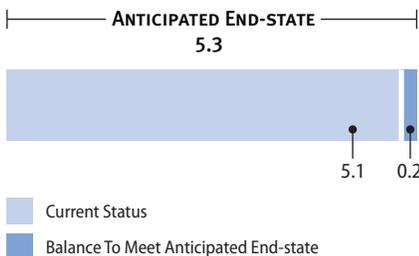
Figure 2-21 shows the current and anticipated status of additional sanitary sewage capacity that U.S. projects have contributed to the system.

U.S. projects have provided additional capacity to serve an estimated 5.1 million people with sanitary sewage systems. The United States has now completed 82% of planned sanitary sewage projects, see Figure 2-22.

### Irrigation

After spending \$81.9 million on the **Nass-riya Drainage Pump Station** project, which included construction of the Industrial Services Water Building, GRD recently stopped work on the project because budgeted funds were not available to meet the estimated \$147.7 million cost to complete. The United States has made an agreement with the GOI to complete the project via a grant arrangement, and the new estimated completion date is December 2007.

Figure 2-22  
**PEOPLE SERVED BY U.S. SANITARY SEWAGE PROJECTS**  
 Millions  
 Source: GRD, Response to SIGIR (4/6/2007)





Water treatment remains an important component of the U.S.-funded Iraq reconstruction program.

Figure 2-23  
**STATUS OF IRRF 2 FUNDS - WATER**  
 \$ Billions  
 Source: DoS, *Iraq Weekly Status* (3/27/2007)

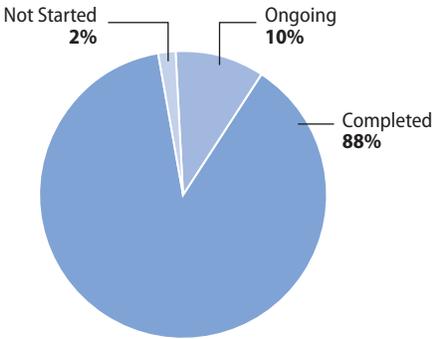


### U.S.-funded Results in the Water Sector

The water sector has expended all but 26% (\$540 million) of its IRRF allocation (\$2.13 billion). As of March 27, 2007, 96% of the sector’s funding had been obligated, but only 70% had been expended.<sup>95</sup> For the status of IRRF funds in this sector, see Figure 2-23.

As of April 2, 2007, 88% of water projects are complete,<sup>96</sup> and 2% have yet to start. All U.S.-funded projects in this sector are scheduled to be completed by October 2008.<sup>97</sup> For the status of projects in the water sector, see Figure 2-24.

Figure 2-24  
**STATUS OF IRRF 2 PROJECTS - WATER**  
 Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Potable Water	13	105	883	1,001
Sewerage	6	6	55	67
Water Conservation			18	18
Pumping Stations and Generators			9	9
Other Solid Waste Management			3	3
Umm Qasr/Basrah Water Supply Project		1	1	2
Dam Repair, Rehabilitation, and New Construction		1		1
Om Al-Iraq Canal Cleaning			1	1
Construct Eastern Euphrates Drain		1		1
<b>Total</b>	<b>19</b>	<b>114</b>	<b>970</b>	<b>1,103</b>

## STATUS OF THE ECONOMIC AND SOCIETAL DEVELOPMENT SECTOR

This sector encompasses all areas related to democracy, agriculture, education, refugees and human rights, economic and private sector development, and media.

By the end of this quarter, all of the sector’s IRRF funding had been obligated, and more than 93% had been expended. As of April 2007, 7,999 projects (97%) had been completed. For the status of IRRF funding in this sector, see Figure 2-25.

For the status of IRRF projects in this sector, see Figure 2-26.

### Democracy

Most IRRF funds in this subsector were expended in 2005 to support the national elections, draft the constitution, and conduct the constitutional referendum. Various funding streams reviewed later in this section—ESF and CERP—have been used to strengthen Iraq’s government at the grassroots level by strengthening civil-society organizations.

The U.S. intention to double the number of Provincial Reconstruction Teams (PRTs) in Iraq is the most recent major development in this sector. The goal of the 10 new PRTs is to create “areas where moderates will have political space to operate” and where the “emphasis is on shaping the political environment rather than building infrastructure.”<sup>98</sup>

The original PRTs—small civilian-military units that assist provincial and local governments in Iraq to govern effectively and deliver essential services—focused on “facilitating the allocation, contracting and follow-up” of local

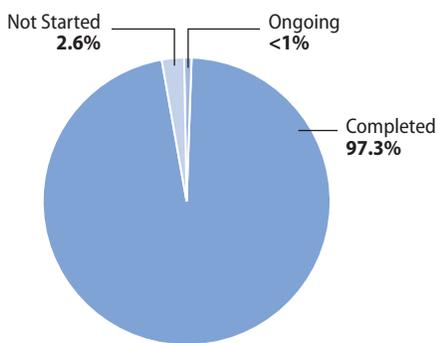
reconstruction projects.<sup>99</sup>

The major challenges for PRTs have been security, adequately matching available staff with the required skill sets requested on the ground, and resources. According to a joint operational assessment of PRTs completed last quarter by MNF-I, MNC-I, and the National Coordination Team (NCT),<sup>100</sup> the ability of PRTs to engage with local governments is “directly related to support from the coalition force” in that governorate because of security.

Figure 2-25  
**STATUS OF IRRF 2 FUNDS - ECONOMIC AND SOCIETAL DEVELOPMENT**  
 \$ Billions  
 Source: DoS, *Iraq Weekly Status* (3/27/2007)



Figure 2-26  
**STATUS OF IRRF 2 PROJECTS - ECONOMIC AND SOCIETAL DEVELOPMENT**  
 Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Note: Numbers may be affected by rounding.

Project Type	Not Started	Ongoing	Completed	Total
Democracy-building Activities	211		5,912	<b>6,123</b>
Schools		1	809	<b>810</b>
Civic Program			446	<b>446</b>
Education			445	<b>445</b>
Agriculture	1		374	<b>375</b>
Public Buildings Construction and Repair			8	<b>8</b>
Migration and Refugee Assistance	3		2	<b>5</b>
Vocational Training	1		3	<b>4</b>
Market-based Reforms	1			<b>1</b>
Ministerial Capacity Development	1			<b>1</b>
<b>Total</b>	<b>218</b>	<b>1</b>	<b>7,999</b>	<b>8,218</b>

### OUTCOMES OF U.S. AND INTERNATIONAL DEMOCRACY PROJECTS

Last quarter, DoD reported skepticism about the **National Reconciliation and Dialogue Project**, noting that “the project has shown little progress,” while at the same time sectarian violence continues to increase.<sup>101</sup> This quarter, DoD reports a shift in efforts to achieve political progress from a centralized “national compact” approach to a more localized program, “focusing more on political accommodation at the provincial level.”<sup>102</sup>

The United States continues to encourage Iraqis to pursue actionable steps to achieve reconciliation. Since August, three of the four scheduled reconciliation conferences have taken place. Future milestones for 2007 include passing and enforcing constitutional enabling legislation and holding provincial elections throughout the country.<sup>103</sup> Finally, according to DoD, President Bush’s *New Way Forward in Iraq* emphasizes a “better level of compromise”

on the part of the Iraqis, especially in what the administration views as key components of reconciliation: enacting a hydrocarbon law, conducting genuine and credible local elections, reviewing the constitution, and reforming the de-Ba’athification policy.

### Agriculture

More Iraqis work in agriculture than any other industry. Agriculture supports a rural population of 7 million people, provides employment to approximately 20% of the nation’s workforce, and accounts for 8% of Iraq’s GDP.<sup>104</sup> USAID has been responsible for almost all IRRF funding for the agriculture subsector through the **Agriculture Reconstruction and Development Program for Iraq (ARDI)**, which officially closed in December 2006. As of early April 2007, 374 of the 375 IRRF-funded projects in the agriculture subsector had been completed, and an additional one has yet to begin.

USAID issued an RFP for a follow-up project using ESF funding. The RFP for this new program, **Inma**, is expected to be signed in April 2007.<sup>105</sup> For more detailed information on the project, see the ESF section of this Report. The Inma award is contingent on funding that has yet to be apportioned.<sup>106</sup>

In addition, the **Iraq Agriculture Extension Revitalization Project (IAER)**, awarded by the U.S. Department of Agriculture (USDA), is in the start-up phase. A conference involving Iraqi and U.S. stakeholders was held in Amman, Jordan, March 11-14, 2007. The meeting was attended by representatives of all of Iraq’s universities, the Ministry of Agriculture, the Ministry of Higher Education, and the Kurdistan region.<sup>107</sup>

The U.S. University Consortium, which comprises four U.S. universities, is in the process of developing a work plan to be approved by USDA. When the plan is approved, the

consortium will conduct a series of two-week trainings for extension specialists on farming, poultry production, crop production, and other topics.<sup>108</sup>

### Education

Funding in the education subsector was fully expended in 2006. This quarter, GRD reported that the rehabilitation of **Waddi Al Qura Elementary School** was completed on February 26, 2007. Another project, the construction of a **primary school in Mahala**, was terminated for convenience in February 2007 “due to Ministry of Education’s dislike of its design and location.”<sup>109</sup>

The outputs in the education subsector are reviewed in Table 2-11.

Although the United States has made progress on reconstruction activities in the education sector, continuing security issues prevent many Iraqis from using the facilities.

#### SCHOOLS REPAIRED BY U.S. RECONSTRUCTION PROJECTS

TOTAL SCHOOLS (2003)	SCHOOLS NEEDING REPAIR (2003)	PROJECTS COMPLETED	PROJECTS IN PROGRESS	PROJECTS NOT YET STARTED
14,121	11,000	2,358–USAID IRRF 1,741–USAID IRRF 807–GRD-PCO IRRF 1,365–MNF-I	N/A–USAID IRRF 1 77–USAID IRRF 2 2–GRD-PCO IRRF 2 N/A–MNF-I	N/A–USAID IRRF 1 N/A–USAID IRRF 2 1–GRD-PCO IRRF 2 N/A–MNF-I

Sources: DoS, *Section 2207 Report*, October 2006, p. 17 (Total Schools and Schools Needing Repair, MNF-I data); GRD-PCO, response to SIGIR, January 4, 2007 (PCO projects); all other metrics unchanged since last quarter.

TABLE 2-11

Iraqi school children.



According to statistics from Iraq's Ministry of Education, only 30% of Iraq's 3.5 million students are currently attending classes.<sup>110</sup>

### Refugees and Human Rights

U.S.-funded programs helped approximately 300,000 Iraqi refugees reintegrate into their communities between 2003 and 2006; however, the trend of repatriation has reversed since the upsurge of sectarian violence.<sup>111</sup> The UN High Commissioner for Refugees (UNHCR) estimates that the number of internally displaced Iraqis increased 50% during 2006—approximately 730,000 (70% women and children)—since the bombing of the Al-Askari Shrine in Samarra in February 2006.<sup>112</sup> Every day, 40,000-50,000 Iraqis flee their homes, and the UNHCR expects up to 2.3 million internally displaced persons (IDPs) by the end of 2007.<sup>113</sup> The U.S. government also expects the current violence to generate an increasing number of IDPs.<sup>114</sup>

### REFUGEES

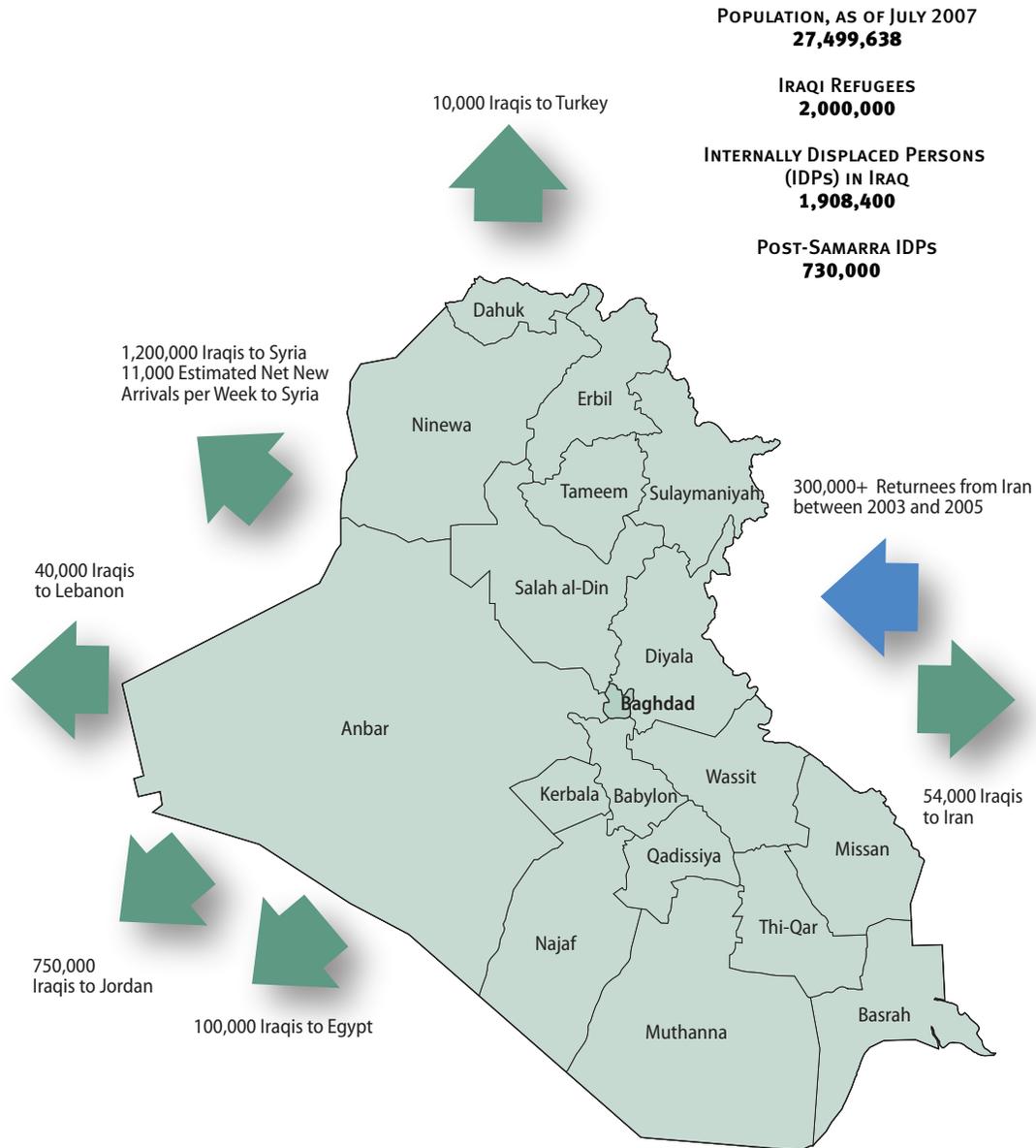
As of December 28, 2006, all allocations had been obligated, and \$147 million had been expended in this subsector. Updates to the January 2007 DoS *Section 2207 Report* are not available for this subsector.<sup>115</sup> In FY 2004, \$105 million of the IRRF was allocated to life-sustaining assistance for conflict victims, including refugees and IDPs as part of the Migration and Refugee Assistance Program. In FY 2005, an additional \$54 million was allocated; in FY 2006, another \$27 million brought the total allocation to \$186 million.<sup>116</sup>

IRRF funds have produced a number of accomplishments in this area. For example, IRRF funds supported negotiations by the DoS Bureau of Population, Refugees, and Migration (PRM) to facilitate the voluntary return of 10,000 Kurdish-Turkish refugees to Turkey. IRRF also funded the Office of U.S. Foreign Disaster Assistance's cash-for-work programs, which generated employment in several Iraqi governorates. USAID projects provided livelihood assets to disabled people and supported

Figure 2-27

## MOVEMENT OF INTERNALLY DISPLACED IRAQIS AND IRAQI REFUGEES

Sources: UNHCR, Iraq Support Unit Update (December 2006 - January 2007); CIA, 2007 World Factbook; For population statistics only: UNHCR, "Iraq Situation Map: Situation as of October 2006"; UNHCR, "Statistics on Displaced Iraqis Around the World" (April 2007)



### Returnees in Iraq, as of October 2006

#### Iraqi IDPs by Province

Northern Provinces	741,900
Central Provinces	450,000
Southern Provinces	716,500
<b>Total</b>	<b>1,908,400</b>

2006	401
2005	55,267
2004	191,645
2003	50,524
2002	1,142
<b>Total</b>	<b>298,979</b>

the activities of local prosthetic device manufacturers. USAID concluded activities related to mobile health units for returnees and IDPs. However, it continues to build the capacity of Iraq's CSOs to advocate effectively on human rights issues and to promote citizen awareness.<sup>117</sup>

IRRF funds also supported the voluntary return and reintegration assistance for an estimated 150,000 newly returned Iraqi refugees, helping with health, water/sanitation, shelter, and primary education issues.<sup>118</sup>

Other U.S.-funded programs also benefit Iraqi refugees and IDPs:

- **The Commission for the Resolution of Real Property Disputes:** \$10 million in IRRF funds have been obligated and expended to support this organization, which was originally set up to assist Iraqi refugees returning to their homes.<sup>119</sup>
- **The Demining Program:** \$83 million has been allocated to contribute to post-battle operations by improving the humanitarian environment for returning populations, especially children. As part of the program, refugees and IDPs have been assisted in safe passage and integrated into the northern governorates.<sup>120</sup>

Refugee assistance is part of the political track objective of President Bush's FY 2007 Supplemental and FY 2008 War Supplemental requests. To date, IRRF and other funding reallocations for refugees and IDPs in FY 2007 total approximately \$22 million. This number

will increase as the FY 2007 base funding is made available, following congressional passage of a one-year, FY 2007 continuing resolution to fund the government.<sup>121</sup>

On February 5, 2007, the Secretary of State announced the establishment of the Iraq Refugee and Internally Displaced Persons Task Force, which was formed to coordinate refugee and IDP assistance to the region and refugee resettlement. The United States now plans to accept up to 7,000 Iraqi refugees over the next 6-9 months and intends to afford special treatment to those Iraqis employed by, or with close association to, the U.S. government.<sup>122</sup> The United States has pledged \$18 million to the UNHCR to help Iraqi refugees in the region, 30% of UNHCR's annual appeal.<sup>123</sup> These funds will help boost the UN mandate to make referrals to resettlement countries and build its resettlement operations in the region.

## HUMAN RIGHTS

To promote human rights in Iraq, \$15 million of IRRF funds have been allocated. All funds have been obligated, and \$12 million has been expended. No updates to the DoS October 2006 *Section 2207 Report* are available at this time.<sup>124</sup>

## Economic and Private-sector Development

Private-sector development programs have been allocated \$393 million of the IRRF. All funding in this sector has been obligated.<sup>125</sup>

## ECONOMIC GOVERNANCE

The USAID **Economic Governance (EG) II Project** provides advisory and capacity assistance to the GOI in fiscal, tax, custom, monetary policy, commercial law, social safety net, pension, and other areas. Last quarter, USAID reported that \$113.5 million was distributed to the EG II project.<sup>126</sup>

Since October 2006, progress has been made on projects related to EG and institutional reforms. The tax automated system, **TAGDEER**, was installed at the headquarters of the General Commission for Taxes.<sup>127</sup> In addition, the January 2007 DoS *Section 2207 Report* stated that USAID “assisted in operation of Pilot Social Welfare Program in Baghdad at the Ministry of Labor and Social Affairs by configuring and troubleshooting the system and providing additional training, support that is vital for a successful regional rollout.”<sup>128</sup>

**FMIS**, the new web-based accounting and reporting system, is now available for 102 of the 182 budget agencies. These agencies represent approximately 80% of the GOI expenditures and 99% of revenues.<sup>129</sup> The remaining 82 agencies have received training on the system; however, to have access to FMIS, they are still awaiting the 2007 GOI budget for equipment and connectivity.<sup>130</sup> SIGIR is beginning an audit on the FMIS this quarter and will report the results in the next Quarterly Report.

U.S.-funded projects continue to support the **Central Bank of Iraq (CBI)** with monetary policy and restructuring the banking sector. Since October 2006, Treasury has

continued to connect branch banks to the Iraqi Payment System (IPS), an automated bank communications system that allows banks to electronically clear commitments. Besides Rafidain and Rahseed, up to 15 additional banks will join the system using their own communications technologies.<sup>131</sup>

## PRIVATE-SECTOR DEVELOPMENT PROGRAM (IZDIHAR)

USAID reported that IRRF has distributed approximately \$96.1 to **Izdihar**, and USAID is planning a new Provincial Economic Growth project that will begin in late 2007.<sup>132</sup>

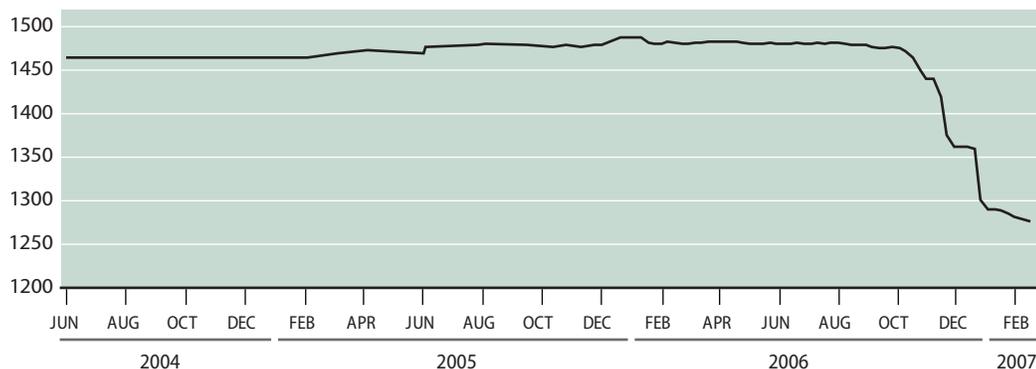
Izdihar continues to support the GOI on WTO accession. Last quarter, the program helped finalize GOI responses to questions from WTO members on Iraq’s Memorandum of Foreign Trade Regime and submitted them to the WTO Secretariat. In addition, it provided training to prepare the Iraqi delegation for its formal meeting with the WTO working party members.<sup>133</sup>

The Iraq Company for Bank Guarantees (ICBG) started its operation in November 2006. It has accepted applications for loans from the northern region and southern provinces. ICBG is in the process of reviewing these loan applications.<sup>134</sup> In February 2007, ICBG received an additional \$5 million grant from USAID. To date, the company has approved 12 guarantees for \$187,000, and it has expanded its members to 12 private banks.<sup>135</sup>

Figure 2-28

**CURRENCY EXCHANGE RATE**

Currency (Auction Selling Price Dinar/\$1 USD)

Sources: IRMO, *Weekly Status Reports* (6/28/2004 - 3/13/2007); Central Bank of Iraq

A number of training initiatives were reported last quarter. Izhdihar established five **Small Business Development Centers** in Hilla, Baghdad, Erbil, Kirkuk, and Talafar to train 100 participants in business development through an e-knowledge portal. Also, 77 private bank credit officers in Baghdad and 20 in Erbil received training on modern bank lending practices to encourage private bank lending to small and medium-sized enterprises.<sup>136</sup> USAID also reported this quarter that Izhdihar has provided more than 40,000 hours of training in international accounting standards.<sup>137</sup>

Izhdihar has also implemented programs to increase lending opportunities for Iraqis. Its **Sustainable Microfinance** program continues to manage more than \$10 million in grants for operational and loan capital to three microfinance institutions (MFIs), operating in 14 governorates and supporting a cumulative total of more than 15,000 loans. The program also provided technical assistance and conducted basic training for 44 Iraqi MFI staff, advanced training for 11 staff, and training for 11 trainers.<sup>138</sup>

**IRAQ'S CURRENT ECONOMY**

Despite the ongoing activities and results from those U.S.-funded projects, Iraq's overall economic environment is still fragile. Inflation and unemployment continued to plague the country this quarter.

The 2006 Stand-By Arrangement (SBA) inflation goal of 15% was not met: IMF's third and fourth SBA reviews showed that inflation was close to 65% in 2006, significantly higher than last year's 32%. Inflation in 2007 is expected to remain high at 50% if there is no improvement in security and no increase in oil production and government investment.<sup>139</sup> A positive first step occurred early this year, however, as year-on-year inflation in February 2007 was 37%—significantly lower than January's year-on-year rate of 66%.<sup>140</sup>

To cope with this increasing inflationary pressure, the CBI began to implement policies in September 2006 designed to appreciate the dinar, as suggested by the IMF.<sup>141</sup> Iraq is an import-reliant country; therefore, a more valuable currency may help alleviate some pressure. As of March 13, 2007, the exchange rate was 1,277 Iraqi dinars to the dollar,<sup>142</sup> a 12.5%

appreciation from June 2004. For the Iraqi dinar's exchange rate during the past few years, see Figure 2-28.

The CBI has also raised its interest rate from 16% to 20%, as of December 24, 2006, to encourage people to hold dinars and lower expectations of inflation.<sup>143</sup> Other economic indicators in Iraq include:

- Per capita GDP is rising in Iraq—from \$951 per person in 2004 to an estimated \$1,205 in 2005 and \$1,771 in 2006.<sup>144</sup> However, when inflation is taken into account, real GDP growth is estimated to fall short of 2% in 2006—well below the SBA's 10.4% benchmark and the medians of other Middle Eastern and oil-producing countries.<sup>145</sup>
- Unemployment is very high in Iraq. In its annual unemployment statistics, updated every November, the Central Office for Statistics and Information Technology (COSIT) reported that unemployment is 18% and that underemployment is approximately 38%.<sup>146</sup>

## Media

IRRF funding for civil society and independent media programs ended on September 30, 2006.<sup>147</sup> The objectives of the Independent Media Programs were to develop democratic media laws, promote media excellence and professionalism, support media as a commercial enterprise, and strengthen media associations and NGOs.<sup>148</sup>

Journalists and news publications in Iraq continue to be the target of threats and attacks. On March 4, 2007, the editor of the al-Mashriq newspaper was killed in front of his Baghdad home,<sup>149</sup> bringing the total number of journalists killed to 100 in Iraq since the beginning of the U.S.-led invasion in 2003. During this period, 37 media support workers have also been killed.<sup>150</sup>

## STATUS OF THE SECURITY AND JUSTICE SECTOR

The security and justice sector received the largest allocation from IRRF 2—\$6.31 billion (34%) of the \$18.4 billion appropriated. And the sector received the largest portion of reallocations: more than \$1.8 billion was added to security-related construction and some non-reconstruction projects as the problem of security became more apparent to planners and policy makers.<sup>151</sup>

Although most IRRF-funded security projects have been construction-related, money was also used to arm the New Iraqi Army, train Iraqi police, provide support for war victims, and initiate witness-protection programs. The Iraq Security Forces Fund (ISFF), established in May 2005, has provided \$10 billion to enable MNF-I to meet the increasing training

and equipment requirements of the Iraqi Security Forces (ISF).

The Coalition relies on the IRRF and ISFF to bolster Iraq's capacity to provide security and maintain the rule of law. Although IRRF funding has been almost fully obligated and expended, areas where outlays trail obligated funds appear to be important in relation to contemporary developments in the security and justice sector. Specifically, unexpended balances for construction and rehabilitation of penal and detention facilities, as well as significant portions of obligations for witness protection and Rule-of-Law programs, appear to be timely in relation to the needs arising from the Baghdad Security Plan.<sup>152</sup>

### Activities in the Security and Justice Sector

As of March 30, 2007, more than 88% of IRRF-funded projects had been completed in the security and justice sector. IRRF projects focus on constructing and refurbishing facilities. For a detailed list of projects and status, see Figure 2-29.

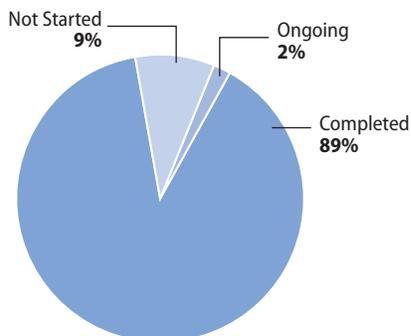
By the end of the quarter, more than 91% of the \$6.31 billion IRRF funds for this sector had been expended. For the status of IRRF funding, see Figure 2-30.

Although IRRF also supports training and equipping initiatives, IRRF funds are almost completely expended. These initiatives are dis-



Security fence around police facility.

Figure 2-29  
**STATUS OF IRRF 2 PROJECTS - SECURITY AND JUSTICE**  
 Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Marla Ruzicka Iraq War Victims Fund	170		1,104	<b>1,274</b>
Commanders Humanitarian Relief and Reconstruction	1		602	<b>603</b>
Facilities Repair	4	8	448	<b>460</b>
Border Enforcement	2	2	270	<b>274</b>
Focused Stabilization	112		62	<b>174</b>
Establish New Iraqi Army	2	11	81	<b>94</b>
Iraqi Civil Defense Corps	4	8	75	<b>87</b>
Police Training and Assistance	9	1	67	<b>77</b>
Judicial Security and Facilities		8	29	<b>37</b>
Investigations of Crimes Against Humanity		1	34	<b>35</b>
Miscellaneous		3	7	<b>10</b>
Reconstruction of Detention Facilities		4	1	<b>5</b>
Witness Protection Program		4	1	<b>5</b>
National Security Communications Network			3	<b>3</b>
Penal Facilities		2	1	<b>3</b>
Public Safety Training and Facilities	1	1	1	<b>3</b>
Facilities Protection Services			2	<b>2</b>
Security and Law Enforcement		1		<b>1</b>
<b>Total</b>	<b>305</b>	<b>54</b>	<b>2,788</b>	<b>3,147</b>

cussed in the ISFF section; the security and justice sector update focuses on construction projects.

Figure 2-30  
**STATUS OF IRRF 2 FUNDS - SECURITY AND JUSTICE**  
 \$ Billions  
 Source: DoS, *Iraq Weekly Status* (3/27/2007)



## CONSTRUCTION

IRRF has funded the construction and rehabilitation of border forts, fire stations, police stations, public-safety training academies, prisons and corrections facilities, courthouses, and witness-protection facilities.<sup>153</sup> The last IRRF-funded construction project in the sector is scheduled to be completed by April 2008.<sup>154</sup>

Three training academy projects have been completed, and two are in construction. The last training academy is scheduled to be completed in April 2007.<sup>155</sup> Repair work is

ongoing at the **Baghdad Police College**, and MNSTC-I accepted responsibility for completing the remaining repairs in January 2007. GRD reported that it has provided a master plumber and structural engineer to assist with the repairs.<sup>156</sup>

This quarter, SIGIR Inspections identified design deficiencies at the **Iraqi Civil Defense Headquarters**. In addition, construction and equipment installation did not always comply with standards. For more details, see Section 3 of the Report.

Construction at the **Khan Bani Saad Correctional Facility**, which can house 1,800 inmates, is currently 52% complete;<sup>157</sup> the current completion date of November 2007 is being reevaluated “to account for delays stemming from different site conditions and security.”<sup>158</sup> The 800-bed **Nassriya Correctional Facility** is estimated to be completed by October 2007. It is currently 65% complete. The new construction of the **Zarka Rehabilitation Center** in Dahuk is currently 94% finished and is expected to be completed in May 2007.<sup>159</sup>

The fire station projects are reported to be 96% completed to date, with 91 of the 95 projects delivered. The delivery of the last fire station has been delayed from March 2007 to October 2007 because of unanticipated road-repair work.<sup>160</sup> Finally, GRD reports this quarter that **114 border forts** have been constructed thus far, and 5 points of entry have been completed.<sup>161</sup>

## RULE-OF-LAW INITIATIVES

Several initiatives are in progress to enforce the rule of law in Iraq and strengthen the legal code, police force, judicial system, and correctional system. This quarter, the U.S. Mission-Iraq appointed a DoJ attorney as Acting Coordinator for Rule-of-Law Programs in Iraq. MNSTC-I is strengthening the Iraqi Major Crimes Task Force and the Major Crimes Unit and training the police personnel on criminal investigations. MNSTC-I and the Ministry are also adding forensic specialists to the police forces.<sup>162</sup>

DoJ has also been working with DoS to support the expansion and effectiveness of the Central Criminal Court of Iraq (CCCI). Since its reorganization in April 2004, the CCCI has held 1,867 trials for insurgents apprehended by the Coalition. The proceedings have resulted in the conviction of 1,607 people.<sup>163</sup>

This quarter, GRD also reported that repairs to a police training academy were completed and that construction of **Rusafa Prison Force Protection** is also complete. Eight courthouse projects are in progress; the last project is expected to be finished in March 2008. Four witness-protection security facilities are under construction and scheduled to complete in April 2008.<sup>164</sup>

## INFRASTRUCTURE SECURITY

The United States has invested more than \$320 million to improve Iraq’s capacity to protect its oil and electric infrastructure. U.S.-funded initiatives include training and equipping the

Strategic Infrastructure Battalions (SIBs) and partnering Coalition forces with Iraq's various energy infrastructure protection forces.<sup>165</sup> The Ministry of Defense established 17 SIBs, and U.S.-funded projects have trained and equipped 11 of them.<sup>166</sup>

The Facilities Protective Service (FPS) protects standalone facilities administered by individual ministries (for example, security guards at a ministry building). Currently, approximately 150,000 FPS personnel are working for 27 ministries and 8 independent directorates, such as the Central Bank of Iraq.<sup>167</sup>

DoD reported anecdotal evidence that some FPS personnel are unreliable, and some may be responsible for violent crimes and other illegal activities.<sup>168</sup> As a result, on December 27, 2006, all FPS personnel were placed under the Minister of Interior and money for salaries was transferred to the Ministry of Interior budget. Exceptions for the consolidation included Ministry of Oil, Ministry of Electricity, and the Higher Juridical Council forces.<sup>169</sup>

## TRANSITION TO IRAQI CONTROL

There has been progress in the Coalition's efforts to transition responsibility to the GOI. The southern governorates of Najaf, Thi-Qar, and Muthanna were transferred last year. DoD

reported this quarter that security responsibilities of three provinces—Qadisiyah, Maysan, and Ninewa—are planned to be transferred to Iraqi control by spring 2007. The remaining provinces are expected to assume provincial Iraqi control by the end of 2007, except for the transfer of Anbar, which is expected to occur in early 2008.<sup>170</sup>

On December 17, 2006, the Prime Minister and the Ministerial Committee for National Security approved the transfer of security responsibility for Dahuk, Erbil, and Sulaymaniyah to the Kurdistan Regional Government (KRG). The transition will be completed after the resolution of a defense budget issue between the GOI and KRG.<sup>171</sup>

This quarter, DoD reported that the Iraqi Ground Forces Command (IGFC) assumed command and control responsibilities for six of the ten Iraqi Army divisions.<sup>172</sup> However, these units still require substantial logistics and sustainment support from Coalition forces.<sup>173</sup>

## STATUS OF THE HEALTH CARE SECTOR

U.S. reconstruction in this sector has focused on building, rehabilitating, and equipping medical facilities, as well as providing immunization, training, and other health services. Originally, 150 Primary Healthcare Centers (PHCs) were planned using IRRF 2 funding; however, cost increases reduced the planned total number of PHCs to 142. On the other hand, 17 hospital projects were originally

planned for the health care sector under IRRF 2 funding, but the number was increased to 20 in December 2004.<sup>174</sup>

By the end of this quarter, approximately 78% (\$640 million) of the sector's \$819 million of IRRF 2 was expended, and almost all of the sector's funding had been obligated. Figure 2-31 shows the status of sector funds.

Approximately 46% of all IRRF-funded projects in this sector have been completed, but progress on construction projects has been slowed considerably by security and management problems. By April 2007, 97 of 238 health care projects were completed. Figure 2-32 shows the status of projects in the health care sector.

Activities in this sector include constructing and refurbishing PHCs and hospitals throughout Iraq, as well as supplying those facilities with medical equipment and training medical practitioners and government officials. Past activities in this sector also included nationwide vaccination programs.

Figure 2-31  
**STATUS OF IRRF 2 FUNDS - HEALTH CARE**  
 \$ Billions  
 Source: DoS, *Iraq Weekly Status* (3/27/2007)

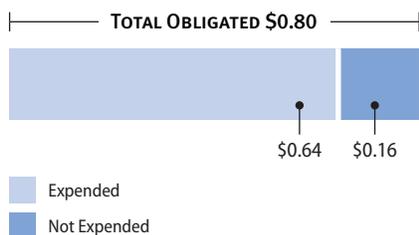
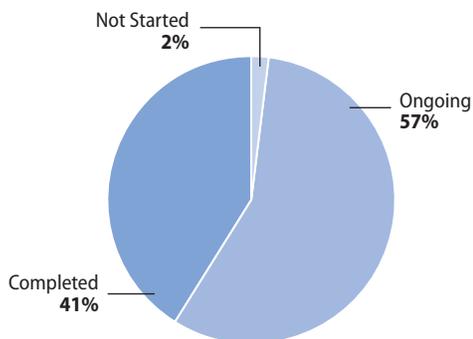


Figure 2-32  
**STATUS OF IRRF 2 PROJECTS - HEALTH CARE**  
 Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Primary Healthcare Centers		126	15	141
Equipment Procurement	3	1	60	64
Hospitals	1	10	19	30
Nationwide Hospital and Clinic Improvements			3	3
<b>Total</b>	<b>4</b>	<b>137</b>	<b>97</b>	<b>238</b>



Erbil Maternity and Pediatric Hospital.

## Construction Activities

Only 15 of 142 planned model PHCs have been completed to date. Of the 15 PHCs completed to date, 8 are currently open to the public. Of the remaining PHCs, 119 PHCs are currently under construction, and 8 have stopped work for various reasons, such as security concerns and subcontractor issues.<sup>175</sup>

Of the unfinished PHCs, 72 are 90-100% complete, 45 are 75-90% complete, and 2 are 35-74% complete. Four PHCs were bombed, and construction at these locations has been terminated. Overall, GRD estimates that construction of more than 70 PHCs will be completed before July 2007, and the PHC program will be finished by December 2007.<sup>176</sup>

Currently, GRD oversees the refurbishment of 20 hospitals under the original design-build contract and the construction of one hospital previously managed by USAID. Of the 20 hospitals under the original design-build contract, 13 have been completed by the contractor.<sup>177</sup> GRD reported that all hospital rehabilitations

in its hospital program are currently 87% complete; completion is expected by June 2007.<sup>178</sup>

This quarter, SIGIR conducted an inspection at the **Erbil Maternity and Pediatric Hospital** and identified a number of sustainment issues. For example, medical waste has been dumped into the hospital drains and sewer system, clogging the system and posing a potential health risk. For more details on this inspection, see Section 3 of the Report.

The GRD-managed **Basrah Children's Hospital** project is proceeding on its new track. The overall project is 45% complete, as of March 30, 2007; the GRD-managed construction is 21% complete.<sup>179</sup> In addition to the construction activities on this project, GRD also manages a \$1.5 million contract for architect/engineer services contract and an \$8.7 million contract for medical equipment integration service. Project HOPE provides \$30 million in training and high-value medical equipment. Construction is scheduled to be complete in July 2008, and medical equipment integration

is scheduled for completion in November 2008, followed by a phased opening starting in early 2009.<sup>180</sup>

Table 2-12 summarizes the status of health care facilities funded by IRRF 1 and IRRF 2.

### Non-construction Activities

U.S.-funded projects have allocated \$214 million to procuring health care equipment and training health care providers. As of March 30, 2007, \$180 million had been expended in this subsector.<sup>181</sup> DoS reported that medical equipment, consumables, and furniture were delivered and installed at the seven PHCs that

completed construction. Similarly, in the 12 hospitals in which rehabilitation is complete, \$23.7 million of medical equipment was delivered and installed.<sup>182</sup>

USAID's Health Training Program closed out on December 31, 2006. The program trained 2,839 health care providers on managing childhood illness, enhancing interpersonal communications and counseling skills, and preventing infection. Additionally, more than 4,664 Iraqi citizens participated in courses. Thus, 17 of the 18 governorates have at least two individuals who have received the basic training of the program's curriculum.<sup>183</sup>

#### IRRF-FUNDED HEALTH CARE FACILITY CONSTRUCTION: CURRENT & PLANNED

HEALTH CARE FACILITIES	CURRENT STATE, AS OF 3/30/2007	IRRF PLANNED END-STATE
Hospitals Rehabilitated	13	20
Hospitals Built	In progress	1
Primary Healthcare Centers Rehabilitated	147	147
Primary Healthcare Centers Equipped	600	600
Small Primary Healthcare Centers Built and Equipped	6	6
Model Primary Healthcare Centers Completed to Operational Stage	15	142

Sources: GRD-PCO, response to SIGIR, April 20, 2007 (Hospitals and Model PHCs); DoS *Section 2207 Report*, Tab 5 (Selected Metrics), January 2007 (all other data).

TABLE 2-12

## STATUS OF THE TRANSPORTATION AND COMMUNICATIONS SECTOR

Projects in this sector aim to improve transportation systems in Iraq, such as ports, railways, roads, bridges, and airports. This sector also includes U.S.-funded telecommunications projects.<sup>184</sup>

As of March 27, 2007, 70% (or \$560 million) of the approximately \$800 million in IRRF funds allocated to this sector had been expended. Almost all of the sector's IRRF funding had been obligated. Figure 2-33 shows the status of sector funds.

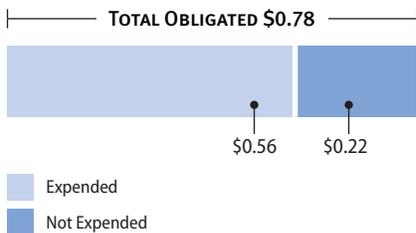
IRRF 2-funded construction in this sector is expected to be completed by December 2008.<sup>185</sup> Sector projects are currently more than 88% complete. For the status of projects in this sector, see Figure 2-34.

### Shipping Projects

The number of vessels berthed at the **Umm Qasr Port** averaged 18.5 per week this quarter; however, IRMO reported only two data points throughout the quarter.<sup>186</sup>

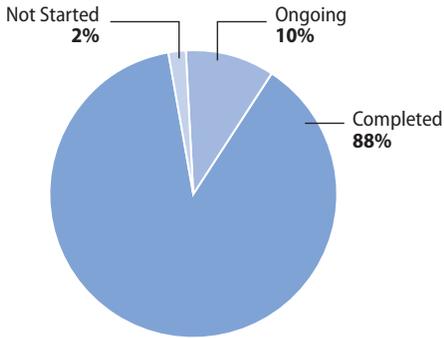
GRD has completed six of seven projects, and the overall program is nearly 99% complete.<sup>187</sup> As of March 30, 2007, 85% and 90% of the refurbishment work on the Nelcon cranes and spreader had been delivered, respectively. In addition, in February 2007, repair of power lines to the Nelcon cranes at Umm Qasr was completed. Although last quarter SIGIR reported that the shipping program is expected to be finished by February 2007, the last port project is now expected to complete in May 2007 because of delays getting design approval by the Port Authority for a berth construction project. This project is currently 89% complete.<sup>188</sup>

Figure 2-33  
**STATUS OF IRRF 2 FUNDS - TRANSPORTATION AND COMMUNICATIONS**  
 \$ Billions  
 Source: DoS, *Iraq Weekly Status* (3/27/2007)



Shipping is an important part of the revival of Iraq's economy.

Figure 2-34  
**STATUS OF IRRF 2 PROJECTS - TRANSPORTATION AND COMMUNICATIONS**  
 Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Roads and Bridges	9	39	237	285
Railroad Rehabilitation & Restoration		2	96	98
Consolidated Fiber Network			95	95
Telecommunications Business Modernization	1	1	32	34
Civil Aviation		5	14	19
Umm Qasr Port Rehabilitation		1	9	10
Expressways		4		4
Telecommunications/Regulatory Reform			1	1
Telecommunications Systems		1		1
<b>Total</b>	<b>10</b>	<b>53</b>	<b>484</b>	<b>547</b>

### Railway Projects

This quarter, an average of 32 trains ran per week—down from last quarter’s average of 45 per week.<sup>189</sup> The rate remains far below the planned number of trains for previous quarters. This shortfall is caused primarily by poor security conditions, which continue to hinder the flow of rail traffic in Iraq. For instance, in mid-February, IED detonations delayed a project to repair the Latifiya Bridge.<sup>190</sup> In March, an attack blocked the track structure south of Mansour Station and prevented movement to the Latifiya Bridge.<sup>191</sup>

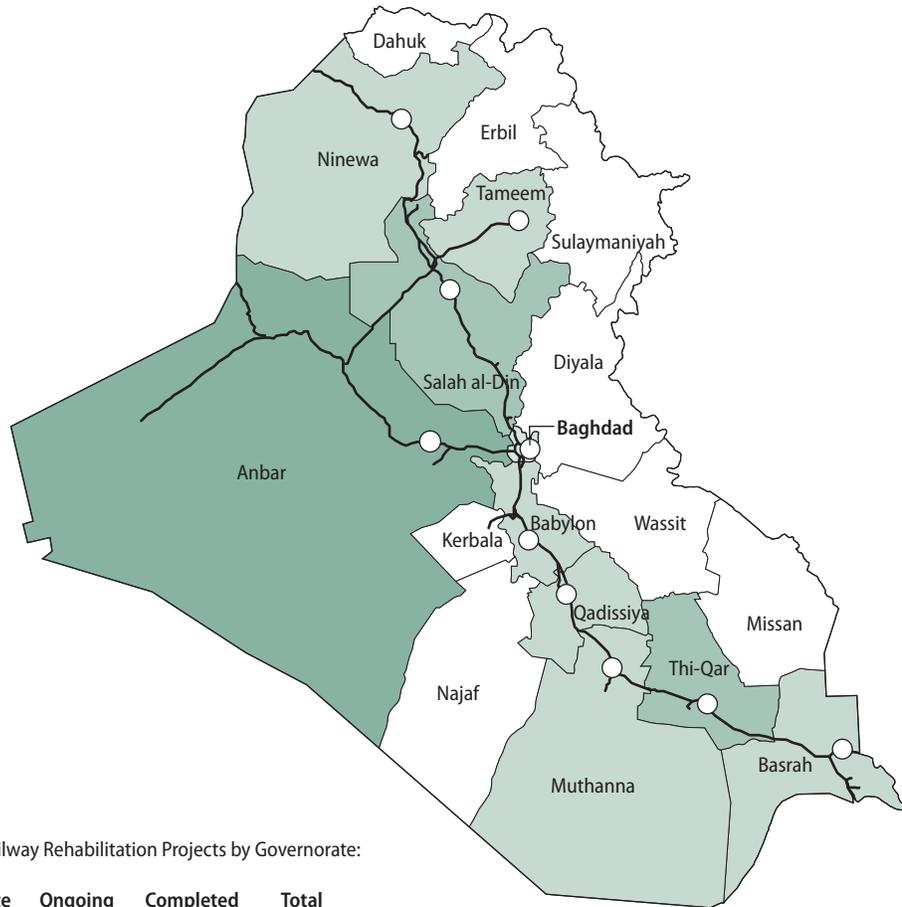
U.S. projects have completed repairs at 92 of 98 railway stations.<sup>192</sup> In other construction activities, rehabilitation of five railway stations in Thi Qar and bridge rehabilitation in Baghdad were completed,<sup>193</sup> and the work at the **Baghdad Central Railway Station** was completed on March 9, 2007.<sup>194</sup> In addition, the \$3 million contract for the rehabilitation of the Falluja Station and housing was re-awarded.<sup>195</sup> For the railway station projects by location, see Figure 2-35.

Most of the \$197 funding allocated to this subsector is for materials and equipment. Phase I of the **Communications-Based Train Control System (CBTC)** will provide the IRR with a train control system for tracking movement of all locomotives on the rail system. The project is currently 88% complete; it is expected to be finished by September 2007.<sup>196</sup> Phase II, which is 58% complete, will provide a \$41.6 million Digital Microwave Radio Communications Network (also referred to as the **CBTC-backbone**).<sup>197</sup>

### Aviation Projects

During this quarter, the Baghdad International Airport averaged 403 flights per week<sup>198</sup>—a decrease from last quarter’s 423—including both military and civil operations. Civil aviation has been allocated \$80 million in IRRF funding. Most of these reallocated funds are slated to support upgrades to Basrah International Airport.<sup>199</sup> Projects at other airports have been completed.

Figure 2-35  
**RAILROAD STATION REHABILITATION PROJECTS BY GOVERNORATE**  
 Source: IRMS, IRMO Rollup (3/30/2007)



Status of Railway Rehabilitation Projects by Governorate:

Governorate	Ongoing	Completed	Total
Ninewa		9	9
Tameem		5	5
Salah al-Din		18	18
Anbar		25	25
Baghdad	1	3	4
Babylon		9	9
Qadissiya		4	4
Muthanna		8	8
Thi-Qar		10	10
Basrah	1	5	6
<b>Total</b>	<b>2</b>	<b>96</b>	<b>98</b>

Total Number of Projects Nationwide: 98

Total Number of Projects by Governorate:

- >20
- 10-20
- <10
- No Data
- Railroad Line
- Major Hub Location

Since the DoS *Section 2207 Report* in October 2007, the \$400,000 navigation aid commission flight check was completed at the **Baghdad International Airport**. A number of training programs for **Iraqi Civil Aviation Authority (ICAA)** employees also were conducted this quarter, including O&M on the radar system, air traffic control system, and flight safety. Also, two of three phases of the air traffic control (ATC) training were completed, comprising courses on systems throughout Iraq, feature systems familiarization, terminal radar approach control, quality assurance, and English language training.<sup>200</sup>

In addition, DoS reported that ATC training in area control center (ACC) procedures, as well as radar simulation training, begins late Spring of 2007. ACC, Terminal Radar Approach Control, and tower ATC training

will continue under contract for the next three years.<sup>201</sup>

Four projects, adding up to approximately \$16.8 million, continued construction this quarter at the **Basrah International Airport**, including two communications projects, a new radar system, and renovations to the airport's water system.<sup>202</sup> These projects are scheduled to be delivered by September 2007, except for the new radar system, which is expected to complete in February 2008 because of longer-than-anticipated manufacturing time for the radar.<sup>203</sup> The terminal and tower renovation project is 95% complete, and final completion is scheduled for May 2007.<sup>204</sup>

Table 2-13 summarizes the work done at the Baghdad, Basrah, and Mosul airports. U.S.-led reconstruction efforts in this subsector are near completion.

#### STATUS OF U.S.-LED PROJECTS AT IRAQI AIRPORTS, AS OF 3/31/2007

AIRPORT	CONTRACT SIZE	# PROJECTS	ESTIMATED COMPLETION DATE	STATUS
Baghdad	\$17 million	7	October 2006	100% Complete
Basrah	\$25 million	10	December 2007	55% Complete
Mosul	\$10 million	1	September 2006	100% Complete

Source: GRD-PCO, response to SIGIR, April 7, 2007.

TABLE 2-13

## Roads and Bridges

U.S.-funded projects in this subsector will not be completed until December 2008. The projects have focused on small village roads, several key highways, and bridges.<sup>205</sup>

The highway between Baghdad and Kirkuk will be upgraded to four lanes by December 2008. Also, Diwaniya and Al-Samawa will be connected by an upgraded four-lane highway; this \$15.5 million project is scheduled to be completed in February 2008.<sup>206</sup> The project is now 35% complete.<sup>207</sup>

The **Village Roads Program**, budgeted at \$38.5 million, will improve 424 miles of roads throughout 15 governorates in Iraq.<sup>208</sup> This quarter, nearly 74 miles of village roads are expected to be completed.<sup>209</sup> Originally scheduled to be completed by August 2006,<sup>210</sup> the project is now estimated to be finished by July 2007.<sup>211</sup> This quarter, GRD reported that the Roads Program was delayed by security problems and a shortage of fuel and bitumen; bitumen and asphalt allocations by the Ministry of Oil are not sufficient to support contractors' needs.<sup>212</sup>

There are currently 56 PRDC projects, valued at \$56.5 million, and 21 have been completed to date.<sup>213</sup> GRD-PCO reports that 15 PRDC projects—seven roads, two bridges, and six streets—were completed this past quarter.<sup>214</sup>

## Telecommunications

Mobile phone subscribers continue to increase this quarter, but at a much slower rate than in previous quarters. The number of landline

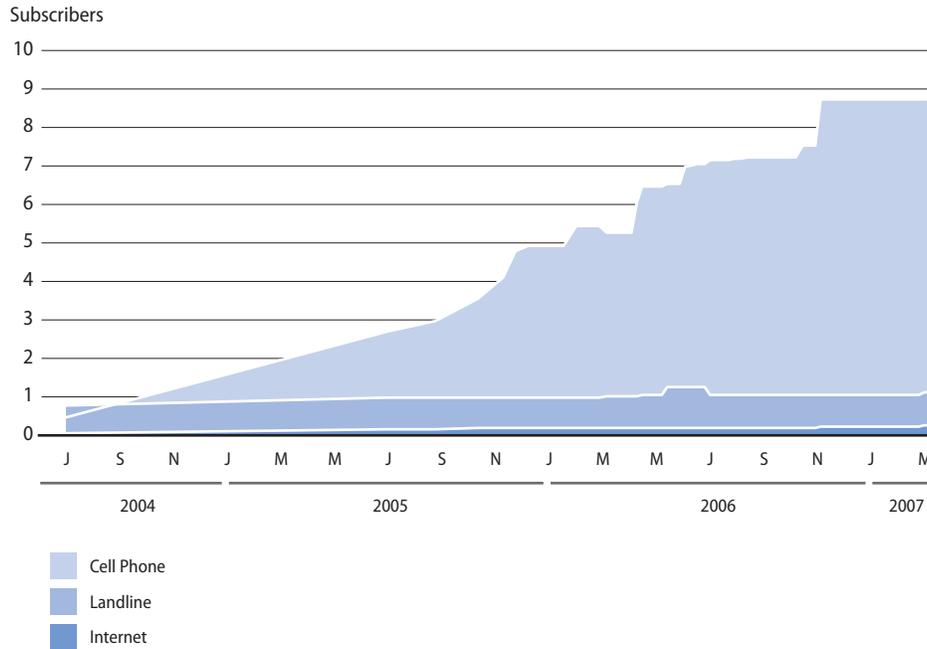
telephone subscribers also increased. Internet services are provided by the State Company for Internet Services (SCIS), licensed private operators, and private non-licensed entrepreneurs. Internet access in Iraq is via dial-up, WiFi, and, increasingly, WiMax networks.<sup>215</sup> Currently, there are 261,000 estimated Internet subscribers in Iraq.<sup>216</sup>

Figure 2-36 shows the steady rise in cell phone subscribers, and Table 2-14 compares the current number of telephone subscribers with pre-war levels. Demands remain high, but further investment by the cell phone companies remains contingent on resolution of licensing issues.<sup>217</sup>

U.S. initiatives to modernize the **Iraq Telecommunications and Postal Commission** include 34 projects to construct and renovate post offices. At the end of this quarter, the projects were more than 91% complete, up from 80% last quarter. The last post office project is expected to be completed in July 2007.<sup>218</sup> At the end of March 2007, construction of Diwaniya Postal Station is 60%; security issues have delayed rehabilitation of another postal station.<sup>219</sup> When finished, the projects are expected to bring mail service to approximately one million Iraqis.<sup>220</sup>

The Iraqi Telecommunications System was allocated \$48 million; it is being used to construct a primary switching facility at **Al-Mamoom** and a **wireless broadband network (WBBN)**. As of March 30, 2007, the \$26 million switch facility was 22% complete and is estimated to be finished by September

Figure 2-36  
**TELECOMMUNICATIONS SUBSCRIBERS**  
 Subscribers in Millions  
 Source: IRMO, *Weekly Status Reports* (12/28/2005 - 3/13/2007)



**CURRENT TELEPHONE SUBSCRIBERS VS. PRE-WAR LEVELS**

OUTPUT METRICS	PRE-WAR LEVEL (2003)	LAST QUARTER STATUS, AS OF 1/2/2007	CURRENT STATUS, AS OF 3/13/2007
Landline Subscribers	833,000	1,046,027	1,111,000
Mobile Phone Subscribers	80,000	8,712,027	8,720,038

Sources: Pre-war Levels: Economist Intelligence Unit, *Country Profile 2005-Iraq*, 2005, p. 34; International Telecommunication Union, *World Telecommunication/ICT Indicators*, no date, p. A-30. Available online at [http://www.itu.int/ITU-D/ict/statistics/at\\_glance/cellular03.pdf](http://www.itu.int/ITU-D/ict/statistics/at_glance/cellular03.pdf); last quarter status: IRMO, *Weekly Status Report*, January 2, 2007, p. 23; current status: IRMO, *Weekly Status Report*, March 13, 2007, p. 22.

TABLE 2-14

2007, and the O&M for the WBBN project was completed on March 20, 2007.<sup>221</sup>

To modernize the Iraq telecommunications operations system and support a regulatory agency, the Communications and Media Com-

mission (CMC) was allocated \$20 million.<sup>222</sup>

This quarter, technical training for ten CMC IT staff was completed, and phase one of the Strategic Development Training for CMC staff began in Jordan.<sup>223</sup>



# COMMANDER'S EMERGENCY RESPONSE PROGRAM

# section 2 CERP

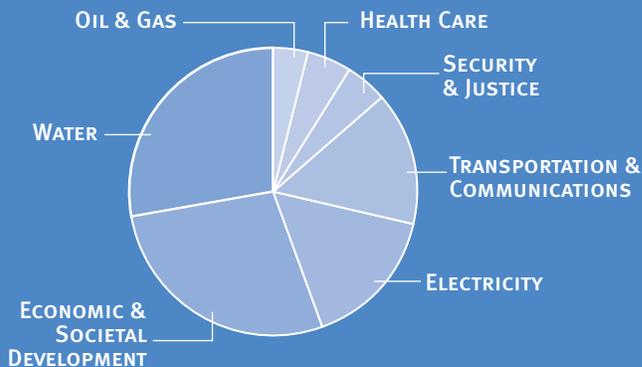
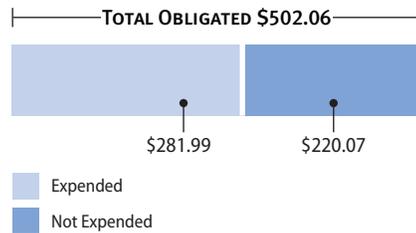


Figure 2-37  
**STATUS OF FY 2006 CERP FUNDS**  
\$ Millions  
Source: MNC-I, Response to SIGIR (4/2/2007)



In this Quarterly Report, SIGIR provides an overview of CERP funds appropriated in FY 2006. As of April 2, 2007, almost \$502.06 million of the \$708 million of CERP FY 2006 appropriations had been obligated, and 56% of the obligated funds had been expended.<sup>224</sup> For the status of CERP funds, see Figure 2-37.

## OVERVIEW

In May 2003, CPA created the CERP to allow U.S. military commanders in Iraq to rapidly respond to urgent humanitarian, relief, and reconstruction needs. In June 2003, Fragmentary Order 087 (FRAGO 87) clarified the permissible reconstruction projects and set expenditure limits.<sup>225</sup> Unlike IRRF, CERP funds are not allocated to sectors; unlike ESF, CERP funds are not allocated to tracks. The CERP comprises three primary components: Reconstruction, the Iraqi Economic Initiative, and Death Benefits/Battle Damage.

Commanders prioritize projects in coordination with PRTs, the provincial governor, and PRDCs. Projects are chosen based on how quickly they can be executed, how many Iraqis would be employed, how many Iraqis would benefit, and the visibility of the project.<sup>226</sup>

Initially, funding for the CERP came from seized Iraqi assets and the Development Fund for Iraq (DFI), but by late 2003, appropriated U.S. dollars began to be allocated to the CERP. In the National Defense Authorization Act for FY 2006, the Congress gave DoD authority for FY 2006 and FY 2007 to use a maximum of \$500 million from its O&M funds for the CERP in Iraq.<sup>227</sup> As of March 31, 2007, appropriations for the CERP totaled nearly \$2.2 billion.<sup>228</sup>

In November 2003, the Congress issued P.L. 108-106, which allowed more flexible contracting regulations for CERP funds and left regulation of the funds to DoD. MNC-I is the overall program coordinator for the CERP; its Major Subordinate Commanders have approval authority of up to \$500,000. The Commander, MNSTC-I, approves projects greater than \$500,000 for MNSTC-I.<sup>229</sup>

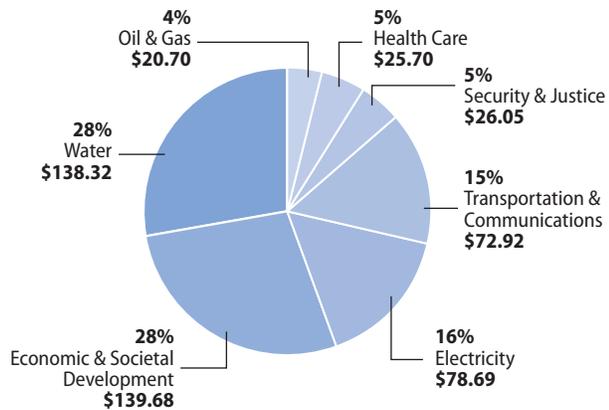
In FY 2006, the Congress appropriated \$923 million for the CERP. As of September 30, 2006, Department of the Army allocated \$724.5 million for use in FY 2006. Of that

amount, the U.S. Central Command allocated \$510 million to MNC-I and \$214.5 million to CERP projects executed by U.S. forces in Afghanistan. The remaining \$198.5 million will be carried forward to FY 2007. See Table 2-15.

## SECTOR INFORMATION

CERP guidance directs U.S. military commanders to focus CERP funds on projects that improve water and sanitation, electricity, and civic cleanup, while employing the largest number of Iraqi personnel for an extended period of time. Purchasing officers are encouraged to use local Iraqi firms to conduct CERP projects.<sup>230</sup>

Figure 2-38  
**SECTOR SHARES OF FY 2006 OBLIGATED CERP FUNDS**  
 \$ Millions, % of \$502.06 Million  
 Source: MNC-I, Response to SIGIR (4/2/2007)



Note:  
 1. Historically, SIGIR calculates sector share of funds by dividing dollars appropriated for each sector by total dollars appropriated. Appropriation detail at the sector and subsector level for CERP FY 2006 is currently unavailable; therefore, the percentages in this graphic are calculated using dollars obligated.  
 2. For reporting consistency, CERP activities are mapped to SIGIR-defined sectors.  
 3. Numbers affected by rounding.  
 4. See Appendix D for the SIGIR and CERP sector cross-reference.

### IRAQ CERP ALLOCATIONS, AS OF 3/31/2007 (MILLIONS)

APPROPRIATION	TOTAL PROGRAM FUNDING
P.L. 108-287 (FY 2004)	\$140
P.L. 109-13 (FY 2005)	718
P.L. 109-148 (FY 2006)	510
P.L. 109-234 (FY 2006)	375
P.L. 109-289 (FY 2007)	375
<b>Total U.S. Allocations</b>	<b>\$1,743</b>

Note: Data not formally reviewed or audited.

TABLE 2-15

## FY 2006 CERP PROJECTS BY TYPE, AS OF 4/2/2007

PROJECT TYPE	PROJECT TOTAL	COMPLETED PROJECTS	ONGOING PROJECTS	OBLIGATIONS	DISBURSEMENTS
Agriculture – Irrigation	114	75	39	\$42,264,077	\$20,328,033
Repair of Damage Resulting from Military Operations	60	57	3	\$1,459,933	\$1,345,848
Civic Cleanup Activities	244	205	39	\$17,358,066	\$15,005,300
Repair of Civic or Cultural Facilities	72	60	12	\$6,721,925	\$3,142,029
Civic Support Vehicles	9	9	0	\$2,194,300	\$2,194,300
Condolence Payments	428	417	11	\$7,754,637	\$7,415,987
Economic, Financial, and Management Improvements	59	49	10	\$10,466,575	\$8,708,447
Education	591	473	118	\$43,081,968	\$28,024,497
Electricity	427	355	72	\$78,686,259	\$42,823,895
Food Production and Distribution	17	15	2	\$1,469,595	\$1,165,646
Health Care	243	190	53	\$25,706,156	\$11,659,185
Rule of Law and Governance	169	153	16	\$10,116,158	\$8,426,269
Other Humanitarian or Reconstruction Projects	176	142	34	\$22,847,021	\$9,691,951
Oil	42	29	13	\$20,700,081	\$6,054,084
Telecommunications	79	65	14	\$7,253,489	\$4,952,040
Transportation	501	433	68	\$65,668,083	\$47,180,995
Water and Sanitation	671	518	153	\$138,319,417	\$63,881,358
<b>Total</b>	<b>3,902*</b>	<b>3,245</b>	<b>657</b>	<b>\$502,067,740</b>	<b>\$281,999,864</b>

Source: MNC-I, response to SIGIR, April 2, 2007

Note: Data not formally reviewed or audited: includes FY 2006 CERP (in-progress and complete only). Project types from Office of the Secretary of Defense CERP guidance, June 29, 2005. Appendix D shows how CERP sectors relate to SIGIR-defined sectors.

\*Approximately 3.6% of total projects have either been terminated or have not started.

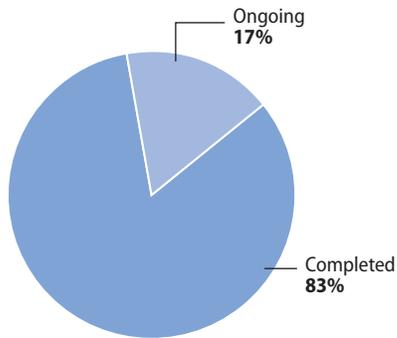
TABLE 2-16

As of April 2, 2007, 3,245 (83%) of CERP projects had been completed, and an additional 657 (17%) are ongoing (See Table 2-16). For obligations and disbursements of CERP funds by project type, see Figure 2-38.<sup>231</sup>

As of March 23, 2007, 171 CERP-funded GRD construction projects have started. For the status of all CERP projects, see Figure 2-39. The total cost of the projects is \$143.2 million.<sup>232</sup> Construction and non-construction costs for the governorates of Baghdad,

Anbar, and Ninewa represent more than 46% of CERP project costs and 48% of projects funded by FY 2006 CERP for the 18 governorates and nationwide. Of the ten strategic cities identified by GRD, three cities—Baghdad, Baqubah, and Basrah—have the highest total project costs and account for approximately 94% of total costs for all strategic cities with projects funded by the CERP.<sup>233</sup> For allocations of CERP funding by these strategic cities, see Table 2-17.

Figure 2-39  
**STATUS OF FY 2006 CERP PROJECTS**  
 Source: MNC-I, Responses to SIGIR (4/2/2007) and (4/12/2007)



Sector	Ongoing	Completed	Total*
Electricity	72	355	427
Oil and Gas	13	29	42
Water	153	518	671
Economic and Societal Development	242	968	1,210
Security and Justice	42	687	729
Health Care	53	190	243
Transportation and Communications	82	498	580
<b>Total</b>	<b>657</b>	<b>3,245</b>	<b>3,902</b>

\*Approximately 3.6% of total projects have either been terminated or have not started.

**CERP FY 2006 FUNDING BY STRATEGIC CITY**

STRATEGIC CITY	POPULATION	TOTAL FUNDING FOR STRATEGIC CITIES	TOTAL PROJECTS
Baghdad	5,949,000	\$55,113,798	323
Baqubah	500,000	\$8,142,571	82
Basrah	2,000,000	\$7,173,813	50
Fallujah	200,000	\$3,596,415	97
Kirkuk	750,000	\$1,011,026	5
Mosul	1,750,000	\$256,132	8
Najaf	482,000	\$110,485	5
North Babil	320,000	\$82,676	3
Ramadi	446,000	\$30,000	1
Samarra	200,000	0	0
<b>Total</b>		<b>\$75,516,916</b>	<b>574</b>

Source: IRMS, CERP Excel Workbook, 3/9/2007.  
 Note: Strategic cities based on GRD, *Bi-Weekly Strategic Cities Report*, March 13, 2007.

TABLE 2-17

**Electricity**

As of April 2, 2007, approximately \$43 million had been expended to complete 355 of the 427 planned projects. An additional 72 CERP-funded electricity projects were ongoing.<sup>234</sup> Most CERP-funded projects support local efforts to repair electrical distribution and transmission systems.

This quarter, two CERP projects totaling

\$1.4 million will repair two generator farms in Tameem, a district in south Ramadi. These will add approximately 20 MW of power to the Ramadi city distribution grid. However, work is progressing slowly and is about 65% complete.<sup>235</sup> CERP funds also provided sufficient electric generation equipment to help the **EG/Women’s Children’s General Hospital** in Ramadi run at 100% capacity.<sup>236</sup>

## Oil and Gas

As of April 2, 2007, \$20.7 million of CERP FY 2006 funds have been obligated to the oil and gas sector. Of these obligated funds, \$6.05 million (29%) has been expended to complete 29 of 42 projects (69%). Thirteen projects are ongoing.<sup>237</sup>

## Water

Nearly 54% of the obligated CERP FY 2006 funds (\$138.32 million) remains unspent; \$63.88 million was used to complete 518 of the 671 planned projects. An additional 153 projects are ongoing.<sup>238</sup>

CERP funds are being used for **CERP5/ Kamaliya Network Modifications** in the Baghdad Province. The \$3.1 million project began on February 13, 2005, and is scheduled to be completed on April 7, 2007. It will provide for the design and construction of a sanitary sewer system and trunk lines for six neighborhoods in the Kamaliya District in Baghdad. The project is designed to benefit approximately 60,000 Iraqis.<sup>239</sup>

CERP funds (\$.138 million) are also being used to repair and renovate the **Um Al-Delal sewage pumping station**. These lift stations serve more than 12,000 residents of Hayy Salhia.<sup>240</sup>

## Economic and Societal Development

The economic and societal development sector has the largest amount of obligated CERP FY 2006 funds. As of April 2, 2007, \$85 million (61%) of CERP FY 2006 funds have been expended out of approximately \$140 million

obligated to this sector. To date, 968 CERP-funded projects have been completed, and 242 are ongoing.<sup>241</sup>

CERP funds (\$.380 million) are being used to build a new 12-room classroom school in the **Village of Khazna Tappa**, in Ninewa Province. This PRDC project was started on March 11, 2007, and is scheduled to be completed on November 15, 2007. The school will benefit approximately 300 students and their teachers.<sup>242</sup>

CERP funds (\$.120 million) were used to start construction on **Al Abbasya Village School**, part of the Ninewa School cluster 5, in Ninewa Province. The objective of this PRDC project is to build a new six-classroom school. The project was started on March 7, 2007, and is estimated to be complete on November 15, 2007.<sup>243</sup>

## Security and Justice

As of April 2, 2007, \$26.05 million of CERP FY 2006 funds have been obligated to this sector. Additionally, \$20.33 million in CERP funding—78% of the obligated amount—had been expended. Approximately 687 of the 729 planned projects have been completed, and 42 are ongoing.<sup>244</sup>

## Health Care

Approximately 48% (\$12 million) of the \$26 million in obligated funds have been expended in the health care sector, as of April 2, 2007. Of 243 total projects, 190 had been completed, and 53 were ongoing.<sup>245</sup>

## Transportation and Communications

As of April 2, 2007, approximately \$73 million of CERP FY 2006 funds have been obligated, and \$52.13 million have been expended in this sector. Of the planned 580 projects funded by the CERP, 498 had been completed, and 82 were ongoing.<sup>246</sup>

CERP funds (\$.170 million) were used to construct approximately 1.16 km of concrete paved roads. The five roads will serve a community of approximately 10,000 people. The project has been accepted by the local municipal director, and final inspection was performed by the USACE Local National QA on January 13, 2007.<sup>247</sup>

On March 11, 2007, CERP funds completed the **Saqliwiah Floating Bridge Road** in Habbaniyah, Anbar Province, and a new paved road was completed between Al Saqliwiah Floating Bridge and Al Bauza Road. The road is approximately 5.5 kilometers long and will serve approximately 69,000 residents of the city of Habbaniyah.<sup>248</sup>

There are currently 56 CERP facilities and transportation projects in Mosul, valued at \$4.3 million. Of these, 55 have started (\$4.2 million), 50 have been completed (\$2.2 million), 5 are underway (\$2 million), and 1 has not yet started (\$0.1 million).<sup>249</sup>

## CHALLENGES

SIGIR has previously reviewed the CERP program and found that the CERP generally achieved success in smaller projects at the local level;<sup>250</sup> however, it is difficult to report on CERP outputs and outcomes for two reasons:

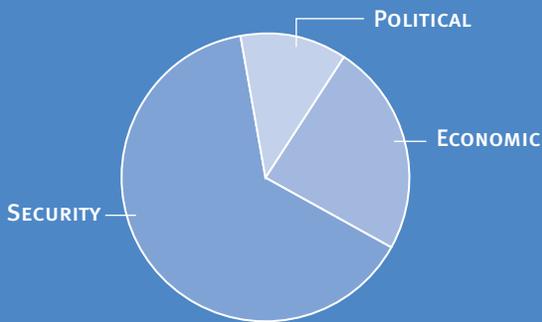
- There is no mechanism in place to specifically measure the outputs and outcomes of CERP-funded projects.<sup>251</sup>
- The high turnover of personnel in Iraq results in diminished continuity of program knowledge.<sup>252</sup>

Quality assurance is conducted during and at the completion of a project by outside engineering firms or engineers hired for project oversight. Project effects are embedded in CMO quarterly surveys and daily reports on essential services.<sup>253</sup>

At the request of the DoD OIG, SIGIR conducted an audit of the CERP in October 2005 to determine whether funds were properly administered. The audit concluded that “while CERP-appropriated funds were properly used for intended purposes, overall controls over CERP processes required improvement.”<sup>254</sup>

The SIGIR audit found that although considerable progress had been made to improve management of the CERP, the process to coordinate the efforts of DoS and USAID on CERP projects was not consistent, and MNF-I did not coordinate with DoS for the sustainment of large CERP construction projects.<sup>255</sup> This quarter, SIGIR audit 07-006, “Management of the Commander’s Emergency Response Program in Iraq for Fiscal Year 2006,” reviewed the CERP for FY 2006 and found that three of the five SIGIR recommendations have been met. For a summary of the report, see Section 3.

# ECONOMIC SUPPORT FUND



## section 2 ESF

Figure 2-40

### STATUS OF ESF FUNDS

\$ Millions

Sources: GRD, Response to SIGIR (4/2/2007); USAID, Response to SIGIR (4/10/2007)



## OVERVIEW

The Economic Support Fund (ESF) is a bilateral economic assistance account and part of the U.S. Foreign Operations Budget used to promote economic or political stability in rebuilding and developing countries around the world.<sup>256</sup> The Emergency Supplemental Appropriations for FY 2006, P.L. 109-234, appropriated \$1.485 billion in bilateral economic assistance for ESF projects in Iraq.<sup>257</sup>

DoS allocates ESF funds for Iraq to three tracks—security (\$932 million), economic (\$345 million), and political (\$208 million).<sup>258</sup> USAID and GRD implement most of these projects. For the status of these funds, see Figure 2-40.

**FY 2006 EMERGENCY SUPPLEMENTAL APPROPRIATIONS  
ECONOMIC SUPPORT FUND (MILLIONS)**

SECURITY TRACK	IMPLEMENTING AGENCY	AMOUNT
PRT/PRDC Projects	GRD	\$315
Infrastructure Security Protection (Oil, Water, and Electric)	GRD	277
PRTs Local Government Support	USAID	155
Community Stabilization Program in Strategic Cities	USAID	135
Community Action Program	USAID	45
Marla Ruzicka Iraq War Victims Fund	USAID	5
<b>Subtotal</b>		<b>932</b>
<b>ECONOMIC TRACK</b>		
Operations and Maintenance Sustainment	GRD	\$285
Capacity Development and Technical Training	GRD	60
<b>Subtotal</b>		<b>345</b>
<b>POLITICAL TRACK</b>		
Ministerial Capacity Development (USAID)	USAID	\$60
Ministerial Capacity Development (IRMO)	IRMO	45
Regime Crimes Liaison Office	NEA and DOJ	33
Democracy Funding for IRI, NDI, NED	NEA/DRL*	25
Policy and Regulatory Reforms	USAID	20
Civil Society, ADF, IFES	USAID	18
USIP	NEA/DRL	4
Civil Society, IREX	NEA/DRL	3
<b>Subtotal</b>		<b>208</b>
<b>Grand Total</b>		<b>\$1,485</b>

\*DoS Bureau of Democracy, Human Rights, and Labor (DRL)  
Source: IRMO, *Weekly Status Report*, March 27, 2007, p. 19.

TABLE 2-18

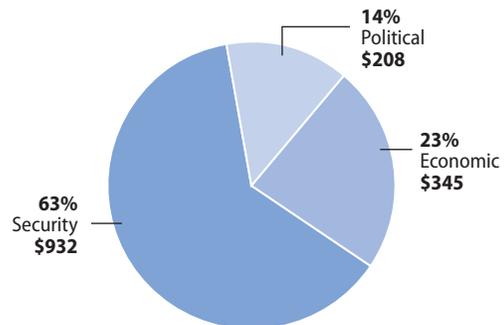
## ESF TRACKS

Figure 2-41 and Table 2-18 show ESF funds by track. For a list of ESF contracting actions, see Appendix E.

### Security Track

Programs in this track are intended to strengthen the ability of provincial governments to deliver essential services to their communities, strengthen the link between communities and their governments, reduce the incentives for Iraqis to participate in violent conflict, and improve infrastructure security.<sup>259</sup> The total amount of ESF 2006 funds

Figure 2-41  
**ALLOCATIONS OF FY 2006 ESF FUNDS BY TRACK**  
\$ Millions, % of \$1,485 Million  
Source: IRMO, *Weekly Status Report* (3/27/2007)



allocated to this track is \$932 million, which includes \$470 million for PRT/PRDC projects and PRT local government support. PRT/PRDC projects and PRT local government support represent approximately 32% of ESF funding and more than 50% of the ESF Security objective.<sup>260</sup> Figure 2-42 shows the status of funds in the security track.

**PRT/PRDC PROJECTS**

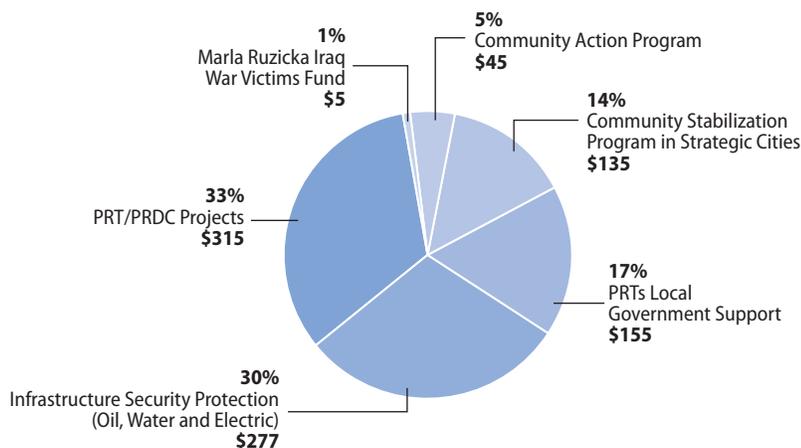
A total of \$315 million of ESF funds for FY 2006 have been allocated for PRT/PRDC projects. As of March 23, 2007, GRD has obligated \$50.8 million.<sup>261</sup> The National Embassy Team (NET) has approved 136 PRDC projects.

Seven projects, valued at approximately \$9.3 million, have been started.<sup>262</sup>

The PRTs help support local Iraqi leaders through targeted assistance, such as micro-loans and grants. These funds “help start new businesses and create jobs, provide services that meet the local needs of their communities, and develop the capacity to govern in an effective, sustainable way.”<sup>263</sup>

PRDCs have provided Iraqi officials with greater involvement in determining how U.S. government assistance funds should be used for infrastructure development. The National Coordination Team (NCT) manages the disbursement of this funding.<sup>264</sup>

Figure 2-42  
**ALLOCATIONS OF ESF FUNDS - SECURITY TRACK**  
 \$ Millions, % of \$932 Million  
 Source: IRMO, *Weekly Status Report* (3/27/2007)



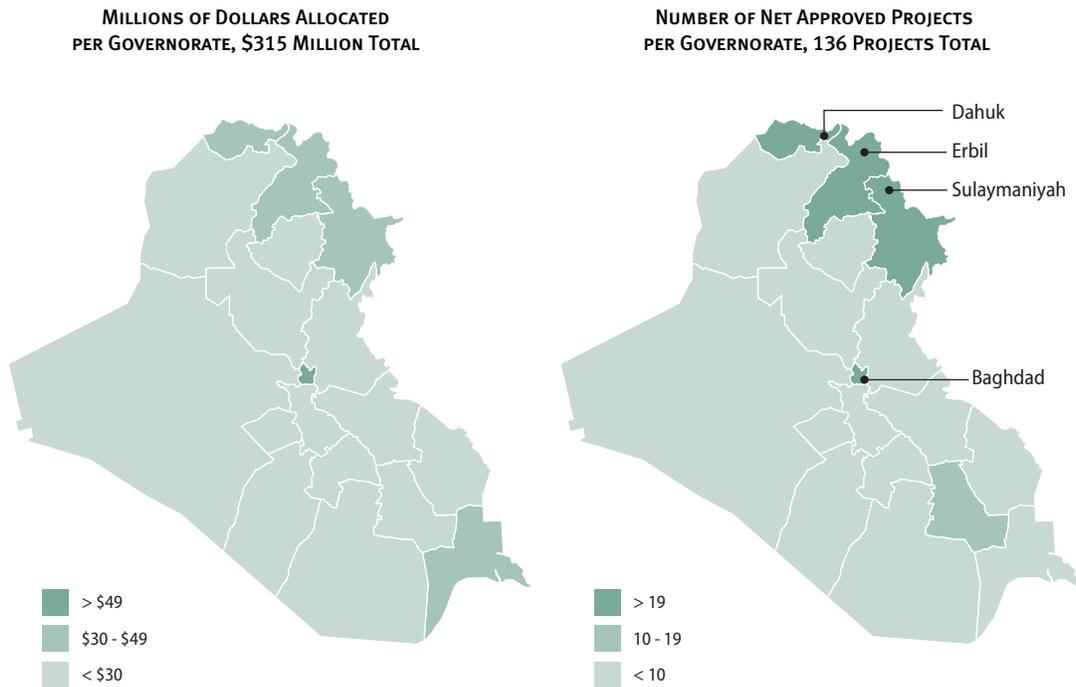
Baghdad, Basrah, and the Kurdish Regional Government have been allocated the largest amount of ESF funds:

- \$50 million was allocated to the PRDC in Baghdad; an additional \$50 million was provided for essential service infrastructure.
- The Basrah PRDC was provided \$40 million.

- More than \$31.7 million was obligated to the Kurdish Regional Government, which includes flood assistance.

Figure 2-43 shows the allocation of the ESF by governorate, as well as the number of projects in each governorate.

Figure 2-43  
**ESF FY 2006 FUNDING AND NUMBER OF PRDC-APPROVED PROJECTS BY GOVERNORATE**  
 Source: IRMO, *Weekly Status Report* (3/27/2007)

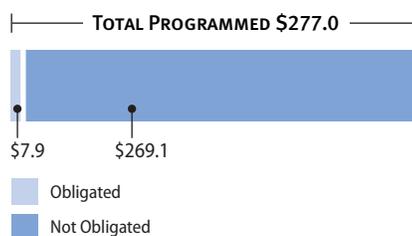


### INFRASTRUCTURE SECURITY PROTECTION

Approximately \$277 million of ESF funds for FY 2006 have been allocated to infrastructure security protection. USACE and GRD established a preliminary list of 39 projects for the oil, water, and electricity sectors. GRD will do the design, solicitation, award, and quality assurance for 28 of these projects, which are valued at \$29 million. GRD will manage the remaining 11 projects, which are valued at \$238 million. These projects are typically designed for facilities hardening, improved lighting, communications, and improvements to forward-operating bases used by the Iraqi Army to protect critical infrastructure.<sup>265</sup>

The main projects are exclusion zones for oil pipelines for \$100 million, oil storage tanks

Figure 2-44  
**STATUS OF FY 2006 ESF FUNDS - SECURITY TRACK**  
**INFRASTRUCTURE SECURITY PROJECTS IMPLEMENTED BY GRD**  
 \$ Millions  
 Source: GRD, "Program Review Board," Slide 11 (3/23/2007)



for \$95 million, and oil valves for \$7 million.<sup>266</sup> Figure 2-44 and Table 2-19 show the status of the ESF programmed for infrastructure security implemented by GRD.

One example of projects funded in this sub-track is the construction of a security perimeter at the **Al Latifiya Oil Storage Facility** in the province of Baghdad. The contract, which was awarded on April 13, 2007, for \$1.5 million, will include a 2.5-meter, steel-reinforced, finished masonry wall approximately 3,800 meters long.<sup>267</sup>

**STATUS OF FY 2006 ESF FUNDS—INFRASTRUCTURE SECURITY IMPLEMENTED BY GRD** (MILLIONS)

SECTOR	PROGRAMMED AMOUNT <sup>a</sup>	TOTAL OBLIGATED <sup>b</sup>	OBLIGATED PERCENTAGE OF TOTAL PROGRAMMED AMOUNT
Electrical	\$135.0	\$2.7	2%
Oil	135.0	2.5	2%
Water	7.0	2.7	39%
<b>Total</b>	<b>\$277.0</b>	<b>\$7.9</b>	<b>3%</b>

Source: GRD, "Program Review Board," slide 11, March 23, 2007.

<sup>a</sup> Programmed amount is funding obligated to GRD by DoS.

<sup>b</sup> Obligated amount is funding GRD has awarded for a contract. IRMO, response to SIGIR, April 20, 2007.

TABLE 2-19

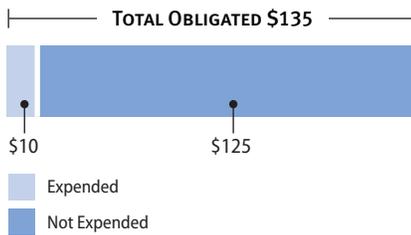
### LOCAL GOVERNANCE SUPPORT

The **Local Governance Program** provides aid for provincial and local government policy reform, a decentralized mode of governance, government to citizen services, economic development, and transparency and accountability support. USAID has initiated a procurement action to obligate \$68 million<sup>268</sup> of the \$155 million to support an existing program intended to increase management skills and knowledge of provincial and local councils. Additionally, through the PRTs, the funds will help build the capacity of local administrators to direct services in a number of areas.<sup>269</sup>

### Community Stabilization Program in Strategic Cities

USAID has obligated all of the \$135 million in ESF funds for FY 2006 allocated for the **Community Stabilization Program in Strategic Cities (CSP)** and expended \$9.5 million, as of April 10, 2007.<sup>270</sup> These obligated funds include \$95 million for job corps employment generation activity, skills development, and vocational education; \$20 million for specialized youth programs; and \$20 million for micro, small, and medium enterprise support linked to vocational training and the job corps.<sup>271</sup> The

Figure 2-45  
**STATUS OF FY 2006 ESF FUNDS - USAID COMMUNITY STABILIZATION PROGRAMS**  
 \$ Millions  
 Source: USAID, Response to SIGIR (4/10/2007)



Note: Numbers may be affected by rounding.

cumulative expenditure for the CSP program as of March 31, 2007, is approximately \$51 million (\$30 million from IRRF and \$21 million from ESF).<sup>272</sup> For the status of FY 2006 funds, see Figure 2-45.

CSP has initiated security assessment and planning activities in Kirkuk, conducted preliminary discussions and planning in Mosul/Talafar, and established contact in Fallujah and Basrah.<sup>273</sup> The estimated completion date for this program is September 30, 2008.<sup>274</sup>

### Community Action Program

The **Community Action Program (CAP II)**, implemented by USAID, has been allocated \$45 million of FY 2006 ESF funds. All of these funds have been obligated, and \$.6 million has been expended.<sup>275</sup> For the status of these funds, see Figure 2-46. The CAP has accrued disbursements of \$3.6 million, as of March 31, 2007.<sup>276</sup>

CAP aims to promote democracy and prevent and mitigate conflict by creating representative, participatory community groups to identify critical priorities and implement programs to address the community needs, including the needs of war victims. CAP has established more than 1,400 community associations throughout the country and created 31,000 long-term jobs since its inception in 2003.<sup>277</sup>

Recent CAP projects near completion include two **pedestrian bridges in Diwaniyah City** which are expected to benefit 500,000

people, including government workers, laborers, patients and students. This project will provide temporary jobs for approximately 120 Iraqis. Other projects include a new marketplace in Al-Nea, rehabilitation of the Central Library in Kut, and the construction of a sports center in Maymouna.<sup>278</sup>

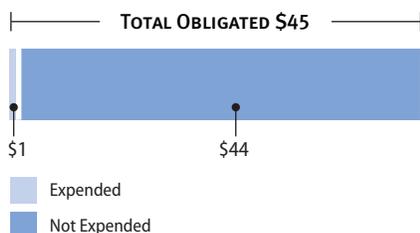
### Economic Track

Restore, Reform, and Build is the strategic objective of the economic track, which focuses on strengthening essential service ministries through O&M training programs and in-plant services to sustain U.S. investments in essential service infrastructure.<sup>279</sup> Figure 2-41 shows the allocation of the ESF to the economic track.

### OPERATIONS & MAINTENANCE

USACE GRD is the implementing agency for this project. A portion of the \$285 million ESF allocated to this program has gone to support IRMO in obtaining written commitments from the Ministries of Electricity, Health, Transportation, Communications, Water Resources and Municipalities and Public Works, as well as the Baghdad Amanat, to include O&M sustainment costs in their 2007 budget. The commitment includes the partial match of O&M sustainment funds provided by the U.S. government in the FY 2006 Supplemental and FY 2007 budgets. Four contracts, worth a total of \$62 million, have been awarded for O&M sustainment of U.S.-funded electric facilities.<sup>280</sup>

Figure 2-46  
**STATUS OF FY 2006 ESF FUNDS - USAID  
 COMMUNITY ACTION PROGRAMS IMPLEMENTED**  
 \$ Millions  
 Source: USAID, Response to SIGIR (4/10/2007)



Note: Numbers may be affected by rounding.

Figure 2-47  
**ALLOCATIONS OF FY 2006 ESF FUNDS - ECONOMIC TRACK**  
 \$ Millions, % of \$345 Million  
 Source: IRMO, *Weekly Status Report* (3/27/2007)

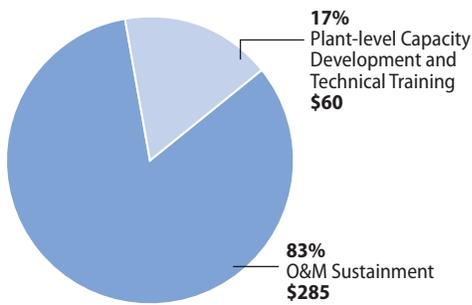


Figure 2-47 and Table 2-20 show the status of the ESF programmed for O&M.

**CAPACITY DEVELOPMENT AND TECHNICAL TRAINING**

USACE GRD is responsible for the execution and disbursement of the \$60 million of ESF funds allocated to this program, as well as for overall project quality assurance oversight.<sup>281</sup>

As of March 23, 2007, \$14.5 million has been obligated for GRD projects in this program.

Figure 2-48 and Table 2-21 show the status of the ESF programmed for capacity development and technical training.

**STATUS OF FY 2006 ESF FUNDS – SUSTAINMENT IMPLEMENTED BY GRD (MILLIONS)**

SECTOR	PROGRAMMED AMOUNT <sup>a</sup>	TOTAL OBLIGATED <sup>b</sup>	PERCENTAGE OF TOTAL PROGRAMMED AMOUNT
Electrical	\$228.0	\$86.3	38%
Health Care	12.0	0.0	0%
Transportation	7.0	0.0	0%
Communication	6.0	1.3	22%
Water and Sanitation	32.0	2.0	6%
<b>Total</b>	<b>\$285.0</b>	<b>\$89.6</b>	<b>31%</b>

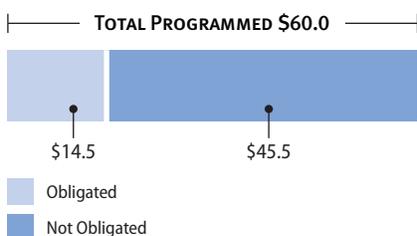
Source: GRD, "Program Review Board," slide 11, March 23, 2007.

<sup>a</sup> Programmed amount is funding obligated to GRD by DoS.

<sup>b</sup> Obligated amount is funding GRD has awarded for a contract. IRMO, response to SIGIR, April 20, 2007.

TABLE 2-20

Figure 2-48  
**STATUS OF FY 2006 ESF FUNDS - ECONOMIC TRACK CAPACITY DEVELOPMENT AND TECHNICAL TRAINING PROJECTS IMPLEMENTED BY GRD**  
 \$ Millions  
 Source: GRD, "Program Review Board," Slide 11 (3/23/2007)



**STATUS OF FY 2006 ESF FUNDS—CAPACITY DEVELOPMENT IMPLEMENTED BY GRD (MILLIONS)**

SECTOR	PROGRAMMED AMOUNT <sup>a</sup>	TOTAL OBLIGATED <sup>b</sup>	PERCENTAGE OF TOTAL PROGRAMMED AMOUNT
Electrical	\$25.0	\$12.5	50%
Health Care	12.0	0.0	0%
Transportation	6.0	0.0	0%
Communication	2.0	0.2	10%
Water and Sanitation	15.0	1.8	12%
<b>Total</b>	<b>\$60.0</b>	<b>\$14.5</b>	<b>24%</b>

Source: GRD, "Program Review Board," slide 11, March 23, 2007.

<sup>a</sup> Programmed amount is funding obligated to GRD by DoS.

<sup>b</sup> Obligated amount is funding GRD has awarded for a contract. IRMO, response to SIGIR, April 20, 2007.

TABLE 2-21

**ECONOMIC ACTIVITIES**

The GRD Program Review Board reported that, as of March 23, 2007, 7 of the 28 awarded construction projects have been started, at a cost of \$7.3 million in ESF funds.<sup>282</sup> The Board also reports that \$1.02 billion of ESF FY 2006 funds have been programmed for 328 reconstruction projects, and \$162.8 million of the fund has been obligated.<sup>283</sup>

On December 1, 2006, a contract for \$14 million ESF funds was awarded for refurbishments of **Al-Qudas** and **Burzurgan Power Stations**. The project includes the purchase of a new or refurbished core engine and the removal, replacement, refurbishment, and installation of one core engine at each of the two power plants.

## Political Track

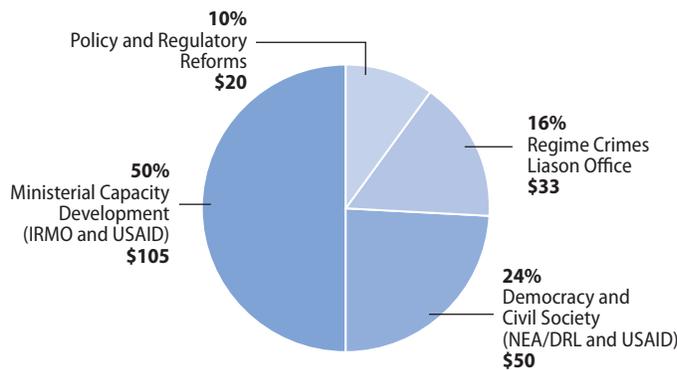
The political track focuses on helping the GOI strengthen the core functions necessary for the efficient administration of its key national ministries. Funds will assist the Ministry of Finance and the Central Bank of Iraq, support critical democracy-building programs, and assist the Iraqi High Tribunal through Regime Crimes Liaison Office programs. USAID's goal in the political track is to build national capacity.<sup>284</sup> Figure 2-49 shows the status of ESF funds allocated to the political track.

## MINISTERIAL CAPACITY DEVELOPMENT

More than half of the \$105 million in ESF funds allocated to the political track are dedicated to building ministerial capacity. The ministerial capacity program strengthens leadership capacity, assists with budget execution, and improves service delivery.

To implement these programs, IRMO has been allocated \$45 million, and USAID has been allocated \$60 million. As of March 26, 2007, IRMO has obligated \$29.5 million, and USAID has obligated all \$60 million.<sup>285</sup>

Figure 2-49  
**ALLOCATIONS OF FY 2006 ESF FUNDS - POLITICAL TRACK**  
 \$ Millions, % of \$208 Million  
 Source: IRMO, *Weekly Status Report* (3/27/2007)



Note: Does not include IATA or INCLE.

**Ministry of Finance and Central Bank of Iraq**

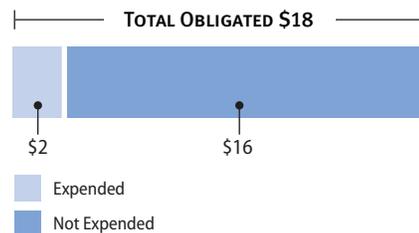
USAID obligated all \$20 million to support an existing program to assist the Iraq Ministry of Finance and Central Bank of Iraq.<sup>286</sup> Projects in this program help overcome legal, fiscal, institutional, and regulatory frameworks and functions that complicate the flow of private investment and trade.<sup>287</sup>

**Democracy and Civil Society**

The FY 2006 ESF budget allocated \$56 million to Democracy and Civil Society. The FY 2006 Emergency Supplemental allocated \$50 million to this program. All of the \$18 million of ESF FY 2006 funds allocated to USAID for Civil

Society and IFES Election Support Projects has been obligated, and over \$1.8 million has been expended, as of April 2007.<sup>288</sup> The DoS Bureau of Democracy, Human Rights, and Labor (DRL) has obligated \$86 million of the FY 2006 ESF funds and Emergency Supplemental to the National Democratic Institute, International Republican Institute, International Research and Exchange Board, and United States Institute of Peace.<sup>289</sup>

Figure 2-50  
**STATUS OF FY 2006 ESF FUNDS - USAID  
 DEMOCRACY AND CIVIL SOCIETY PROGRAMS**  
 \$ Millions  
 Source: USAID, Response to SIGIR (4/10/2007)



Note: Numbers may be affected by rounding.

**Regime Crimes Liaison Office**

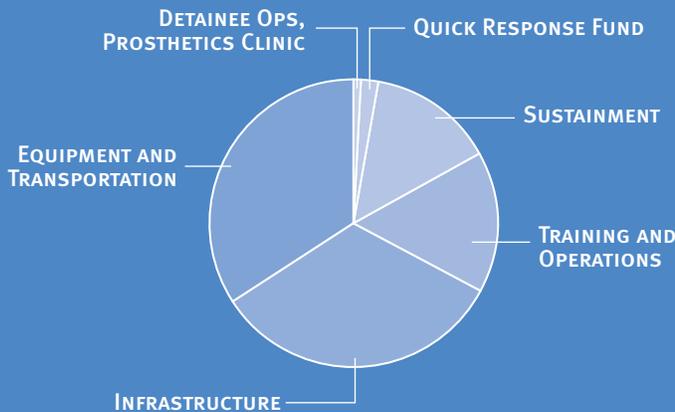
All of the \$33 million of ESF funds allocated to the Regime Crimes Liaison Office (RCLO) program have been obligated. This program is implemented by the Department of Justice; however, funds for this program are executed by the RCLO in Baghdad. The program provides support related to trials (i.e., Saddam Hussein's trial), repatriation of remains, mission close-out, demobilization of the forensic analysis facility, courthouse and witness security, judicial training, and capacity building.<sup>290</sup>

**Continuing Issues**

ESF provides traditional foreign assistance funding for a bottom-up approach that may help enable a stronger Iraqi leadership. ESF-funded programs are consistent with those identified in January 2007 by the National Intelligence Council with the potential to reverse Iraq's current "negative trajectory."<sup>291</sup> It is difficult, however, to measure the success of individual programs because many do not have quantitative metrics.

Increased PRT activity and the roll-out of embedded PRTs provide a new level of support for a strategy that is integrated with current security objectives. However, DoS has not yet done an assessment to determine whether PRTs are achieving their purposes.<sup>292</sup>

# IRAQ SECURITY FORCES FUND



## section 2 ISFF

Figure 2-51  
**STATUS OF ISFF FUNDS**  
\$ Billions  
Source: DoD, Secretary of the Army Update (3/27/2007)



Note:  
Totals are produced by combining financial detail from ISFF 2005 and ISFF 2006 funds.

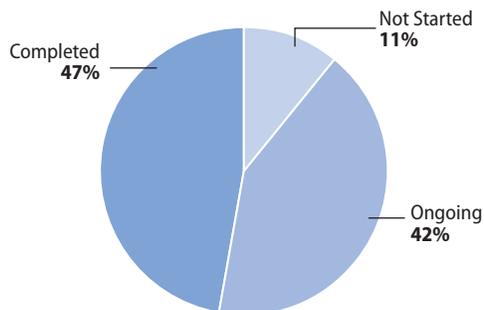
## OVERVIEW

In 2005, the Iraq Security Forces Fund (ISFF) was established under P.L. 109-13 to allow the Commander of MNSTC-I to provide assistance to the Iraqi Security Forces (ISF). Along with IRRF, ISFF funds have been used to train and equip the ISF, which was reconstituted after Operation Iraqi Freedom. The central objective of these funds was to stand up an Iraqi force capable of enabling MNF-I to meet critical requirements and transition security authority to the GOI.<sup>293</sup>

MNSTC-I no longer oversees any IRRF funds.<sup>294</sup> Originally set up parallel to the IRRF and overseen by CPA, ISFF is a DoD-administered resource to provide for “equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction.”<sup>295</sup>

As of March 27, 2007, approximately 86% of the \$8.32 billion in ISFF funds for FY 2005 and FY 2006 had been obligated, and almost 65% had been expended. An additional \$1.7 billion of ISFF funds has been approved for FY 2007. These funds will remain available until September 30, 2008.<sup>296</sup> For the status of ISFF funds, see Figure 2-51.

Figure 2-52  
**STATUS OF ISFF PROJECTS**  
 Source: IRMS, IRMO Rollup (3/30/2007)



Project Type	Not Started	Ongoing	Completed	Total
Training and Operations	23	138	149	310
Infrastructure	27	26	52	105
Sustainment		23	12	35
Equipment and Transportation		4	2	6
<b>Total</b>	<b>50</b>	<b>191</b>	<b>215</b>	<b>456</b>

MNSTC-I manages the ISFF funds. MNSTC-I awards approximately 90% of its construction funds through the Air Force Center for Environmental Excellence (AFCEE). AFCEE then awards contracts to U.S. prime contractors that hire and manage Iraqi subcontractors to execute the projects. Consequently, almost all of the employees on these projects are Iraqis. The remaining projects are contracted through GRD and Joint Contracting Command-Iraq (JCC-I); nearly all projects are directly awarded to local Iraqi firms. For non-construction contracts, JCC-I awards more than 50% of ISFF contracts to Iraqi firms.<sup>297</sup>

MSNTC-I maintains project/program managers to provide oversight of the construction program; these managers review the project scope and cost changes to ensure compliance

with mission requirements and resource availability. To manage cost-overruns, MNSTC-I has a standard 15% contingency for its construction projects.<sup>298</sup>

Of the 456 projects funded by ISFF in FY 2005 and FY 2006, 215 have been completed, 191 are ongoing, and 50 have not yet started.<sup>299</sup> For the status of ISFF projects, see Figure 2-52.

Although most ISFF-funded projects have been completed as planned in terms of scope, money, and schedule, a few projects have encountered delays and cost increases. One of the main reasons is the challenging security environment and the resulting need for additional force protection. Although MNSTC-I does not maintain a separate cost-line related to hiring contracted security, it has been tracking security costs to determine the scope and scale of contracted force and site protec-

tion on its AFCEE projects. Additionally, contractors track cost impacts from insurgent threats on a project-by-project basis and report these impacts to the contracting agency and MNSTC-I for review.<sup>300</sup>

## ACTIVITIES OF THE ISFF PROGRAM

ISFF funds are primarily used to train, equip, and field members of the ISF. For a breakdown of the use of funds, see Figure 2-53. This quarter, the ISFF section focuses on the ISF training and equipping initiatives.

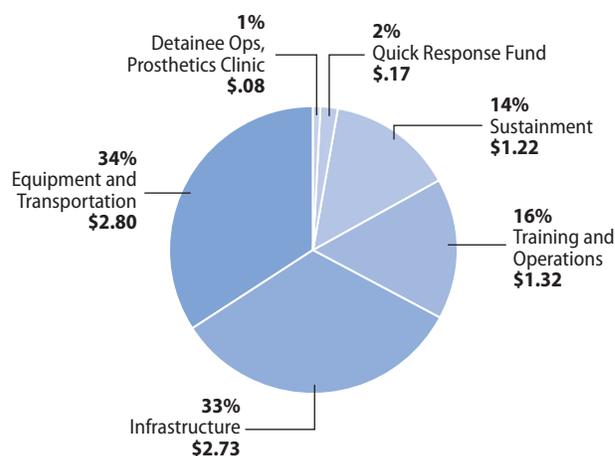
## Training, Equipping, and Fielding the Iraqi Security Forces

The initial force-generation plans for the Ministry of Interior and the Ministry of Defense were completed by the end of 2006 when the effort shifted to replacing force losses and developing sustainment capacity.<sup>301</sup>

As of April 4, 2007, 331,000 Iraqi military and police forces have been trained and equipped for security operations, meeting and exceeding the goal of 325,000 ISF personnel:

- 137,700 Iraqi Army, Navy, and Air Force personnel<sup>302</sup>
- 193,300 police, highway patrol, and other Ministry of Interior officers<sup>303</sup>

Figure 2-53  
**ALLOCATIONS OF ISFF FUNDS BY SECTOR**  
Billions, % of \$8.32 Billion  
Source: DoD, Secretary of the Army Update (3/27/2007)



Note: Numbers may be affected by rounding.

## Fielding and Equipping Trained Troops

The target for training and equipping ISF personnel has been met, but the actual number of security forces on duty remains a concern. DoD continues to note that the actual number of present-for-duty soldiers is about one-half to one-third of the total because of scheduled leave, absence without leave, and attrition.<sup>304</sup>

The major reason for the discrepancy between authorized strength and actual strength is a policy that allows 25% of soldiers to take leave to bring home their pay.<sup>305</sup> Also, the AWOL rate is 5-8%. The Military Court Procedures Law, passed in January 2007, will give commanders a tool to deal with absenteeism and desertion.<sup>306</sup> In addition, one proposed measure to discourage troop desertions is a bonus system.<sup>307</sup>

The Government Accountability Office (GAO) reported this quarter on several factors that prevent the ISF from effectively stopping the violence in Iraq. First, not all of the ISF personnel are responsible for counterinsurgency operations. Only the Iraqi army—approximately 40% of ISF—has the primary mission of battling insurgency. Second, the number of ISF personnel is questionable given the high rate of AWOL and the insufficiency of ministry reporting. Third, sectarian tension and militia infiltration have impacted the dependability of the military forces. Finally, Iraqi forces still depend on Coalition forces for logistical support.<sup>308</sup>

As of February 19, 2007, there are 112 Iraqi Army battalions, and 103 are conducting operations at varying levels of capability. The GOI and the Coalition are implementing new manning initiatives in 2007. MNSTC-I is training and equipping an additional 30,000 soldiers and increasing the manning of combat units to 110%, and the GOI is increasing the size of the Army by approximately 24,000 soldiers.<sup>309</sup>

According to DoD, Ministry of Defense forces are increasingly taking the lead in operations.<sup>310</sup> As of February 13, 2007, 8 Division Headquarters, 31 Brigade Headquarters, and 93 Iraqi Army battalions had been assessed as capable of leading counter-insurgency operations. Moreover, the Iraqi Ground Forces Command (IGFC) had assumed command and control of six of the ten Army divisions.<sup>311</sup> By June 2007, the IGFC is expected to gain control of all divisions.<sup>312</sup>

## Training Iraqi Police

The initial target of training 135,000 Iraqi Police Service personnel has been met this quarter. DoD reported, however, that the distribution of the police did not meet the original program, causing uneven allocations of police personnel among provinces.<sup>313</sup>

Currently, 203 Police Transition Teams (PTTs) are operating throughout Iraq, assisting the development of the Iraqi Police Service. These teams include International Police Liaison Officers who provide civilian law enforcement expertise in technical aspects

of criminal investigation and police station management. PTTs report the operational readiness of the police forces to MNC-I on a monthly basis.<sup>314</sup>

Complementing the traditional police component in Iraq, the National Police were historically trained for paramilitary operations. There have been numerous accusations of human rights abuses and other illegal activities against these forces. In October 2006, MNSTC-I implemented the National Police Transformation and Retraining program. DoD reports that, as of February 19, 2007, more than 24,400 members of the National Police have completed initial training, meeting the initial goal.<sup>315</sup>

Of the National Police's 27 authorized battalions, 6 are in the lead in their respective areas of responsibility. In addition, the Coalition is supporting the prime minister's initiative to expand the National Police to 10 brigades and 26,900 police.<sup>316</sup> This quarter, DoD reported that the National Police are disproportionately Shia; therefore, MNSTC-I continues to advocate recruiting initiatives encouraging Sunnis.<sup>317</sup>

Similar to the PTTs, 39 National Police Transition Teams (NPTTs) now support the development of National Police units by mentoring, training, and facilitating communication with Coalition forces. Like their counterparts in military and police, NPTTs also assess the operational readiness of the National Police.<sup>318</sup>

Finally, MNSTC-I has trained and equipped approximately 28,400 Department of Border Enforcement (DBE) and Department of Ports of Entry (POE) personnel, meeting the initial target. The Coalition has funded the forces for 258 of the 420 border posts and forts. Since last quarter, DBE and POE have improved the Transition Readiness Assessment ratings, and the Department of Border Enforcement is now in the lead on Iraq's borders.<sup>319</sup> The DBE is supported by 28 Border Transition Teams.

## Developing Issues with Training the ISF

The ISF's development into a capable instrument of security is central to the GOI meeting benchmarks for increasing international economic and political assistance,<sup>320</sup> as well as the conditions for an effective operational transition from the standing commitment of the MNF-I.<sup>321</sup>

Recent initiatives in the security sector may test the readiness of the ISF to assume a larger role in Iraq's security. MNF-I and ISF are currently focusing their combined forces on those areas where violence is highest (Baghdad and Anbar provinces) with the intent of holding those areas that have been cleared of hostile elements.<sup>322</sup> The prospect of insurgents striking in other areas creates a dynamic of a more expansive secure-hold-build operation. As such, a greater number of ISF members may likely be required in addition to the ones directed to the Baghdad and Anbar areas of operation.

Although more than \$5 billion in ISFF has been expended to support the development of the ISF, many challenges remain. Principal among these challenges in the near-term is the

capability of the ISF to play a highly visible role helping MNF-I to promote greater security in the country.

## CROSS-SECTOR ISSUES

### Security Overview

The volatile security environment, coupled with the limitations of the law enforcement and judicial systems, has continued to hinder the progress of reconstruction projects across all sectors. Persistent attacks on U.S.-funded infrastructure projects and sustainment challenges could jeopardize the completion of projects by their planned end-dates of mid- to late-2008.<sup>323</sup>

Protecting linear assets remains a major concern, particularly electricity transmission lines and oil and gas pipelines.<sup>324</sup> DoD reported an average of 1.4 attacks per week on critical infrastructure in the electric, water, and oil and gas sectors.<sup>325</sup> Although the attack rate is lower than in the pre-sovereignty period, the recent attacks are more effective, resulting in greater disruption of services and further diminishing facility output rates.<sup>326</sup> In addition, repair teams sent in after attacks continue to face threats, including kidnapping and murder.<sup>327</sup>

Poor security conditions continue to hinder the flow of rail traffic in Iraq. Since February 2006, no trains have operated along the Baghdad-Basrah-Umm Qasr route.<sup>328</sup> This quarter, IRMO reported that the Iraq Republic Railway (IRR) suffers from an intimidation campaign by insurgent forces against IRR

employees at Mosul; this has stopped railway movement of heavy fuel oil from Baiji to Syria.<sup>329</sup>

Many schools and universities have been forced to close, and teachers and professors have increasingly become targets of violent attacks. Last quarter SIGIR reported that 90% of the schools in the Diyala governorate are closed because of adverse security conditions, threats, and attacks. Almost no schools in the city of Ramadi in Anbar were open because of threats from Al-Qaida.<sup>330</sup> However, DoS reported this quarter that all schools in Anbar are in session and most schools in Diyala are now open.<sup>331</sup>

The attacks on teachers and professors have caused a significant number of Iraq's educators to flee the country. In 2006 alone, the Ministry of Education reported that more than 300 of its teachers and employees were killed, and an additional 1,158 were wounded.<sup>332</sup> From 2003 to August 2006, the Ministry of Higher Education reported that 154 professors had been assassinated, and 15 more were killed between August and October 2006.<sup>333</sup>

Also, insurgent attacks have slowed construction of primary healthcare centers (PHCs). This quarter, four PHCs were bombed.<sup>334</sup>

## Ministerial Capacity Development

Capacity development—the strengthening of human and institutional capabilities to help a society develop a more secure and sustainable economy, government, and infrastructure<sup>335</sup>—has been a critical topic, especially during this stage of Iraq reconstruction.

The IRRF has funded \$15 million in initiatives to enhance capacity development. Initial program initiatives included budget execution, procurement reform, strategic planning, specialized ministerial technical assistance, and English language courses across ten key ministries and the Prime Minister’s Office.<sup>336</sup>

In addition, \$105 million in ESF funds under the FY 2006 Supplemental are allocated for capacity-development projects. The Ministerial Coordination Team and the Ministerial Advisory Team efforts are funded by \$45 million, and USAID will use the remaining \$60 million to focus on longer-term ministerial capacity issues, such as fiscal management, personnel management and administration, strategic planning, and information technology.<sup>337</sup>

## Sustainment and Logistics

This quarter, DoD reported that “the most significant shortcoming in both Ministry of Defense and Ministry of Interior forces’ capabilities is in planning and executing logistics and sustainment requirements.”<sup>338</sup>

The Iraqi Army has 9 motorized transportation regiments, 4 logistics battalions, 2 support battalions, 5 regional support units, and 80 garrison support units to provide logistics and support for divisions. Nevertheless, the system is relatively immature, according to DoD, particularly in warehouse/depot operations and transportation. The Coalition still provides significant assistance to the Ministry of Defense on logistics and sustainment issues by overseeing about 60 transition teams.<sup>339</sup>

More than 100 advisors make up the Transition Team working with the Ministry of Interior to improve key ministry functions. As reported in the last Quarterly Report, the ministry is assessed as being partly effective.<sup>340</sup>

Approximately 14% of ISFF funding has gone to sustainment projects, which include life support, maintenance, repair parts, communications architecture, helicopter sustainment, etc. Some major projects include:

- \$50 million for life support in training academies
- \$30 million for vehicle maintenance
- \$9 million for IT support
- \$151 million for a National Maintenance Contract, eventually to be funded through Foreign Military Sales
- \$57 million for life support for the Basic Combat Training Expansion
- \$12 million for logistical transportation<sup>341</sup>

Other sectors also suffer. This quarter, DoS noted that “planning and spending for infrastructure O&M-related costs is a major shortfall of the GOI budget system.”<sup>342</sup>

SIGIR Inspections reports that U.S.-funded projects inspected this quarter that are now under Iraqi control “are not being adequately maintained.” SIGIR Inspection PA-06-094 notes that at Erbil Maternity and Pediatric Hospital, “O&M practices [have] been ineffective” because “hospital workers chose not to use the new equipment.”

Sustainability continues to be an important factor in explaining the slow progress in several reconstruction sectors in Iraq, including oil and gas, electricity, and water. SIGIR Inspections warns this quarter that “if SIGIR’s sustainment reviews are representative of the quality and effectiveness of operation and maintenance on transitioned projects, the value of the United States investment in Iraqi reconstruction will be at risk.”

## Budget Execution

According to the U.S. Treasury Attaché in Iraq, in 2006 Iraq spent 75% of its budget—approximately \$26 billion of the \$34 billion total budget.<sup>343</sup> Most of this money went to meet the needs of Iraq’s operating budget, particularly personnel salaries.<sup>344</sup> Most of the \$8 billion left unspent from 2006 will be budgeted for expenditure in the 2007 capital budget.<sup>345</sup>

DoS reports that the GOI has not completed

an audit of its 2006 budget expenditures and that the GOI has not provided finalized 2006 expenditure figures to the United States.<sup>346</sup> The GOI uses a “legacy manual reporting system”<sup>347</sup> to audit expenditures—not the Financial Management Information System (FMIS), which is part of USAID’s ministry capacity development program. The manual system does not provide for real-time reports.

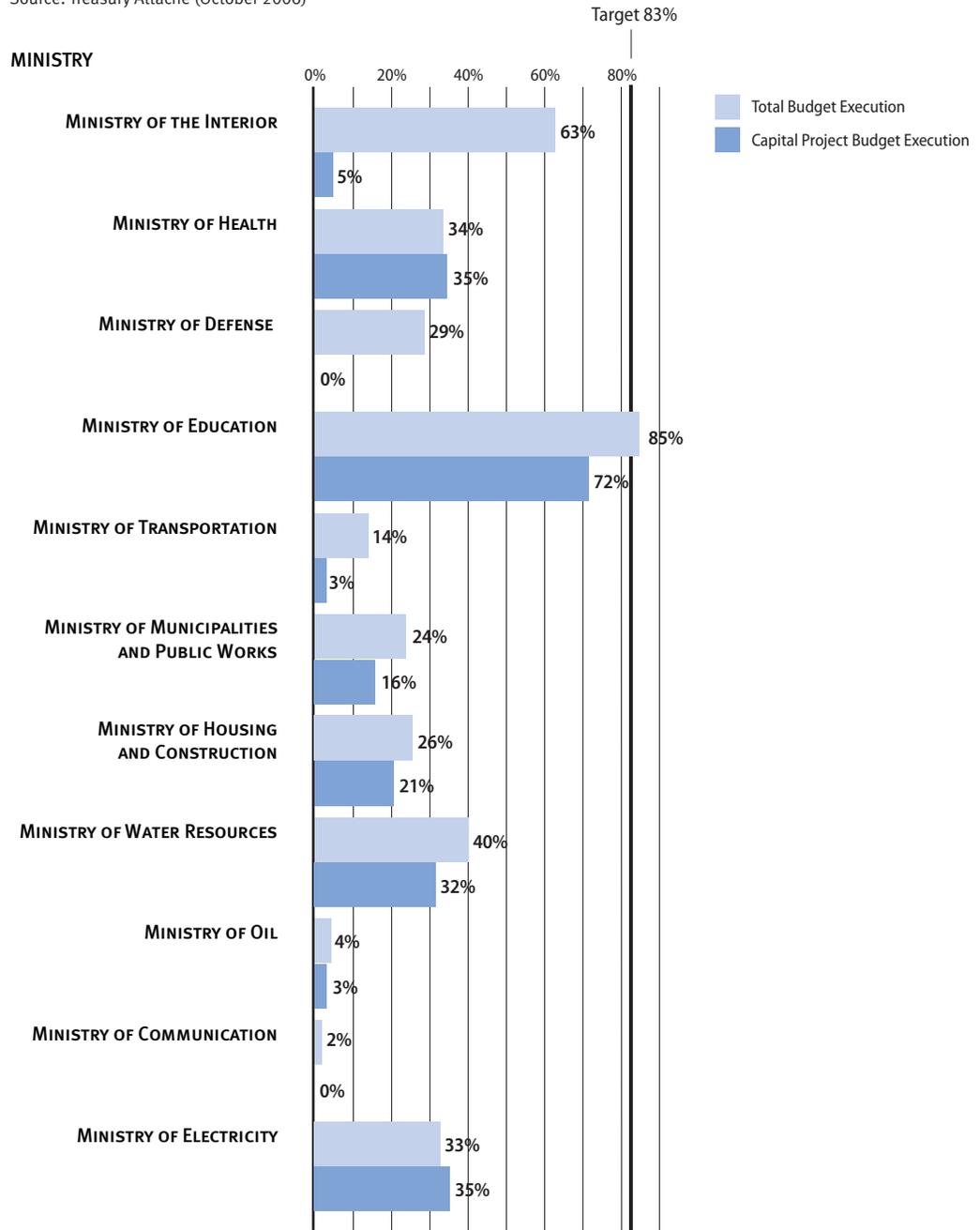
DoS reports unofficial expenditure numbers through November 2006. According to these reports, the GOI spent 20% of its capital budget in 2006.<sup>348</sup> Figure 2-54 shows the 2006 breakdown of budget execution by ministry. The Ministry of Oil spent only 4% of its total budget and only 3% of its capital budget. Other ministries that are vital to providing essential services to the people of Iraq, like the Ministry of Electricity and the Ministry of Municipalities and Public Works,<sup>349</sup> spent less than 35% of their budgets in 2006.

Although these ministries struggle to execute their capital budgets, DoS noted last quarter that the Ministry of Electricity improved its ability to spend its capital budget because it is better able to follow the Ministry of Finance’s funding procedures. In past reports, SIGIR has noted that some ministries found the financial and procurement restrictions implemented by the Ministry of Finance to control procurement corruption to be “intimidating.”<sup>350</sup>

Figure 2-54

## IRAQI BUDGET EXECUTION BY MINISTRY (UNAUDITED EXPENDITURES THROUGH OCTOBER 2006)

Source: Treasury Attaché (October 2006)



Note: Data not formally reviewed or audited through October 2006.  
 Numbers may be affected by rounding.  
 October equals 83.3% of the fiscal year.

## Anticorruption Update

Corruption is a major impediment to Iraq's development and growth. It is difficult to measure the real cost of corruption, but the Commission on Public Integrity (CPI) has estimated that corruption costs Iraq \$5 billion annually.<sup>351</sup>

Because of the deteriorating security situation, sectarian political climate, and outdated laws, anticorruption experts believe that opportunities for corruption have increased.<sup>352</sup>

The newly appointed Director of the Office of Accountability and Transparency (OAT) in the U.S. Embassy in Baghdad stated that the lack of security for investigators and the limited ability of ministers to stop specific corruption investigations in their ministries are hindering efforts to combat corruption in Iraq. According to this U.S. official, the ministries that are subject to the most claims of corruption are the Ministry of Oil, Ministry of Interior, and Ministry of Defense.<sup>353</sup>

## U.S. SUPPORT FOR IRAQ'S ANTICORRUPTION EFFORTS

As recommended in the SIGIR audit, Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program, IRMO established OAT in January 2007 to lead and coordinate the U.S. Embassy's anticorruption strategy. OAT is assisting Iraq's anticorruption institutions through training, mentoring, and other technical assistance. OAT provides advisors to the CPI, Iraqi Inspectors General (IIG), and the Board of Supreme Audit (BSA).

## ANTICORRUPTION INITIATIVES IN THE INTERNATIONAL COMPACT FOR IRAQ

As part of the International Compact, Iraq has committed to specific steps to improve transparency and inhibit corruption. The Compact outlines a process for developing a legal framework and building institutional capacity to deter corruption at all levels of government. Key priorities and benchmarks include:

- strengthening the rule of law and the capacities of law-enforcement agencies
- developing anticorruption plans for institutions with substantial revenue and expenditures
- fully implementing the public income and asset disclosure law and legislation to enable asset seizure and forfeiture
- strengthening capacity for internal audit and the BSA
- reviewing the mandates of the CPI and the inspectors general to ensure that they work as independent, professional, technical, and non-political bodies
- developing a comprehensive system of internal and external controls within government, including conflict-of-interest policies, audit, and evaluation
- ratifying the UN Convention Against Corruption
- launching a public education campaign on anticorruption

The implementation plan in the Compact outlines benchmarks to strengthen the judiciary and legal institutions, recover assets, and start a public awareness campaign. The entities

responsible for implementing the Compact's anticorruption objectives include the Prime Minister, BSA, CPI, ministry IGs, and the Anti-Corruption Working Group (ACWG). Table 2-22 provides details of the implementation plan.

Iraq has made progress toward achieving its anticorruption goals by drafting a charter to establish an Iraqi organization called the Joint Anti-Corruption Council (JACC) and adopting UN anticorruption protocols.<sup>354</sup> Other anticorruption activities by international donors include a training program for CPI by

EUJUSTLEX, an EU organization. The World Bank plans to increase staff in Iraq, including local workers, and to engage in anticorruption initiatives.

### **IRAQ'S ANTICORRUPTION EFFORTS Joint Anti-Corruption Council (JACC)**

The JACC charter brings together the primary anticorruption entities under the leadership of the Prime Minister and lays out the framework for an overall anticorruption strategy. The JACC will include the Secretary General of the Council of Ministers as the Chairman,

## INTERNATIONAL COMPACT FOR IRAQ IMPLEMENTATION PLAN

BENCHMARK	INDICATIVE ACTIONS NEEDED	IMPLEMENTERS
Implement specific measures to strengthen the judiciary	<ul style="list-style-type: none"> <li>By the end of 2007, separate the High Judicial Council from the Ministry of Justice.</li> <li>By the end of 2007, provide sufficient security to reduce significantly fatalities and injuries of judges and investigators.</li> </ul>	
	<ul style="list-style-type: none"> <li>By the end of 2007, establish an Anti-Corruption Working Group chaired by the Prime Minister.</li> <li>By the end of 2007, begin to disclose promptly and transparently the instances where the GOI has prevented cases of corruption from being brought to court.</li> </ul>	PM, BSA, CPI, and IGs
Adopt and implement legislation, regulations, and procedures; strengthen the legal and institutional framework for anticorruption	<ul style="list-style-type: none"> <li>By 2007, strengthen audit capacities at ministries and the Board of Supreme Audit.</li> <li>By 2008, review the mandate of the inspectors general and the CPI to ensure that they are independent, professional, and non-political.</li> </ul>	PM
	<ul style="list-style-type: none"> <li>By the end of 2007, develop anticorruption plans for institutions with substantial revenue and expenditure assignments.</li> <li>By the end of 2008, develop a comprehensive system of internal and external controls within the GOI, including conflict-of-interest policies, audit, and evaluation.</li> <li>By the end of 2008, complete a master plan for the anticorruption agencies, developing task forces for high-risk institutions.</li> </ul>	BSA, CPI, and IGs  Relevant agencies vetted by ACWG
	<ul style="list-style-type: none"> <li>By the end of 2008, Iraq will ratify the UN Convention Against Corruption and other relevant international agreements.</li> </ul>	PM
	<ul style="list-style-type: none"> <li>By 2007, introduce legislation as necessary to authorize asset seizure and forfeiture.</li> <li>By the end of 2008, create a unit to pursue asset recovery in Iraq and abroad and to extradite individuals wanted for corruption.</li> </ul>	ACWG

Source: DoS, response to SIGIR, December 21, 2006.

PM - Prime Minister

BSA - Board of Supreme Audit

CPI - Commission on Public Integrity

IG - Inspector General

ACWG - Anti-Corruption Working Group

TABLE 2-22

a representative from the Prime Minister's office, Chief Justice of the High Court of Iraq, President of the BSA, Commissioner of the CPI, and the Chairman of the Association of the Inspectors General. Representatives from the U.S. and United Kingdom (UK) embassies are invited guests. The committee was scheduled to meet and sign the charter establishing the JACC in February; however, this meeting has been postponed by GOI. The Charter is expected to be signed in April 2007 pending an allowable security environment.<sup>355</sup>

JACC's mission is to create independent, non-partisan, and non-sectarian oversight institutions and improve their effectiveness. JACC will promote programs to support this mission:

- coordination between anticorruption agencies
- establishment of an anticorruption training academy
- development of anticorruption strategies
- promotion of professional code of ethics

#### **Anticorruption Agency Update**

The Commission on Public Integrity has referred 8 ministers and 40 directors general to the judiciary system in connection with the mismanagement of \$8 billion.<sup>356</sup> This quarter, the Central Criminal Court of Iraq ordered the Minister of Oil to appear to answer questions after the arrest of the General Director of the Oil Products Distribution Company.<sup>357</sup> The case against the Minister of Oil has been referred to the Prime Minister's office.

The Iraq Inspector General system, currently staffed by 2,500 people, will be increased by 1,000 new positions.

The BSA has launched a website ([www.bsairaq.net](http://www.bsairaq.net)) that includes English language content. Much of the site is still under construction, but the BSA plans to post audits and reports when the site is fully operational.

#### **Challenges to Combating Corruption**

The Prime Minister's Office has ordered CPI not to refer to an investigative court any case involving a minister or former minister without prior approval of the Prime Minister.<sup>358</sup> Article 136B in the Iraq Criminal Procedure Code provides that no case can go to trial concerning an issue done in the course of duty without permission of the minister of the affected agency. The law, enacted in 1971, was originally intended to be applied after the Investigative Judge concluded the investigation, but it is currently being used to stop investigations before the decision of the Investigative Judge. The law was suspended under CPA Order 55, but the Prime Minister reinstated it.<sup>359</sup>

An IRMO review of corruption-related cases<sup>360</sup> showed that ministers have stopped prosecution and investigations on 48 cases involving 102 individuals under Article 136B. Some observers argue that Article 136B is a necessary check to an anticorruption effort that has become politicized.



## CONTRACTS

The Iraq Reconstruction Accountability Act of 2006 expanded SIGIR oversight to include the Iraq Relief and Reconstruction Fund (IRRF), the Iraq Security Forces Fund (ISFF), the Commander’s Emergency Response Program (CERP), the Economic Support Fund (ESF), and other reconstruction funds appropriated in FY 2006. As a result, SIGIR is increasing its efforts to collect contract data to account for these funds.

This quarter, SIGIR compiled more than 11,000 contracting actions funded by the IRRF, ISFF, and ESF, totaling approximately \$22 billion in obligations and more than \$17 billion in expenditures.

Contract data for the CERP program is not available at this time. SIGIR will continue to report on IRRF, ISFF, and ESF contracts while further investigating CERP contracting activities.

To date, obligations total approximately \$18 billion for the IRRF, more than \$7.1 billion for the ISFF, and more than \$610 million<sup>384</sup> for the ESF. At a contract level, SIGIR can account for 81% of IRRF monies, 99% of ISFF monies, and almost 100% of ESF monies.

Table 2-23 summarizes the IRRF, ISFF, and ESF contracting actions recorded in the SIGIR Iraq Reconstruction Information System (SIRIS), as of April 10, 2007.

**SUMMARY OF IRRF, ISFF, AND FY 2006 ESF CONTRACTS IN SIRIS (MILLIONS)**

FUND	OBLIGATED	EXPENDED	NOT EXPENDED
<b>IRRF</b>			
GRD Construction	\$7,631	\$6,013	\$1,618
GRD Non-construction	4,017	3,616	401
USAID	2,908	2,732	176
<b>Subtotal</b>	<b>14,556</b>	<b>12,361</b>	<b>2,195</b>
<b>ISFF</b>			
ISFF 2005	\$5,166	\$4,547	\$619
ISFF 2006	1,928	855	1,073
<b>Subtotal</b>	<b>7,094</b>	<b>5,402</b>	<b>1,692</b>
<b>ESF</b>			
GRD	\$178	\$2	\$176
USAID	433	12	421
<b>Subtotal</b>	<b>611</b>	<b>14</b>	<b>597</b>
<b>Total</b>	<b>\$22,261</b>	<b>\$17,777</b>	<b>\$4,484</b>

TABLE 2-23

## Contractor Analysis for IRRF

Table 2-24 shows the top ten contractors receiving IRRF funds, as reported in SIRIS. During this quarter, expenditures to Symbion Power, LLC, increased by nearly 70% for transmission projects in the electricity sector.

### TOP 10 CONTRACTORS – IRRF (MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED	EXPENDED PREVIOUS QUARTER	% INCREASE IN EXPENDITURES
Bechtel National, Inc.	\$1,218	\$1,174	\$1,113	5%
FluorAMEC, LLC	\$981	\$899	\$878	2%
Parsons Global Services, Inc.	\$733	\$628	\$610	3%
Parsons Iraq Joint Venture	\$605	\$524	\$456	15%
Kellogg, Brown & Root Services, Inc.	\$571	\$512	\$482	6%
Washington Group International	\$531	\$457	\$427	7%
Development Alternatives, Inc.	\$440	\$436	\$436	0%
Environmental Chemical Corporation	\$355	\$349	\$349	0%
Anham Joint Venture	\$259	\$258	\$258	0%
Symbion Power, LLC	\$249	\$83	\$49	69%

TABLE 2-24

## Contractor Analysis for ISFF

Table 2-25 shows the top ten contractors funded by the ISFF, as reported in SIRIS. Innovative Technical Solutions, Inc. (ITSI), and a provider of life support and construc-

tion services, reported the greatest increase in expenditures from the previous quarter. ITSI expenditures more than doubled this quarter. ITSI projects included police stations and other facility construction projects.

### TOP 10 CONTRACTORS – ISFF (MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED	EXPENDED PREVIOUS QUARTER	% INCREASE IN EXPENDITURES
Environmental Chemical Corporation	\$454	\$282	\$236	19%
Aecom Government Services, Inc.	\$236	\$235	\$212	11%
Toltest, Inc.	\$208	\$106	\$89	19%
Tetra International, LLC	\$201	\$129	\$109	18%
AM General, LLC	\$162	\$162	\$161	1%
AMEC Earth & Environmental, Inc.	\$161	\$99	\$82	21%
Washington Group International	\$151	\$81	\$55	47%
Innovative Technical Solutions, Inc.	\$142	\$48	\$21	129%
Iraqi Contractor - 5300	\$141	\$110	\$61	80%
Laguna Construction Company, Inc.	\$124	\$84	\$77	9%

TABLE 2-25

## Contractor Analysis for ESF FY 2006

Table 2-26 shows the top ten contractors funded by the ESF. Most activities under the ESF are still in the planning stage; consequently, expenditures by contractors have been minimal. The largest ESF contractor is Research Triangle Institute, which has been obligated more than \$150 million to provide

support for local governance and to promote decentralization. The next-largest contractor is International Relief and Development, which has been contracted to promote economic and social stability in Iraqi communities impacted by insurgent activities.

Appendix E lists contracting actions funded by the IRRF, ISFF, and ESF as recorded in SIRIS.

### TOP 10 CONTRACTORS – ESF FY 2006 (MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED	NOT EXPENDED
Research Triangle Institute	\$155	\$0	\$155
International Relief and Development	\$135	\$10	\$125
Management Systems International, Inc.	\$60	\$0	\$60
Wamar International, Inc.	\$57	\$1	\$56
CHF International	\$45	\$1	\$45
Iraqi Contractor - 4767	\$42	\$0	\$42
BearingPoint Inc.	\$20	\$0	\$20
Stanley Baker Hill, LLC	\$13	\$0	\$13
Iraqi Contractor - 4147	\$11	\$0	\$10
CEPPS	\$10	\$2	\$8

Note: Numbers may be affected by rounding.

TABLE 2-26

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### COST-TO-COMPLETE DATA

U.S. agencies executing reconstruction programs and projects are required by Section 2207 of Public Law 108-106 to provide quarterly estimates of the cost to complete each IRRF-funded project. Cost-to-complete data helps to identify the funding status of all projects—both those that may exceed their budget and those that may be completed under budget, and allows management to prioritize activities.

In past Quarterly Reports, SIGIR highlighted cost-to-complete information from Project Assessment Reports (PARs). United States Agency for International Development (USAID) and Multi-National Security Transition Command-Iraq (MNSTC-I) staff told SIGIR that, as of February 2007, USAID and MNSTC-I each had only one ongoing construction project funded with IRRF funds, and both projects are being implemented by the Gulf Region Division (GRD). GRD's PAR report of December 31, 2006, showed

that GRD had a total of 241 projects, with an estimated cost to complete of \$2.04 billion (out of \$10.27 billion in IRRF-funded construction contracts). Consequently, Department of State (DoS) cost-to-complete reporting is increasingly limited to GRD. MNSTC-I has not reported cost to complete since the reporting period ending June 30, 2006; USAID has continued to submit PARs through December 31, 2006.

This quarter, SIGIR observed that the U.S. agencies' monthly cost-to-complete reports, which are briefed to senior Iraq Reconstruction Management Office (IRMO) officials as part of their oversight efforts, provide essentially the same information as the PAR. For financial data used to project the cost to complete, the reports use the same source—the U.S. Army Corps of Engineers Financial Management System (CEFMS).

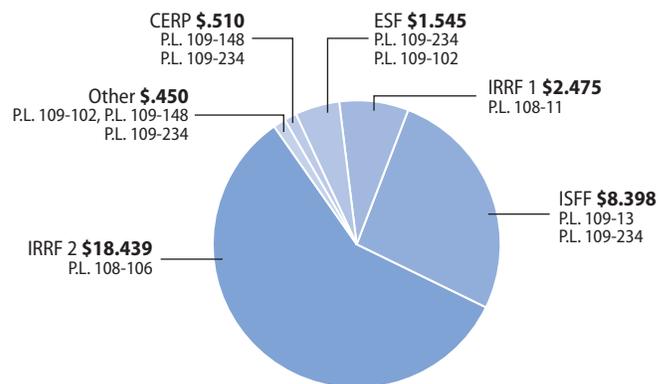
## SOURCES OF FUNDING FOR IRAQ RECONSTRUCTION

### U.S. Appropriated Funds

Under P.L. 108-106, Section 3001 (as amended), SIGIR is required to report on the oversight of, and accounting for, U.S. taxpayer funds expended in Iraq relief and reconstruction. SIGIR's mandate was expanded on December 20, 2006, under P.L. 109-440, the Iraq Reconstruction Accountability Act of 2006. This legislation gave SIGIR oversight of

any U.S. funds made available for FY 2006 for the reconstruction of Iraq, regardless of how the funds are designated. Figure 2-55 identifies the primary funding activities associated with the new mandate, including ISFF, CERP, ESF, and others. Currently, SIGIR's mandate includes oversight of \$31.817 billion in reconstruction funds.

Figure 2-55  
**SUMMARY OF SIGIR OVERSIGHT**  
 \$31.817 Billion  
 Source: SIGIR, Analysis of U.S. Appropriated Funds



CERP = Commander's Emergency Response Program  
 IRRF 1 & 2 = Iraq Relief and Reconstruction Fund  
 ISFF = Iraq Security Forces Fund  
 ESF = Economic Support Fund  
 P.L. = Public Law

Note: Numbers may be affected by rounding.

The reconstruction effort includes 9 bills passed by the Congress that provided approximately \$37.451 billion in Iraq reconstruction funding, including approximately \$5.634 billion in additional funding not covered by SIGIR's mandate. The total appropriated amount for relief and reconstruction includes:

- IRRF: \$20.91 billion
- ISFF: \$10.098 billion
- CERP: \$2.156 billion
- ESF: \$1.595 billion
- Other U.S. Appropriated Funds: \$2.692 billion

Over the past three years, more than half of U.S. reconstruction funding has come from IRFF 1 and IRFF 2, created under P.L. 109-11 and P.L. 108-106. U.S. agencies involved in the execution of reconstruction funding include DoD, DoS, and USAID. Projects highlighted earlier in this section range from infrastructure development to refugee and migration assistance. The appropriated funds are highlighted in Table 2-27.

At the time of this Report, the most recent public law was the FY 2007 Department of Defense Appropriations Act (P.L. 109-289), which was enacted on September 29, 2007. This law included \$1.7 billion in ISFF funding and \$375 million for CERP. As of mid-April 2007, the amount of funding to be made available for reconstruction activities in the FY 2007 supplemental bill was unclear.

## Other Reconstruction Funds

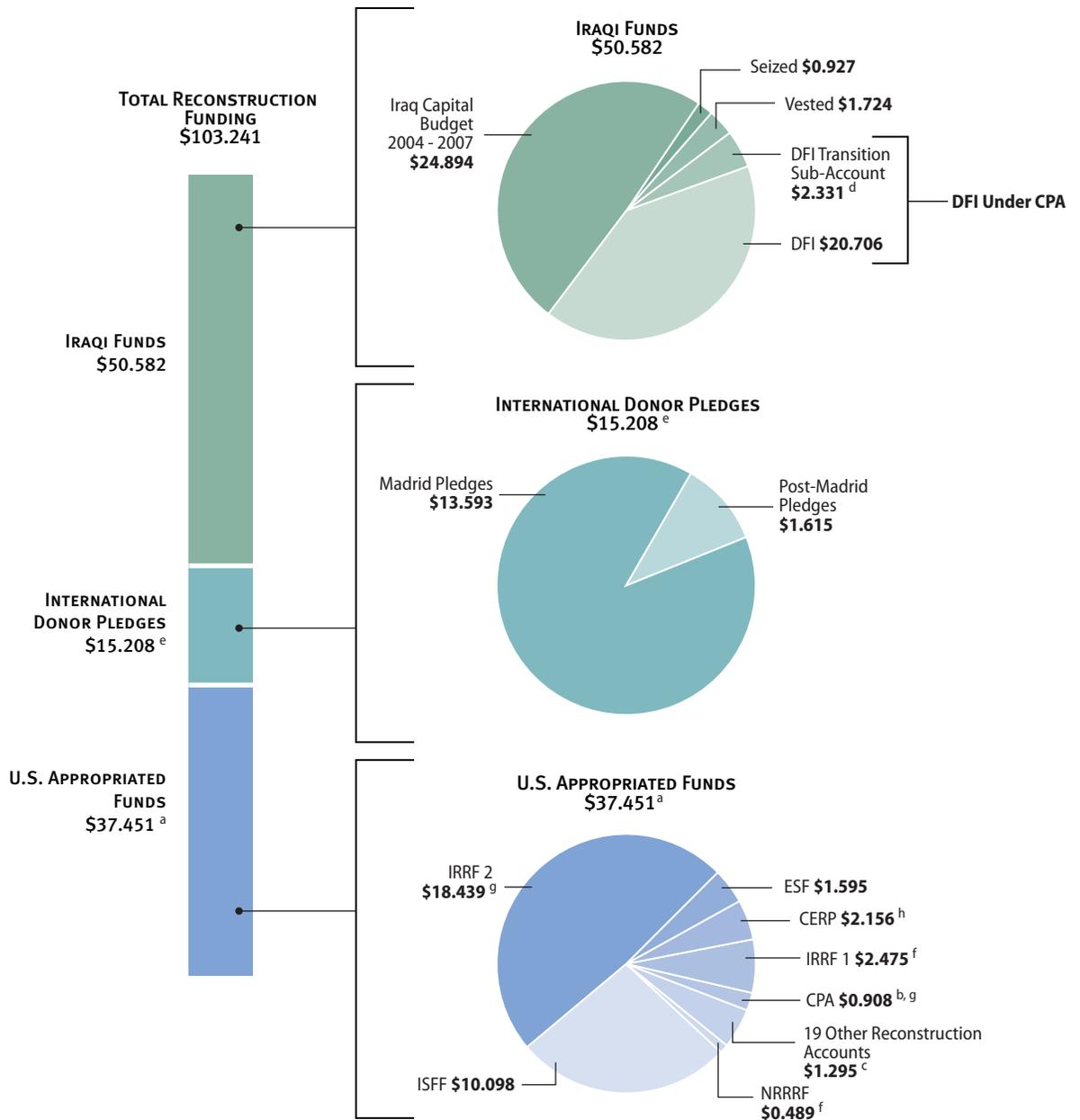
In addition to U.S. appropriated funds, the Iraq reconstruction effort includes funding from international donor funds and Iraqi funds. As of March 31, 2007, international donor funds totaled at least \$15.2 billion, not including humanitarian or other types of assistance—\$13.6 billion pledged at the 2003 Madrid Donors Conference and at least \$1.6 billion in post-Madrid pledges.

Iraqi funds comprise vested and seized funds, the Development Fund for Iraq (DFI), and the Iraq Capital Budget from 2004 to 2007. Iraqi funds have been an important source for reconstruction efforts, particularly during CPA's tenure. As of March 31, 2007, these funds total \$50.453 billion, including:

- vested (frozen) funds of \$1.724 billion
- seized funds, including confiscated cash and property, of \$927 million
- DFI funds of \$23.037 billion (including DFI sub-account and CERP funding), drawn primarily from oil proceeds and repatriated funds
- budgeted Iraqi capital expenditures funding of \$24.894 billion from 2004 to 2007 (although much less has actually been expended)

For an overview of all sources of Iraq reconstruction funding, see Figure 2-56. For more details, see Appendices F, G, and H.

Figure 2-56  
**SOURCES OF IRAQ RECONSTRUCTION FUNDING - \$103.241 BILLION**  
 \$ Billions



a. In accordance with P.L. 109-440, SIGIR has oversight for any U.S. funds made available for FY 2006 for the reconstruction of Iraq. When added to IRRF funding, this amounts to approximately \$32 billion.  
 b. \$75 million is excluded under CPA for the Special Inspector General for Iraq Reconstruction, which is captured under "Other Reconstruction Accounts."  
 c. Where Iraq-only appropriations unavailable, SIGIR assigned 85% for Iraq based on historical trends.  
 d. Includes August 11, 2004 transfer of \$86 million cash from Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.  
 e. Includes pledges for reconstruction only, not humanitarian aid or other types of assistance.  
 f. P.L. 108-11 (April 2003).  
 g. P.L. 108-106 (November 2003).  
 h. P.L. 109-148 (January 2005).

# SOURCES OF FUNDING

FUNDING MECHANISM	CONOLIDATED APPROPRIATIONS RESOLUTION, 2003	EMERGENCY WARTIME SUPPLEMENTAL APPROPRIATIONS ACT, 2003	EMERGENCY APPROPRIATIONS ACT FOR THE DEFENSE AND RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR DEFENSE, THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FY 2006	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2007	TOTAL APPROPRIATIONS
PUBLIC LAW #	P.L. 108-7	P.L. 108-11	P.L. 108-106	P.L. 109-13	P.L. 109-102	P.L. 109-148	P.L. 109-234	P.L. 109-289	
DATE OF ENACTMENT	2/20/2003	4/16/2003	11/6/2003	5/11/2005	11/14/2005	12/30/2005	6/15/2006	9/29/2006	
Iraq Relief and Reconstruction Fund (IRRF 2) <sup>a</sup>			\$18,439,000,000						\$18,439,000,000
Iraq Security Forces Fund (ISFF)		\$2,475,000,000		\$5,391,000,000			\$3,007,000,000		\$10,098,000,000
Iraq Relief and Reconstruction Fund (IRRF 1)									\$2,475,000,000
Commander's Emergency Response Program (CERP) <sup>b</sup>				\$718,000,000	\$60,390,000	\$500,000,000	\$423,000,000	\$375,000,000	\$2,156,000,000
Economic Support Fund (ESF) <sup>c</sup>	\$40,000,000	\$10,000,000					\$1,485,000,000		\$1,595,390,000
Coalition Provisional Authority (CPA) <sup>d</sup>			\$908,000,000						\$908,000,000
Natural Resources Risk Remediation Fund (NRRRF)		\$489,300,000							\$489,300,000
New Iraqi Army <sup>e</sup>					\$210,000,000				\$210,000,000
Project and Contracting Office (PCO/DoD) <sup>f</sup>		\$143,800,000					\$200,000,000		\$200,000,000
International Disaster and Famine Assistance									\$200,000,000
USAID Administrative Expenses <sup>g</sup>		\$21,000,000		\$24,400,000			\$79,000,000		\$124,400,000
Department of State, International Narcotics Control and Law Enforcement (DoS/INL)		\$20,000,000					\$91,400,000		\$111,400,000
Diplomatic and Consular Programs <sup>h</sup>				\$49,659,000	\$56,908,000				\$106,567,000
Special Inspector General for Iraq Reconstruction (SIGIR)			\$75,000,000				\$24,000,000		\$99,000,000
Child Survival and Health Programs Fund		\$90,000,000							\$90,000,000
P.L. 480 Title II Food Aid	\$68,000,000								\$68,000,000
Voluntary Peacekeeping Operations		\$50,000,000							\$50,000,000
Emergency Refugee and Migration Assistance		\$37,000,000							\$37,000,000
Overseas Humanitarian, Disaster and Civic Aid			\$17,000,000						\$17,000,000
International Affairs Technical Assistance							\$13,000,000		\$13,000,000
United States Agency for International Development, Office of Inspector General (USAID OIG)		\$3,500,000	\$1,900,000	\$2,500,000					\$7,900,000
DoD Office of the Inspector General							\$5,000,000		\$5,000,000
Combatant Commander Initiative Fund (formerly known as CINC Initiative Fund)		\$3,612,000							\$3,612,000
Department of Treasury (Salaries and Expenses)							\$1,800,000		\$1,800,000
Department of State Office of Inspector General							\$1,000,000		\$1,000,000
Legal Activities and U.S. Marshals (Salaries and Expenses)							\$1,000,000		\$1,000,000
Non-Proliferation, Anti-Terrorism, and Demining (NADR)							\$1,000,000		\$1,000,000
Democracy Fund									
<b>TOTAL</b>	<b>\$108,000,000</b>	<b>\$3,343,212,000</b>	<b>\$19,440,900,000</b>	<b>\$6,185,559,000</b>	<b>\$117,298,000</b>	<b>\$500,000,000</b>	<b>\$5,331,200,000</b>	<b>\$2,075,000,000</b>	<b>\$37,451,169,000</b>

<sup>a</sup> \$18.439 billion represents the amount appropriated by Congress for Iraq programs in IRRF 2 under P.L. 108-106, enacted in November 2003. Congress had initially appropriated \$18.649 billion to IRRF 2, but also earmarked that \$210 million be transferred to other accounts for programs in Jordan, Liberia, and Sudan. Of the remaining \$18.439 billion, the Administration transferred out of the IRRF to other accounts roughly \$562 million for Iraq-related programs that could be implemented only in other accounts, such as a \$352 million Iraq bilateral debt forgiveness program to the United States that required funding in a Treasury account. Congress was notified of all transfers out of the IRRF. In addition, in FY 2006 appropriations, Congress earmarked that \$9.95 million be transferred into the IRRF from the DoS Economic Support Fund account.

<sup>b</sup> SIGIR reports in Audit 07-006, Congress appropriated \$923 million in FY 06 for CERP activities in Iraq and Afghanistan. The Department of the Army allocated \$724.5 million for use in FY 2006, and carried forward the balance of \$198.5 million to FY 2007. As of September 30, 2006 the U.S. Central Command then allocated \$510 million to MNC-I, with the remaining \$214.5 million going to fund CERP projects executed by U.S. forces in Afghanistan.

<sup>c</sup> \$40M from FY 2003 ESF base account that was not reimbursed; \$10M from P.L. 108-11.

<sup>d</sup> Excludes \$75M for Special Inspector General for Iraq Reconstruction under P.L. 108-106.

<sup>e</sup> Where Iraq-only appropriations unavailable, based on historical trends SIGIR split 85% for Iraq and 15% for Afghanistan.

<sup>f</sup> Congress provided funding for PCO in other appropriations bills; more details will be available in future SIGIR reports.

<sup>g</sup> Under P.L. 109-234 \$101M was appropriated (\$79M Iraq, \$22M Afghanistan).

<sup>h</sup> Includes Iraq Reconstruction Management Office salaries and expenses, mission travel, public diplomacy programs and other operating expenses related to reconstruction.

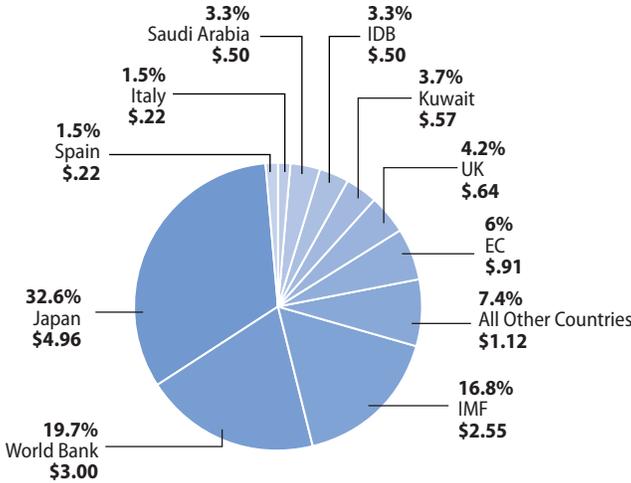
<sup>i</sup> CPA Operating Expenses under P.L. 108-106.

### International Donor Funds

This quarter, the total funds pledged for Iraq reconstruction by international donors since 2003 remained constant at \$15.2 billion—\$13.6 billion in pledges from the Madrid Donors Conference in 2003 and \$1.6 billion in post-Madrid pledges. Of the original Madrid pledges, \$10 billion were loans, and \$4 billion

were grants. As of August 2006, DoS estimates that about \$3.7 billion of the original Madrid pledges had been disbursed.<sup>361</sup> The World Bank has requested updates from donors; however, precise information on the expenditures of these funds continues to be difficult to obtain. For information on these pledges, see Table 2-28 and Figure 2-57.

Figure 2-57  
**INTERNATIONAL DONOR PLEDGES**  
 \$ Billions, Total Pledges \$15.2 Billion  
 Sources: DoS, Iraqi Donor Assistance Database;  
 Donor Responses to SIGIR (3/31/2007)



Note: Numbers may be affected by rounding.

# SOURCES OF FUNDING

## PLEDGES OF RECONSTRUCTION AID TO IRAQ, AS OF 3/31/2007 (U.S. DOLLARS)

DONOR	ORIGINAL MADRID PLEDGES, OCTOBER 2003	ADDITIONAL PLEDGES SINCE MADRID CONFERENCE	TOTAL PLEDGES
Australia	\$45,590,974	\$81,042,221	\$126,633,195
Austria	5,478,165		5,478,165
Belgium	5,890,500		5,890,500
Bulgaria	640,000		640,000
Canada	187,466,454		187,466,454
China	25,000,000		25,000,000
Cyprus	117,810		117,810
Czech Republic	14,659,023		14,659,023
Democratic Governance Thematic Trust Fund		100,000	100,000
Denmark	26,952,384	40,000,000	66,952,384
Estonia	82,467		82,467
Finland	5,890,500		5,890,500
France		32,288	32,288
Germany		10,000,000	10,000,000
Greece	3,534,300		3,534,300
Hungary	1,237,005		1,237,005
Iceland	2,500,000		2,500,000
India	10,000,000		10,000,000
Iran	5,000,000	5,000,000	10,000,000
Ireland	3,534,300		3,534,300
Italy	235,620,020		235,620,020
Japan	4,914,000,000	50,000,000	4,964,000,000
Jordan		75,000	75,000
Kuwait	500,000,000	65,000,000	565,000,000
Lithuania		30,000	30,000
Luxembourg (EURO)	2,356,200		2,356,200
Malta	27,000		27,000
Netherlands	9,424,801		9,424,801
New Zealand	3,351,975	990,000	4,341,975
Norway	12,867,617		12,867,617
Oman	3,000,000		3,000,000
Pakistan	2,500,000		2,500,000
Qatar	100,000,000		100,000,000
Saudi Arabia	500,000,000		500,000,000
Slovenia	419,382		419,382
South Korea	200,000,000		200,000,000
Spain	220,000,000	2,380,000	222,380,000
Sri Lanka		75,500	75,500
Sweden	33,000,000		33,000,000
Turkey	50,000,000		50,000,000
United Arab Emirates	215,000,000		215,000,000

## PLEDGES OF RECONSTRUCTION AID TO IRAQ, AS OF 3/31/2007 (U.S. DOLLARS)

DONOR	ORIGINAL MADRID PLEDGES, OCTOBER 2003	ADDITIONAL PLEDGES SINCE MADRID CONFERENCE	TOTAL PLEDGES
United Kingdom	\$452,326,416	\$190,000,000	\$642,326,416
United States	10,000,000		10,000,000
Vietnam		700,000	700,000
<b>Subtotal</b>	<b>7,807,467,293</b>	<b>445,425,009</b>	<b>8,252,892,302</b>
European Commission	235,620,000	669,680,000	905,300,000
<b>Subtotal</b>	<b>8,043,087,293</b>	<b>1,115,105,009</b>	<b>9,158,192,302</b>
<b>INTERNATIONAL FINANCIAL INSTITUTIONS</b>			
IMF (low range)	2,550,000,000		2,550,000,000
World Bank (low range)	3,000,000,000		3,000,000,000
Islamic Development Bank		500,000,000	500,000,000
<b>Subtotal</b>	<b>5,550,000,000</b>	<b>500,000,000</b>	<b>6,050,000,000</b>
<b>Total International Donor Assistance</b>	<b>\$13,593,087,293</b>	<b>\$1,615,105,009</b>	<b>\$15,208,192,302</b>

Source: DoS, Iraqi Donor Assistance Database, donor response to SIGIR.

Note: Data not formally reviewed, audited, or verified. Pre-Madrid pledges for humanitarian assistance are not included in this table.

TABLE 2-28

## INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

A portion of the Madrid pledges is administered by the International Reconstruction Fund Facility for Iraq (IRFFI). Twenty-six

donors have committed \$1.64 billion<sup>362</sup> to the two IRFFI funds—the UN Development Group Iraq Trust Fund (UNDG ITF) and the World Bank Iraq Trust Fund (WB ITF). Table 2-29 shows donor contributions to the IRFFI.

### TOTAL IRFFI DONOR CONTRIBUTIONS, AS OF 3/31/2007\*

DONOR	COMMITMENTS		DEPOSITS	
	WORLD BANK	UNITED NATIONS	WORLD BANK	UNITED NATIONS
Australia	\$16,100,000	\$20,670,000	\$16,100,000	\$16,775,000
Australia (Dept. of Immigration)	-	3,292,000	-	3,292,000
Belgium	-	1,321,000	-	1,321,000
Canada	26,020,000	63,640,000	22,300,000	46,400,000
Denmark	-	12,410,000	-	12,410,000
Finland	2,600,000	6,234,000	2,600,000	6,234,000
Germany	-	10,000,000	-	10,000,000
Greece	-	3,630,000	-	3,630,000
Iceland	1,000,000	500,000	1,000,000	500,000
India	5,000,000	5,000,000	5,000,000	5,000,000
Iran**	-	-	-	-
Ireland	-	1,226,000	-	1,226,000
Italy	-	29,782,000	-	29,782,000
Japan	130,634,143	360,951,000	130,634,143	360,951,000
Kuwait	5,000,000	5,000,000	5,000,000	5,000,000
Luxembourg	-	2,319,000	-	2,319,000
Netherlands	6,200,000	6,697,000	6,200,000	6,697,000
New Zealand	-	3,365,000	-	3,365,000
Norway	6,700,000	7,009,000	6,700,000	7,009,000
Qatar	5,000,000	5,000,000	2,500,000	5,000,000
South Korea	4,000,000	11,000,000	4,000,000	11,000,000
Spain	20,000,000	60,630,000	20,000,000	47,509,000
Sweden	5,800,000	10,622,000	5,800,000	10,622,000
Turkey	1,000,000	200,000	1,000,000	200,000
United Kingdom	71,400,000	55,542,000	71,400,000	55,542,000
United States	5,000,000	5,000,000	5,000,000	5,000,000

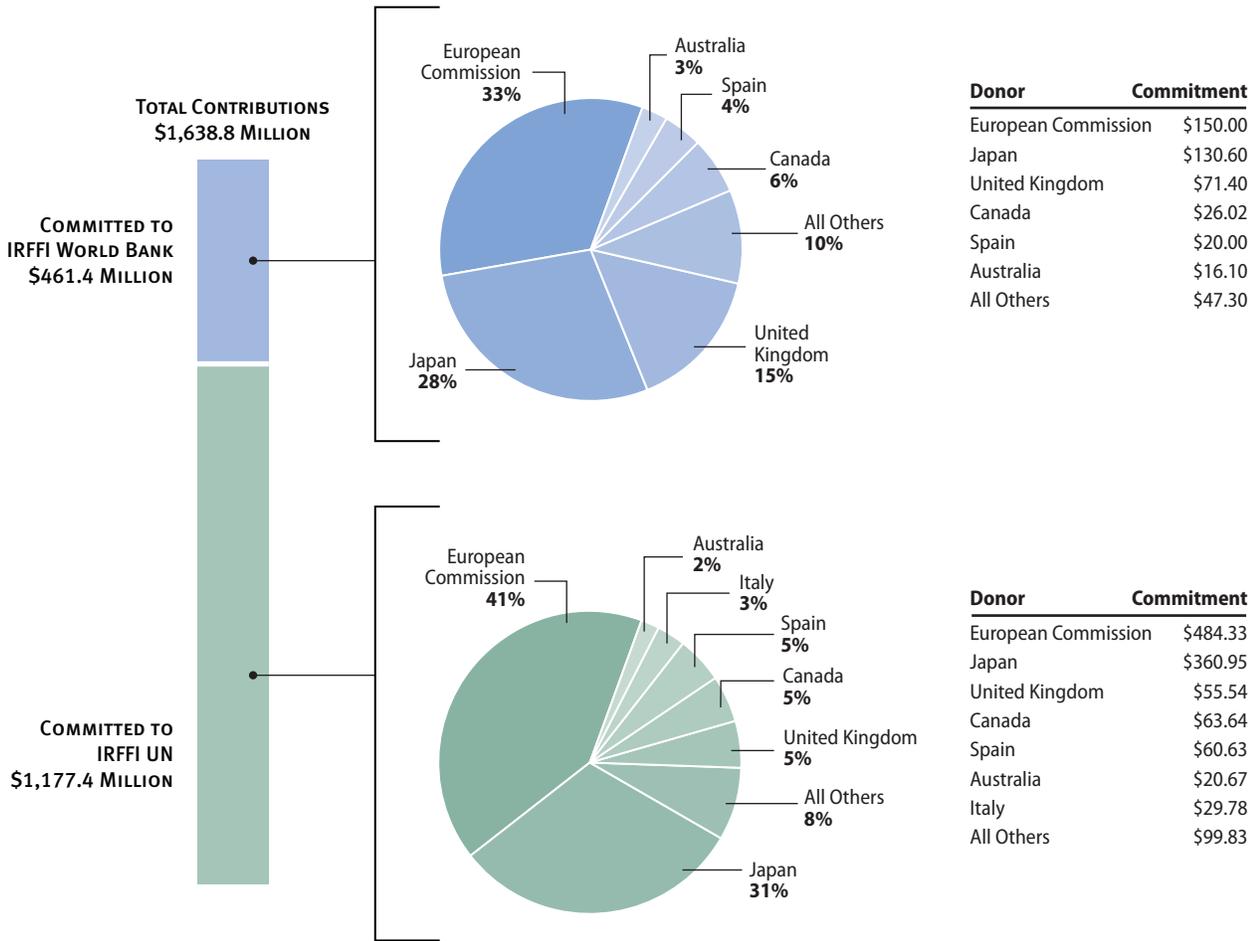
DONOR	COMMITMENTS		DEPOSITS	
	WORLD BANK	UNITED NATIONS	WORLD BANK	UNITED NATIONS
European Commission (Rapid Reaction Mechanism)	3,000,000	24,978,000	-	24,978,000
European Commission (Human Rights)	-	7,258,000	-	7,258,000
European Commission	120,000,000	452,090,000	150,214,592	441,254,000
<b>Total Donor Assistance</b>	<b>\$461,420,000</b>	<b>\$1,177,360,000</b>	<b>\$455,748,735</b>	<b>\$1,149,290,000</b>

Source: IRFFI, Donor Commitments, March 31, 2007.  
 \* World Bank ITF deposits are as of 2/28/07.  
 \*\*Iran has pledged \$10 million, but funds have not been allocated between WB ITF and UNDG ITF.

TABLE 2-29

Figure 2-58 shows international donor contributions to IRFFI, as of March 31, 2007.

Figure 2-58  
**INTERNATIONAL DONOR CONTRIBUTIONS TO IRFFI**  
 \$ Millions  
 Source: www.irffi.org (3/31/2007)



Note: Numbers may be affected by rounding.

## World Bank Iraq Trust Fund

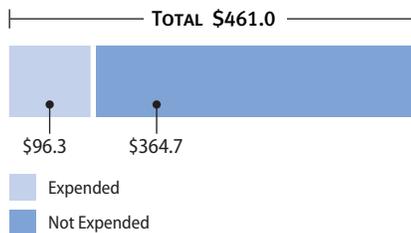
In January 2004, donors authorized the World Bank to administer the WB ITF, which began receiving funds in March 2004. As of March 31, 2007, 17 donors pledged approximately \$461 million to the World Bank ITF; approximately \$455 million has been deposited. Of that amount, \$304 million has been contracted, and \$96.3 million has been expended for projects:

- \$437 million of the WB ITF has been allocated to 16 projects.

- The GOI directly implements 13 of the 16 projects, valued at \$425 million.
- The World Bank implements the remaining three projects (\$12 million) in capacity building and technical assistance.
- Two World Bank projects financed by the ITF—the First Capacity Building Project and the Emergency Textbook Provision Project—are completed and closed.

Figure 2-59 reflects the status of WB ITF funds through March 31, 2007.

Figure 2-59  
**WORLD BANK IRAQ TRUST FUND - STATUS OF FUNDS**  
 \$ Millions  
 Source: www.irffi.org (3/31/2007)



**UN Development Group Iraq Trust Fund**

The United Nations Development Programme (UNDP) administers the UNDG ITF. As of February 28, 2007, 25 donors have committed approximately \$1.2 billion to the ITF, of which \$1.15 billion has been deposited. Sixteen UN agencies are implementing 116 projects with \$903 million in funding. UNDP has the most approved funding (\$255 million), followed by the UN Office for Project Services (\$159 million) and UNICEF (\$124 million):

- \$704 million (78%) has been obligated.

- \$599 million (66%) has been expended.
- 21 projects have been completed.

For the status of UNDG ITF funds through February 28, 2007, see Figure 2-60.

Donors can earmark their contributions to seven different clusters within the ITF. Infrastructure rehabilitation (\$225 million) and support for the electoral process (\$219 million) are the most popular clusters among donors. Figure 2-61 shows the UNDG ITF by UN cluster.

Figure 2-60  
**UNDG IRAQ TRUST FUND - STATUS OF FUNDS**  
\$ Billions  
Source: www.irffi.org (2/28/2007)

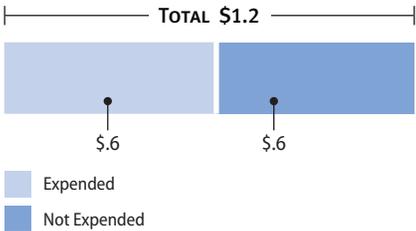
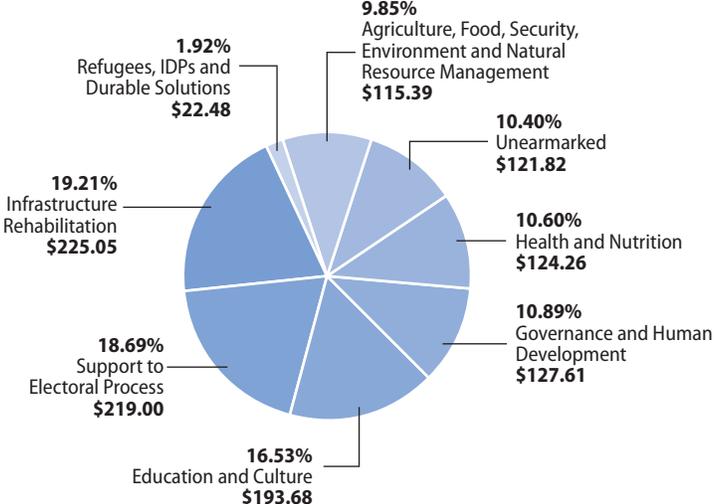


Figure 2-61  
**UNDG IRAQ TRUST FUND BY UN CLUSTER**  
\$ Billions, % of \$1.17 Billion  
Source: www.irffi.org (2/28/2007)



Other popular sectors among donors and Iraqis include agriculture, education, and health (\$194 million). The UN website ([www.irffi.org](http://www.irffi.org)) posted \$493 million in contract awards. This quarter Austria, United Arab Emirates, United Kingdom, and the United States were each awarded one contract; Jordan was awarded eight contracts totaling \$89,846.<sup>363</sup> Table 2-30 shows the contract awards for this quarter.

## IRFFI Donor Committee

The Donor Committee that oversees IRFFI held its fifth meeting in Istanbul, March 19-20, 2007. The committee reaffirmed its support for IRFFI, which should remain an important vehicle for donors to support the implementation of the International Compact for Iraq. This commitment is demonstrated by the decision reached during the meeting to pass the chairmanship of the committee from Canada to Iraq and Italy. The co-chairmanship will be an interim measure for one year.

During the meeting, the UN and World Bank presented progress reports to update donors on Trust Fund programs, achievements, challenges, and lessons learned. Price Waterhouse Coopers conducted an independent lessons-learned and review exercise of the entire UNDG ITF operation, under contract with the UNDP Office of Audit and Performance Review in 2005. In January 2007, the UNDP Office of Audit and Performance Review issued the final report, which included these main recommendations:

## CONTRACT AWARDS UNDER UNDG ITF, JAN-FEB 2007

COUNTRY	NUMBER OF AWARDS	AWARD AMOUNT
Austria	1	\$28,715
Jordan	8	89,846
United Arab Emirates	1	2,760
United Kingdom	1	65,490
United States	1	9,800
<b>Total Awards</b>	<b>12</b>	<b>\$196,611</b>

Source: IRFFI, UNDG ITF Newsletter, February 2007.

TABLE 2-30

- Create an independent body to oversee operations.
- Institutionalize and standardize business mechanisms and processes to alleviate uneven performance among project clusters.
- Align projects with Iraq's national priorities and the National Development Strategy.
- Strengthen monitoring capabilities.
- Strengthen systems and mechanisms to minimize risks of wrongdoing and fraud.

The report cited that the UNDG ITF had strong internal controls and transparency:

- The regulatory framework fully complied with and even exceeded specified requirements.
- Highly innovative steps had been taken to ensure transparency and disclosure of information.<sup>364</sup>

**MEMBERS OF THE INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ DONOR COMMITTEE**

Australia	Japan
Canada	Kuwait
Denmark	Norway
European Commission	Qatar
Finland	South Korea
Germany	Spain
India	Sweden
Iran	Turkey
Iraq (Co-chair)	United Kingdom
Italy (Co-chair)	United States

TABLE 2-31

A Norwegian consulting group, Scanteam, conducted another external review, which was also issued in January 2007. The Scanteam review presented these conclusions:

- Multi-donor Trust Funds (MDTFs) managed by the World Bank and UN are both necessary in most transition situations.
- MDTFs cannot be treated as successive stages but need to operate concurrently, albeit with the UN MDTFs starting earlier, and the World Bank MDTFs continuing until governments can accept General Budget Support.
- MDTFs need to work within a structure that maximizes synergies and encourages donors to see them as two arms of transition financing, rather than competing options.<sup>365</sup>

Discussions were also held with donors to ensure that the IRFFI continues to be relevant as the situation in Iraq evolves.<sup>366</sup>

For a list of the members of the Donor Committee, see Table 2-31.

**DONOR COORDINATION BY THE IRAQI GOVERNMENT**

The International Cooperation Directorate (ICD) in the Ministry of Planning seeks to integrate international assistance into Iraq’s national development goals and strategies and help implement donor-funded programs. ICD comprises four units:

- Project Analysis evaluates project requests.
- Monitoring and Evaluation monitors the

- progress of ongoing projects.
- Donor Relations communicates progress information to the donor community.
- Donor Assistance Database (DAD) tracks all donor assistance.

The DAD is a depository of investment data for projects financed by the international community. It analyzes and tracks aid flow, prioritizes investment needs, measures project success, and reports on investments.<sup>367</sup> In 2007, the Ministry of Planning intends to decentralize aid management by developing regional and ministerial databases during Phase III of DAD implementation. The regional and ministerial databases will link to the central DAD. DAD is currently available online at [www.mop-iraq.org](http://www.mop-iraq.org).

As of March 31, 2007, DAD included 17,442 projects, totaling \$17.13 billion, associated with 20 donors. Against these projects, \$14.98 billion had been committed, and \$10.17 billion had been expended. Although these numbers are not verified or audited, DAD lists 16,941 U.S. projects, totaling \$13.61 billion. According to DAD, the United States had committed \$11.99 billion and expended \$8.13 billion against these projects.

## MAJOR BILATERAL AND MULTILATERAL PROGRAMS

### Regional Cooperation

On March 10, 2007, the countries neighboring Iraq, the permanent members of the Security Council, and others met in Baghdad to focus regional and international efforts on supporting Iraq. Leaders in the region expressed their commitment to maintaining Iraq's unity and territorial integrity and helping Iraq reduce violence, strengthen dialogue, and promote economic development. As a mechanism to assist with regional cooperation in support of Iraq, these countries set up working groups on security, refugees, and energy supply.<sup>368</sup>

### Iran

In March 2007, Iraq and Iran signed an agreement in Tehran to expand commercial and economic exchanges between the two countries. The agreement came at the end of three days of discussions to increase commercial cooperation between the government and private sectors in both countries, to establish duty-free markets at border crossings, and to facilitate banking sector procedures.<sup>369</sup> Iran's direct financial support includes:

- \$45 million credit for two oil pipelines connecting Iran and Iraq
- \$10 million grant to IRFFI
- \$1 billion line of credit

### Japan

At the Madrid Conference, Japan announced its financial assistance package totaling up to \$5 billion. The package comprises \$1.5 bil-

lion in grant aid for immediate reconstruction needs, including power generation, education, water and sanitation, health and employment, and security. The package also includes \$3.5 billion in loans to meet medium-term needs. The \$1.5 billion in grant aid has been fully expended, and \$1.6 billion in loans has been committed for transportation, energy, and irrigation projects.

Japan's \$1.5 billion grant funded these initiatives:

- direct assistance for Iraq (approximately \$938 million, including technical cooperation)
- assistance through international organizations (approximately \$116 million)
- assistance through IRFFI (approximately \$491 million)
- assistance through International Finance Corporation's Small Business Financing Facility (approximately \$10 million).<sup>370</sup>

Japan will provide loans to the GOI to fund eight projects, totaling \$1.6 billion:

- Port Development Project (\$260 million)
- Irrigation Sector Loan Program (\$80 million)
- Al-Mussaib Thermal Power Plant Rehabilitation Project (\$310 million)
- Samawah Bridges and Roads Construction Project (\$30 million)
- Engineering Services for Basrah Refinery Upgrading Project (\$20 million)
- Khor Al-Zubair Fertilizer Plant Rehabilitation Project (\$160 million)

- Crude Oil Export Facility Rehabilitation Project (\$450 million)
- Electricity Sector Reconstruction Project (\$290 million)

In February 2007, Japan extended a new emergency grant of approximately \$100 million to assist GOI with nation-building efforts, including developing the International Compact for Iraq.<sup>371</sup>

**United Kingdom**

The UK commitment to Iraq is \$1.11 billion. Table 2-32 shows UK expenditures by program. The UK Department for International Development (DFID), which is responsible for implementing UK pledges, has been involved in many of the same types of projects that the United States is funding, but on a smaller scale and focused more in the south:

- rehabilitating power and water infrastructure
- organizing the Prime Minister’s office and the governors’ offices in the south
- training for the Government Communications Directorate
- planning and budgeting for the strategic development in the southern provinces
- intergovernmental coordination
- macro-economic and budget reform
- strengthening independent broadcasting
- developing civil society

The UK also has a quick-impact program financed by the Ministry of Defense that has

a similar mission to that of the Commander’s Emergency Response Program (CERP). DFID reports many of the same challenges that CERP reports: security, constantly changing government counterparts, and weak overall government capacity. DFID’s program for 2006-2007 focuses on economic reform, delivering power and water improvements in the south, governance and institution building in Baghdad and the south, support for civil society and political participation, and capacity building in the Ministry of Interior. DFID funds a World Bank advisor in Baghdad to speed up engagement in oil and electricity issues and to help the Iraqi government develop a plan for the energy sector.

**World Bank**

The World Bank has approved four projects (\$399 million) through its International Development Association loans to focus on basic services—education, electricity, transportation, and water supply:

**UK DONOR EXPENDITURE,\*  
AS OF 03/31/2007 (MILLIONS)**

DFID Bilateral Programme	\$562
IRFFI Trust Funds	127
Contribution to EC Programme	142
FCO Programmes	64
Global Conflict Prevention Pool	72
MoD Quick Impact Projects	59
<b>Total</b>	<b>\$1,026</b>

Source: DFID, response to SIGIR, April 5, 2007.  
\*Unofficial Estimate

TABLE 2-32

- Third Emergency Education Project (\$100 million)
- Emergency Road Rehabilitation Projects (\$135 million)
- Dokan and Derbandikhan Emergency Hydropower Project (\$40 million)
- Electricity Reconstruction (\$124 million)<sup>372</sup>

Of the \$500 million International Development Association (IDA) allocation to Iraq, 17% is allocated to projects in the Kurdistan Region (road and hydropower rehabilitation), at GOI's request.<sup>373</sup> In March 2007, the World Bank Board of Executive Directors approved a credit of \$124 million for the Emergency Electricity Reconstruction Project; the total cost of the project is estimated at \$150 million. The World Bank has approved an additional \$6 million from the World Bank-administered Iraq Trust Fund, and the GOI is contributing \$20 million of its own resources.<sup>374</sup>

### United Nations

The UN has committed to a more coordinated response to the growing humanitarian crisis in Iraq. The Office of the UN High Commissioner for Refugees (UNHCR) organized a major conference in Geneva on April 17-18, 2007, to explain the need for such a response and encourage donors to make it possible.<sup>375</sup>

The UN Country Team for Iraq has developed the Joint Priority Action Plan (JPAP) to support Iraq's development and reform goals. JPAP will be implemented over an 18-month

period. However, some aspects of the JPAP will be completed in 12 months for quick impact. The JPAP work plan features four work streams for a total resource requirement of \$240 million over 18 months:

- \$62.4 million will be used on upstream interventions, including policy, legislative support, institutional strengthening, and capacity building.
- \$127 million will support the provision of basic services, including \$56.5 million within priority districts.
- The remaining funds will be used to support specific basic services sectors (nationwide, regionally, or locally), including \$50.6 million for emergency preparedness and response interventions.<sup>376</sup>

### European Commission

The European Commission (EC) is providing \$13.7 million to help meet the growing needs generated by the humanitarian crisis in Iraq. The EC will propose an initial funding package of \$8.32 million.<sup>377</sup> Focusing on the most vulnerable groups, the aid would include basic health care and education, as well as targeted distributions of food and essential household items and support for the UNHCR refugee registration system. An initial funding package of around \$5.37 million will assist people inside Iraq.<sup>378</sup>

The EC has pledged approximately \$779 million for reconstruction assistance. Nearly a quarter of EC funding (24%) has been used to support education initiatives, 14% has sup-

ported health programs, 13% has supported poverty-reduction initiatives, 21% has supported the electoral/constitutional processes, and 28% has supported capacity building.

The \$252 million program announced for 2006 focuses on improving the quality of life of the Iraqi people by funding programs to:

- support basic services (\$223.65 million)
- provide a technical assistance facility to provide capacity building (\$7.56 million)
- support the Iraqi refugees inside Iraq (\$12.6 million)
- enhance the capacity of the Trade and Customs Administration (\$8.19 million)

The Trade and Customs Administration capacity-building initiative will support the EC-Iraq Trade and Cooperation Agreement. This agreement aims to improve the trade arrangements between Iraq and the EU, covering a wide range of issues, including trade in goods, services, measures to encourage investment, customs, intellectual and industrial property rights, and public procurement rules.<sup>379</sup>

#### **International Monetary Fund**

The International Monetary Fund (IMF) has completed its third and fourth reviews of Iraq's performance under its economic program supported by the Stand-By Arrangement. The GOI has not drawn on any of the funds available (about \$714.7 million), but they are maintained as an additional source of funding if needed. The Stand-By Arrangement was approved on December 23, 2005.

In completing the latest reviews, the IMF also approved the GOI's request for a six-month extension of the arrangement through September 28, 2007.<sup>380</sup>

#### **INTERNATIONAL COMPACT FOR IRAQ**

In March 2007, a meeting on the International Compact for Iraq (Compact) was held at the UN headquarters, attended by more than 80 countries and 8 regional groups. The meeting addressed the means to support the GOI in providing security and building institutions, as well as the commitments of other countries to the GOI in this endeavor. Since July 2006, the preparatory process for the Compact has been underway in Baghdad. This process included two high-level meetings in Kuwait and Abu Dhabi that brought together the GOI and the international community. In the March meeting, Iraq's Vice President shared the latest developments in Iraq, focusing on the progress that has been made in the preparatory process for the Compact. The UN Secretary-General appointed a Special Advisor to ensure coordinated support from the United Nations System in implementing the goals of the Compact and to serve as Co-Chair for the Compact.

The Compact focuses on four key reform and investment areas and two sectors: public resource management, governance and institutions, economic reforms, social sector reforms, and the energy and agriculture sectors. The Compact aims to achieve its objectives in two ways:

- a national compact among Iraqis on the necessary security and political steps to normalize the situation in Iraq and to revitalize the economy
- an international compact between Iraq and the international community that would set out the GOI's social reform agenda for the next five years, which would allow the international community to channel support for Iraq's priorities<sup>381</sup>

The GOI has asked the international community for:

- financial assistance, including loans and loan guarantees, to support major investments in basic services that are currently beyond the GOI's financial and technical capacity to execute because of its volatile oil revenue stream
- debt relief to reduce non-Paris Club debt, reparations, and the remaining 20% of Paris Club debt by 2007
- managerial and technical assistance, particularly to government ministries that need enhanced capacity to manage public investment
- assistance with a private-sector development strategy and promotion of private investment
- institutional strengthening and capacity building of government and civil society institutions
- assistance with accession to international agreements and development of new regional and international initiatives

The additional international financial assistance would help fund the Investment and Action Plan for Growth (IAPG), a detailed plan to quantify Iraq's financial and technical needs. The GOI will develop the plan in coordination with a wide range of stakeholders, including the Iraqi and international banks, multilateral organizations, and the Iraqi private sector after the signing of the Compact. The plan will be an integral part of the formulation of Iraq's National Development Strategy (NDS). The IAPG will focus on the reconstruction of sectors that are key to Iraq's economic recovery, such as Energy<sup>382</sup> and Agriculture. Other sectors will be considered on a prioritized basis as part of the ongoing development of the National Development Strategy.

### IRAQI FUNDS

The GOI has approved the 2007 budget. Total revenues for the Iraqi 2007 budget are \$33.7 billion, and budgeted expenditures are \$41.4 billion. The deficit of \$7.7 billion will be financed by funds carried forward from previous years. The revenue includes:

- taxes: \$757 million
- social contributions: \$6.3 million
- grants: \$1 million
- other revenues, including oil sales: \$32.9 billion
- sale of non-financial assets: \$48 million

Operating expenditures will increase by 18.7% to \$31.2 billion over 2006 budgeted amounts. Capital expenditures will increase by

22% to \$10.1 billion. Special initiatives totaling \$600 million include:

- Disarmament, demobilization, and reintegration (DDR), (\$150 million)
- Baghdad Jobs (\$100 million)
- Primary Education Construction (\$150 million)
- University Education Construction (\$100 million)
- Pensions for Former Military (\$100 million)

The Ministry of Finance receives the largest allocation—\$14.6 billion. The next largest allocations are to the Kurdistan region (\$4.8

billion) and the Ministry of Defense (\$4.2 billion). The 2007 budget includes provisions to improve budget execution. Article 14 states that the Minister of Finance coordinates with the Ministry of Planning and Cooperative Development to transfer appropriations if at least 25% is not expended by the first half of the fiscal year. Exceptions will be made for areas where security issues hindered implementation. Donor contributions will also be included in the budget if approved by the Council of Ministers.<sup>383</sup> Table 2-33 shows the expenditures by entity.

# SOURCES OF FUNDING

## 2007 IRAQI BUDGET EXPENDITURES (THOUSANDS)

	OPERATING EXPENDITURES	CAPITAL PROJECTS EXPENDITURES	TOTAL EXPENDITURES	PERCENTAGE OF TOTAL BUDGET EXPENDITURES
<b>Ministries</b>				
Ministry of Finance	\$14,440,344	\$111,029	\$14,551,373	35%
Ministry of Defense	4,126,424	48,000	4,174,424	10%
Ministry of Interior	3,168,425	40,000	3,208,425	8%
Ministry of Education	1,542,490	292,800	1,835,290	4%
Ministry of Health	1,488,600	344,400	1,833,000	4%
Ministry of Electricity	90,098	1,396,044	1,486,142	4%
Ministry of Higher Education and Scientific Research	665,015	207,177	872,191	2%
Ministry of Housing and Construction	85,603	337,778	423,382	1%
Ministry of Municipalities and Public Works	32,671	340,160	372,831	1%
Ministry of Water Resources	92,270	263,856	356,126	1%
Ministry of Oil	70,353	240,000	247,353	1%
Ministry of Foreign Affairs	216,182	15,000	231,182	1%
Ministry of Transportation	114,749	98,560	213,309	1%
Ministry of Planning and Development Cooperation	132,006	80,000	212,006	1%
Ministry of Labor and Social Affairs	86,426	112,800	199,226	*
Ministry of Communication	10,298	154,240	164,538	*
Ministry of Justice	115,814	10,200	126,014	*
Ministry of Agriculture	59,044	50,253	109,297	*
Ministry of Culture	47,153	20,620	67,773	*
Ministry of Sciences and Technology	47,040	18,747	65,787	*
Ministry of Youth and Sport	35,108	30,000	65,108	*
Ministry of Industry and Minerals	22,046	33,380	55,426	*
Ministry of Trade	32,497	12,400	44,897	*
Ministry of Environment	8,920	4,800	13,720	*
Ministry of Human Rights	12,051	1,600	13,651	*
Ministry of Displaced Persons and Migrants	5,294	800	6,094	*
<b>Total Ministry Expenditures</b>	<b>\$26,746,921</b>	<b>\$6,424,644</b>	<b>\$33,171,565</b>	<b>75%</b>

	OPERATING EXPENDITURES	CAPITAL PROJECTS EXPENDITURES	TOTAL EXPENDITURES	PERCENTAGE OF TOTAL BUDGET EXPENDITURES
<b>Other Entities</b>				
Kurdistan Region	\$3,213,085	\$1,572,800	\$4,785,885	12%
General and Local Administration in Governorates	39,124	208,320	247,444	5%
Council of Ministries	690,052	21,800	711,876	2%
Council of Representatives	291,627	5,800	297,427	1%
Council of Ministers Presidency	280,227	0	280,227	1%
Council of Ministers Secretariat	264,030	0	264,030	1%
Higher Judicial Council	115,789	20,000	135,789	*
Republic Presidency	93,937	0	93,937	*
Local Councils of Governorates	78,132	0	78,132	*
Iraqi Independent Electoral Commission	63,831	4,000	67,831	*
Shiite Endowment	54,515	9,000	63,515	*
Sunni Endowment	\$54,515	\$7,200	\$61,715	*
Board of Supreme Audit (BSA)	41,578	3,000	44,578	*
Commission on Public Integrity	26,486	2,800	29,286	*
Office of Commander in Chief of the Armed Forces	22,013	0	22,013	*
Iraqi Criminal Court	17,593	0	17,593	*
Iraqi Property Claims Commission	16,335	0	16,335	*
National Security Council	10,487	0	10,487	*
Christian and Other Sects Endowment	2,783	4,800	7,583	*
National Commission of de-Ba'athification	6,463	0	6,463	*
Iraqi Commission for Controlling Radiation Resources	1,506	800	2,306	*
<b>Total Budget</b>	<b>\$31,249,730</b>	<b>\$10,132,244</b>	<b>\$41,381,974</b>	

Source: Republic of Iraq Council of Representatives, February 10, 2007.

\* Less than 1%.

TABLE 2-33



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# SIGIR Oversight

SIGIR AUDITS  
SIGIR INSPECTIONS  
SIGIR INVESTIGATIONS  
SIGIR HOTLINE  
SIGIR LESSONS LEARNED INITIATIVE  
SIGIR WEBSITE  
LEGISLATIVE UPDATE

SECTION

3



## SIGIR AUDITS

From February 1, 2007, to April 30, 2007, SIGIR Audits completed four audits. SIGIR also has one draft report issued for agency review and comment. As of April 30, 2007, SIGIR has issued 86 audit products. This quarter, SIGIR audits addressed a wide range of issues:

- An update on the status and sustainment of the Advanced First Responder Network (AFRN) project. This project is intended to improve the communications capabilities of Iraq's emergency first responders—police, firefighters, and emergency medical personnel—by enabling interoperable communications for the Iraqi Ministry of Interior security and safety forces throughout Iraq.
- A restricted update on procurement issues related to the AFRN's sustainment.
- A review of the management of the Commander's Emergency Response Program (CERP) for FY 2006. This program is intended to enable U.S. military commanders in Iraq to respond to the urgent humanitarian relief and reconstruction requirements of the local population by providing

funds for repairs and condolence payments after combat operations, purchasing critical infrastructure equipment, and conducting large-scale civic cleanup and construction activities that employ as many Iraqis as possible.

- A review of internal controls related to disbursements of the Iraq Relief and Reconstruction Fund (IRRF) apportioned to the Department of State (DoS).

SIGIR also has 16 ongoing audits. At least eight more are planned to start next quarter. SIGIR performs audit work under generally accepted government auditing standards.

Details on SIGIR audits are presented throughout this Report:

- For titles of the four audit products issued final during this reporting period, see Table 3-1.
- For information on all SIGIR audit work completed as of April 30, 2007, and for the full text of all final audit products, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

**SIGIR FINAL AUDIT PRODUCTS, SINCE JANUARY 30, 2007**

REPORT NUMBER	REPORT TITLE	DATE ISSUED
07-002	Status of the Advanced First Responder Network	April 2007
07-006	Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006	April 2007
07-012	Review of Iraq Relief and Reconstruction Fund Unmatched Disbursements at the Department of State	April 2007
07-013	Sustainment of the Advanced First Responder Network (Restricted Distribution)	April 2007

TABLE 3-1

This quarter, SIGIR continues to note problems caused by the Government of Iraq's (GOI's) inability or unwillingness to step forward to sustain programs and projects. However, SIGIR also noted that improvements need to be made in the transfer and sustainment of large CERP projects. Although SIGIR noted steady improvements in coordination among U.S. government organizations, the level of turnover impacts progress. Next quarter, SIGIR will report on the progress being made on the overall transfer of reconstruction projects.

SIGIR also found adequate internal controls over the payment of invoices for DoS.

During the quarter, SIGIR also assisted in developing multiple informational papers as a result of congressional requests. SIGIR provided information regarding contracting procedures and processes, progress of the Iraqi Security Forces logistics support program development, forensic auditing, and recovery audits.

SIGIR chaired one meeting of the Iraq Accountability Working Group (IAWG) on April 4, 2007. Organization representatives, fellow auditors, and internal management evaluators met to discuss ongoing efforts and emerging issues. As a result of this meeting, SIGIR descope one review that was announced last quarter. In addition, SIGIR is coordinating several other efforts with the various accountability organizations, including MNF-I and MNSTC-I. SIGIR has weekly meetings with many of the organizations in Baghdad to improve communications among the accountability organizations.

## Final Audit Products

### Status of the Advanced First Responder Network

SIGIR 07-002, APRIL 2007

The Advanced First Responder Network (AFRN) project is intended to address the limited communications capabilities of Iraq's emergency first responders—police, fire-fighters, and emergency medical personnel—by enabling interoperable communications for the Iraqi Ministry of Interior security and safety forces throughout Iraq. The AFRN project was managed, funded, and maintained by U.S. government organizations pending the assumption of those responsibilities by the GOI. The AFRN system was transferred to full GOI ownership and control on June 26, 2006. As of March 28, 2007, U.S. government organizations had expended \$200.4 million in U.S. funds and \$16 million in Development Fund for Iraq money for AFRN development, operations, and maintenance.

**Objectives.** The objective of this review was to assess the management actions taken by MNSTC-I to correct the AFRN communications deficiencies and property accountability conditions, as well as the progress made by the Ministry of Interior to sustain the system, since SIGIR's previous report, "Review of the Advanced First Responder Network" (SIGIR 06-020, July 28, 2006).

**Findings.** SIGIR found:

- MNSTC-I has taken effective corrective actions for the five recommendations made in the previous report.

- Operational effectiveness of the AFRN system has improved, as demonstrated by increased usage by both the first responders and Iraqi citizens.
- After the turnover of AFRN to the GOI, a sustainment contract managed by the U.S. government and funded by the GOI was in place until it expired on December 31, 2006. Since then, MNSTC-I has provided about \$2.5 million from the Iraqi Security Forces Fund (ISFF) to continue the sustainment of AFRN while the Ministry of Interior is in the process of solicitation and award of its own sustainment contract. The temporary bridging contract will end on March 31, 2007, and the Ministry of Interior may not have completed an award for a follow-on sustainment contract. Without a timely award of its contract for sustainment, the GOI jeopardizes the gains that the AFRN system has already made and the AFRN system itself. However, this is an action that must be taken by the GOI, and therefore this report contains no recommendation on this matter for U.S. government action.

#### Management Comments and Audit

**Response.** This report contained no recommendations. On March 30, 2007, SIGIR thoroughly discussed and coordinated the content and facts in this report with the Office of the Commanding General, MNSTC-I. As agreed at this meeting, management comments were not required or expected.

### Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006

SIGIR 07-006, APRIL 2007

In FY 2006, the Congress appropriated \$923 million for the Commander's Emergency Response Program (CERP), of which \$510 million was allocated to the Multi-National Corps-Iraq (MNC-I), a subordinate command of the MNF-I. CERP enables U.S. military commanders in Iraq and Afghanistan to undertake a variety of non-construction and construction activities to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility. This may include making condolence payments after combat operations, providing funds for repairs, purchasing critical infrastructure equipment, or conducting large-scale civic cleanups that employ as many Iraqis as possible. As of September 30, 2006, MNC-I reported it had obligated \$510 million for more than 3,800 CERP projects.

Over the last two years, SIGIR has issued three reports<sup>385</sup> on the management controls and accountability of the CERP family of funds.<sup>386</sup> All three reports stated that, generally, CERP funds were used in accordance with published guidance.<sup>387</sup> However, SIGIR consistently found that Coalition forces did not fully comply with the published guidance for maintaining the documentation required to ensure accountability and oversight of CERP projects.

**Objectives.** The objectives of this audit were to determine:

- What controls are in place to ensure the accountability of CERP funds and project records?
- Were CERP funds used for intended and authorized purposes?
- What is the status of coordination of CERP with other reconstruction funds and programs, particularly for larger CERP reconstruction projects with strategic value?
- What performance measures are in place to evaluate the effectiveness of the individual CERP projects in relationship to the overall goals of the CERP program?
- How are commanders ensuring sustainment of completed CERP projects by the GOI?
- How are CERP projects transitioned to the GOI?

This review further assessed actions taken by U.S. government officials on the recommendations made in SIGIR's prior reports on CERP.

**Findings.** MNC-I has improved controls over fund accountability, but weaknesses remain in project documentation. To strengthen fund accountability, MNC-I now uses two management information systems to track and reconcile CERP financial and project data: the Iraq Reconstruction Management System (IRMS) and the Army accounting system.<sup>388</sup> However, not all CERP project documentation was complete or on file with MNC-I in accordance with applicable guidance. CERP documentation is required to be submitted

quarterly by major subordinate commands (MSCs). Of the files SIGIR requested for sample review, MNC-I could provide only 122 of 173 project folders—105 random sample and 17 judgmental sample—or 71%; and many key project documents were missing from the folders SIGIR reviewed. The absence of these key documents—which help to certify the proper accountability for, and disbursements of, funds—represents an internal control vulnerability. Furthermore, MNC-I does not maintain monthly status of funds reports from MSCs to the MNC-I Comptroller's Office, which would support the reconciliation of financial and project data. These reports, which are not required in current guidance, document whether commanders are monitoring CERP fiscal controls and program procedures.

Using applicable guidance and SIGIR's sample review of available documentation for 122 projects, SIGIR determined that FY 2006 CERP funds were used for intended and authorized purposes. The MSC commanders have the authority to approve projects less than \$500,000 without MNC-I approval, as long as the projects meet the standards outlined in CERP directives and guidance. Projects over \$500,000 must be approved by the MNC-I Commanding General.

MNC-I has continued to make improvements in coordinating its CERP projects with the Iraq Reconstruction Management Office (IRMO)<sup>389</sup> and the U.S. Agency for International Development (USAID), as well as with Iraqi provincial and national government entities. For example, in FY 2006, MNF-I established the Joint Reconstruction Operations

Center (JROC) under the Gulf Region Division of the U.S. Army Corps of Engineers (USACE). Through the weekly meeting of the Joint Planning Commission—comprising MNF-I, MNC-I, IRMO, USAID, Iraqi representatives, and Baghdad Amanat engineers,<sup>390</sup>—the JROC coordinates and synchronizes reconstruction projects from all the reconstruction players with the GOI in support of the Baghdad Security Plan. In addition, JROC maintains a list of prioritized projects for the Baghdad Amanat. MNC-I needs to continue to reinforce this coordination effort with its MSC commanders to ensure that CERP projects are successfully integrated with USAID and IRMO reconstruction operations. According to IRMO staff, the level of coordination was dependent on the province where the project was occurring and varied based on the strength of the provincial reconstruction and development committee (PRDC) and the operational abilities of the provincial reconstruction team (PRT).

Measuring the effect of a CERP project is often complex and difficult. MNC-I coordinates the efforts of several staff offices (project management, financial management, etc.) to determine the intended effects of CERP projects in a city or region. The assessment process considers polling results, operational reports, and subject-matter expert reports in a holistic methodology so that all the effects and impacts of a project are captured and measured. For example, a CERP-funded security project did not directly cause economic growth in an area. However, because of the increased security the project provided, the second-order impact of free trade was enabled, which increased eco-

conomic activity in the area. Polling of Iraqis, for example, would show that CERP projects provided jobs to Iraqis; Iraqis indicated that they noticed the Coalition's reconstruction efforts (i.e., the reconstruction was visible to them).

Although SIGIR made a recommendation to address sustainment and transition in SIGIR's previous report,<sup>391</sup> this condition remains because SIGIR determined that there is no specific MNC-I guidance for the sustainment or transition of CERP projects to the GOI. Approximately 97% (3,716) of the CERP projects in FY 2006 cost less than \$500,000 and probably required little sustainment or transition planning. SIGIR believes that the larger projects—those over \$500,000 in the essential services sectors (water and electricity)—will likely require some level of sustainment planning. Only 3% (138) of the CERP projects are valued over \$500,000; they encompass 47% (\$235 million) of the \$510 million obligated for FY 2006. Some transition and sustainment coordination occurs through such venues as the MSC commanders meetings with the PRDCs and PRTs in the provinces, and the JROC and the Interagency Stabilization Task Force. Both meet in Baghdad and bring together Coalition forces, interagency, and GOI agencies to coordinate and synchronize efforts. Nevertheless, it is uncertain how much these meetings contribute to the readiness of the GOI to take over completed CERP projects.

SIGIR's previous report made five recommendations for improving the CERP program. SIGIR's review found that MNC-I has fully addressed three of SIGIR's recommendations

but still needs to take action to address two recommendations.

**Recommendations.** SIGIR recommended that the Commanding General, MNC-I, take these actions:

1. Enforce the CERP requirement that major subordinate commands submit completed CERP project files on a quarterly basis.
2. Require the major subordinate commands to keep on file monthly reports of the status of CERP funds to validate that reviews are being done and that the two management reporting systems are reconcilable.
3. Continue to reinforce coordination effort with major subordinate commands to ensure that CERP projects are successfully integrated with IRMO reconstruction operations.

### Management Comments and Audit

**Response.** A draft of this report was provided to MNF-I and MNC-I officials, who concurred with the findings and recommendations. Actions are underway or planned to implement the recommendations. The comments received were fully responsive.

### Review of Iraq Relief and Reconstruction Fund Unmatched Disbursements at the Department of State

SIGIR 07-012, APRIL 2007

This report discusses the results of the SIGIR review of internal controls over disbursements of IRRF apportioned to DoS.

**Summary.** DoS has adequate internal controls to minimize the occurrence of unmatched disbursements of IRRF funds. SIGIR tested

DoS internal controls for a sample of the \$1.657 billion in funds obligated, and \$1.341 billion in funds disbursed, as of September 30, 2006. In general, SIGIR found that IRRF obligations and disbursements recorded in the DoS accounting system were supported by proper documentation and that disbursements could be properly matched to existing obligations.

**Objectives.** This review was initially announced on July 21, 2006,<sup>392</sup> with the overall objectives to determine the amount of IRRF unmatched disbursements and whether U.S. government agencies have established adequate management controls over IRRF unmatched disbursements. To accomplish these objectives, SIGIR addressed the following questions:

- How much IRRF monies have been identified as unmatched disbursements?
- How often are unmatched disbursements reviewed by government officials, and who makes the determination that the disbursement was an IRRF expenditure?
- Have IRRF unmatched disbursements subsequently been identified to other IRRF projects?
- What management controls are in place to eliminate and resolve unmatched disbursements?

Due to the lack of access to data needed for SIGIR's initial review, SIGIR re-announced a separate review of DoS unmatched disbursements in the SIGIR January 30, 2007 Report.

**Background.** The Emergency Wartime Supplemental Appropriations Act, Public Law (P.L.) 108-11, created the Iraq Relief and Reconstruction Fund (referred to as IRRF 1)

and appropriated approximately \$2.5 billion to be used in Iraq for a broad range of humanitarian and reconstruction activities by USAID, Department of Defense (DoD), Department of State (DoS), the Department of the Treasury, and the Department of Health and Human Services. The Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, P.L. 108-106, appropriated an additional \$18.4 billion, referred to as IRRF 2, for the rebuilding of Iraq. As of September 30, 2006, DoS was apportioned \$1.7 billion of IRRF appropriated funds—\$100.7 million in IRRF 1 funds and \$1.6 billion in IRRF 2 funds.

Internal controls represent an organization's plans, methods, and procedures to meet its missions, goals, and objectives and serve as the first line of defense in safeguarding assets and preventing and detecting errors, fraud, waste, abuse, and mismanagement. Internal controls over disbursements include the policies, procedures, and management controls to ensure contractor invoices are not paid unless the invoices can be matched to obligations in the organization's accounting system.<sup>393</sup> Disbursements must be matched with corresponding obligations in official accounting records to ensure that funds are spent in accordance with the purposes and limitations set by the Congress and to avoid fraudulent disbursements or erroneous payments.

An unmatched disbursement is a transaction that has been received and accepted by an accounting office, but has not been matched to the correct detail obligation.<sup>394</sup> Unmatched disbursements not only affect reports pre-

pared by an agency to monitor its obligations and expenditures of budgetary resources, but also its financial position and the results of its operations.

**Results.** DoS has adequate internal controls to minimize the occurrence of unmatched disbursements of IRRF 1 and 2 funds. As of September 30, 2006, DoS had obligated \$1.657 billion and disbursed \$1.341 billion in combined IRRF 1 and 2 funds. To test DoS internal controls, SIGIR examined transaction-level documentation for about 26% of these amounts—\$438.8 million in obligations and \$348.2 million in disbursements. SIGIR found that the obligations in the DoS accounting system were supported by proper documentation and were posted (existed) before the disbursement of funds. Similarly, the disbursements were supported by proper documentation and agreed with the entries posted in the accounting system. As a result, SIGIR could match the recorded disbursements with the corresponding recorded obligations.

#### **Management Comments and Audit**

**Response.** This report contains no recommendations. On April 17, 2007, SIGIR discussed and coordinated the content and facts in this report with the DoS Deputy Chief Financial Officer. As agreed at this meeting, management comments were not required or expected.

#### **Sustainment of the Advanced First Responder Network, (Restricted Distribution)**

SIGIR 07-013, APRIL 2007

This product is restricted because of procurement-sensitive information contained in the report relating to the GOI's acquisition of a sustainment contract for the Advanced First Responder Network. However, SIGIR notes that the completion of the GOI acquisition is critical to ensuring the continued effective operation of the network. This report is available on a need-to-know basis. Requests by mail can be made to SIGIR Office of General Counsel, 400 Army Navy Drive, Arlington, VA, 22202.

## Ongoing Audits

### Review of Logistics Civil Augmentation Program (LOGCAP) Task Order 130

SIGIR-07-001, DRAFT

SIGIR performed this review at the request of the Management Counselor, U.S. Embassy-Iraq. The broad objectives of this review were to determine whether the U.S. government is receiving the services paid for under LOGCAP Task Order 130 and whether the support provided by Kellogg, Brown and Root Services, Inc. (KBR), is reasonable, efficient, and cost effective. This report specifically addresses three issues:

- Does the U.S. government have a process in place ensuring that requirements are properly validated?
- Did KBR's performance meet contractual requirements in an effective and efficient manner?
- Is the U.S. government performing adequate oversight of KBR's performance?

This partial review of Task Order 130 specifically examined elements of contractor operations in the International Zone of Baghdad, Iraq, for services in four areas: fuel operations, food service, billeting, and morale/welfare/recreation services.

On October 26, 2006, SIGIR issued an interim report, *Inappropriate Use of Proprietary Data Markings by the Logistics Civil Augmentation Program (LOGCAP) Contractor* (SIGIR-06-035), which discussed KBR's practice of routinely marking information provided to the government as "KBR Proprietary Data" and KBR's initial refusal to provide data

that SIGIR requested in its native electronic format.

SIGIR plans to issue additional products as reviews of other elements of LOGCAP Task Order 130 continue.

### Review of Close-out Processes and Procedures for IRRF Contracts

SIGIR-6006

This audit will determine whether contracts funded by IRRF (including task orders, grants, and cooperative agreements) are being closed out on time and whether the close-outs comply with the Federal Acquisition Regulation (FAR) 4.804 1(a) and other applicable regulations, policies, and procedures. SIGIR will also determine what steps the government program and contract officials perform to ensure that the delivery of the goods or services meet the identified requirements, and that the payments are reasonable for goods and services received.

### Fact Sheet: U.S. Government Organizations' Roles and Responsibilities for Iraq Relief and Reconstruction Activities

SIGIR-6012

This fact sheet describes the roles and responsibilities of the principal U.S. government organizations engaged in Iraq relief and reconstruction. This report examines how officials in those organizations view their authority and role in the Iraq effort and how the officials believe they interface with other organizations. (The validation of those authorities, roles, and interface efforts is not within the scope of this review and, therefore, will not be conducted.)

**Objectives.** The objectives of this review are

to determine the roles and responsibilities of each principal U.S. government organization with programmatic, operational, or financial stewardship for Iraq relief and reconstruction. Specifically, the review focuses on these questions:

- Which U.S. government organizations have been authorized to perform a role in Iraq relief and reconstruction activities?
- What are the authorized roles and responsibilities of each organization and their relationship to other organizations?
- How do these organizations coordinate policies, procedures, and activities with each other?
- Of the U.S. government organizations that have not had principal roles and responsibilities, which have provided staff to Iraq relief and reconstruction?
- How much funding was provided to each organization? What kind of funding was provided? What was the purpose of the funding?
- What performance reporting does each organization produce, to whom, and how often?
- What event triggers the cessation or transfer of each organization's mission relating to Iraq relief and reconstruction?

## **Iraq Relief and Reconstruction Fund (IRRF) Financial Review: Unliquidated Obligations**

SIGIR-6026

The overall objective of this audit is to determine the amount of IRRF unliquidated obligations and whether the U.S. government agencies responsible for reconstruction projects in Iraq have established adequate management controls over IRRF 1 and IRRF 2 unliquidated obligations. SIGIR intends to answer these questions:

- How much IRRF monies remain as unliquidated obligations?
- Have unliquidated obligations or monies committed to the completion of projects been deobligated, decommitted, and moved to cover unfunded requirements?
- What management controls are in place to monitor unliquidated obligations?

## **Review of Spending of U.S. Government Funds under the USAID Bechtel Contract**

SIGIR-6028

The objective of this review is to determine, in detail, the costs incurred by the contractor in performing work under selected contracts with USAID for reconstruction projects in Iraq, as well as the methods used to record and report associated costs. SIGIR will also evaluate the controls associated with program and contract management. Specifically, SIGIR intends to answer these questions:

- What was the original objective of the contract?

- What was accomplished (were projects completed or changed)?
- Was each project completed within its original budget estimate?
- What controls were established to monitor the contractor and the execution of the contract?
- What reports were used to monitor the contract, and what reports were required by the contract?
- Is there visibility over costs incurred by task order, job order, project, etc.?
- What review process is in place by the government to ensure accuracy of billings?
- What are the subcontracting provisions in the contract, and to what extent was the work subcontracted?
- What cost detail is contained in the invoices and supporting documentation that Bechtel submitted to the government?
- What costs did Bechtel incur in carrying out its contracted tasks, including materials, labor, overhead, security, subcontracts, and all other costs?
- How many layers of subcontracts did Bechtel have in performing the contracted work?
- What types of contracts—firm fixed-price, cost-plus, or other arrangement—were used for subcontracts?
- At each layer of subcontracting, what costs were billed to the next level of subcontractor?
- What administrative fees did the contracting agency charge?

### **Lessons Learned: Contracting in Iraq Reconstruction: Design-build vs. Direct Contracting**

SIGIR-7001

The objective of this assessment is to understand how the major construction contracts were managed in Iraq. SIGIR is comparing the two major project delivery systems used in Iraq—design-build and direct contracting—to U.S. industry-leading practices to identify the circumstances that enhance or limit their successes. SIGIR is also assessing the outcomes of the use of each delivery system and how each met the U.S. strategic goals for relief and reconstruction.

### **Review of Financial Reporting and Cost-to-complete Estimates for Iraq Relief and Reconstruction U.S.-funded Programs and Projects**

SIGIR-7003

The overall objective is to determine whether IRMO, USAID, GRD, and MNSTC-I provide accurate project financial data in required reports to the Congress. The review will answer these questions:

- Do the U.S. government reports submitted to comply with Section 2207 of P.L. 108-106 accurately report how estimates and assumptions contained in previous reports have changed?
- Have U.S. government agencies established effective internal control systems to ensure the accuracy of cost-to-complete estimates and financial reports?
- What is the impact of inaccurate project cost reporting?

- What is the status of actions taken on implementing previous SIGIR recommendations?
- What is the impact of the new sources of funds on cost-to-complete and current financial management reporting of the Iraq relief and reconstruction efforts?
- Are gaps in resource requirements identified when comparing the cost-to-complete information to the funds available?

## **Review of the Status of Transferring Iraq Relief and Reconstruction Fund Projects to the Government of Iraq**

SIGIR-7004

The overall objective is to determine whether DoS, USAID, GRD, and MNSTC-I have developed and implemented plans for the transition of IRRF-funded projects to the GOI. The audit will answer these questions:

- Have U.S. agencies involved in U.S.-funded or U.S.-managed construction projects developed adequate procedures for transitioning completed projects to the GOI?
- Have there been delays transitioning projects to the GOI? If so, what have been the cause and impact of those delays?
- What is the status of actions taken in responding to implementing previous SIGIR recommendations on transition and sustainment?

## **Review of U.S. Sources and Uses of Fiscal Year 2006 Funding for Iraq Relief and Reconstruction**

SIGIR-7005

The overall objective of this review is to assess how the funds from U.S. sources were used in Iraq. These funds include the Economic Support Fund, CERP, ISFF, and any other funds identified during the review if used to support the Iraq relief and reconstruction mission in FY 2006.

## **Survey of the Department of State's International Narcotics and Law Enforcement IRRF Projects and Efforts in Support of Iraq Relief and Reconstruction**

SIGIR-7006

This review is a spin-off of the SIGIR review of the Bureau of International Narcotics and Law Enforcement Affairs (INL) efforts to build the Adnan Police Academy. This review identified serious weaknesses in contracting, contract administration, accountability, and overall management. This SIGIR review will also include INL's program at the International Jordanian Police Training Center.

## **Review of the Status of U.S. Government Anticorruption Efforts in Iraq**

SIGIR-7009

The overall objective is to assess the U.S. government's anticorruption efforts in Iraq. To meet the objective, the audit will answer these questions:

- Has the U.S. government developed a strategic anticorruption program with identified goals?

- Do anticorruption activities conducted by all U.S. government agencies in Iraq support the U.S. anticorruption strategic plan?
- Have organizational roles and responsibilities been clearly identified and resources provided to meet strategic program goals?
- Have U.S. government agencies established programs to strengthen Iraq's inspectors general?
- Have the appropriate U.S. government agencies developed action plans or implemented the recommendations made in previous reports?

#### **Review of the Effectiveness of U.S. Government Contracts To Enable Budgeting and Financial Management Capabilities by the Iraqi Ministries**

SIGIR-7010

The overall objective is to assess the efforts of the U.S. government to improve budgeting and financial management by the Iraqi ministries through contracts supporting the development of financial management and budgeting capabilities for the GOI. This includes the contract(s) for development of the Iraqi Financial Management Information System (IFMIS) by BearingPoint, Inc., and related projects and programs. The review will answer the following questions:

- What is the amount of IRRF or other funds that have been obligated and expended in support of the GOI's financial management and budgeting capabilities?
- What contracts with BearingPoint and other contractors have been used in support of developing the GOI's financial management and budgeting capabilities?
- What is the desired/targeted end-state and what metrics are in place to measure progress?
- To what extent have the individual Iraqi ministries agreed to implement the U.S. government's plan?
- What is the role of the individual Iraqi ministries in implementation and sustainment of these capabilities?

#### **Review of Spending of U.S. Government Funds under Parsons Corporation's Iraq Reconstruction Contracts**

SIGIR-7011

The overall objectives are to determine (1) the costs incurred by Parsons and/or its subsidiaries/joint venture partners on Iraq reconstruction contracts with the U.S. government, (2) the methods used to record and report these costs, and (3) the internal controls used for contract management. Specifically, for each contract, SIGIR intends to evaluate the following:

- How was each contract awarded and what were the original objectives of each contract?
- What were the subcontracting provisions and the extent of work subcontracted?
- What are the costs associated with each contract and related task orders, including obligated and expended, and what are the controls over the costs?
- What internal controls and performance reporting processes were used by the U.S.

government and the contractor to ensure proper contract management and execution?

- What was accomplished under the contract (to what extent were projects completed, as expected, within original budget estimates, expanded, or terminated/descoped)?

## **Survey of DynCorp, International, LLC Contract Number S-LMAQM-04-C-0030, for the Iraqi Police Training Program Support and Equipment**

SIGIR-7012

This review is a continuation of SIGIR's prior review of the same contract, which focused on selected aspects of Task Order 0338. This survey will concentrate primarily on these questions:

- What are the costs associated with the subject contract and related task orders, including obligated and expended, and potential liabilities; what are the controls over the costs?
- What is the status of property purchased, leased, or government-furnished, including related internal controls associated with property management, and what is the current value of such property?
- What is the status of all task orders under this contract?
- What is the INL management structure for the oversight of this contract?
- What internal controls and performance reporting processes are being used by the U.S. government and the contractor to ensure proper contract management and execution?

- What are the subcontracting provisions and the extent of work subcontracted?
- What is the role of the individual Iraqi ministries in the performance or oversight of this contract?
- To what extent have the individual Iraqi ministries agreed to the method of training provided, and what metrics does INL use to ensure that contract training requirements are met?

## **Review of the Use of Sector Project and Contracting Office Contractors (SPCOCs) in Managing Relief and Reconstruction Projects**

SIGIR-7013

The overall objectives are to ascertain the roles and responsibilities assigned to the SPCOCs and determine the extent to which the U.S. government benefited from such services. In so doing, SIGIR will answer these questions:

- What were the purpose(s) for employing the SPCOCs (goals, objectives, plans, etc.)?
- How were the requirements for SPCOCs validated?
- How much have the SPCOC contracts cost to date? How were the costs captured? Were these costs included as part of IRRF administrative costs?
- How was SPCOC performance measured?
- Did the SPCOCs receive any award fees?
- Were the award fees justified and supported (properly evaluated against criteria)?
- Have the SPCOCs achieved their purpose?

- If there were no award fees, how were the SPCOCs evaluated?
- What have been the overall program results in sectors managed by SPCOCs?
- What are the lessons learned from the use of SPCOCs?

### Review of Logistics Civil Augmentation Program (LOGCAP) Task Order 130

SIGIR-7014

This review is one of a series of reviews of the services received under LOGCAP Task Order 130. This review was requested by the Management Counselor, U.S. Embassy-Iraq. The overall objective is to determine whether the U.S. government is receiving the services paid for under LOGCAP Task Order 130 and whether the support provided is reasonable, efficient, and cost-effective. Task Order 130 was awarded to provide services necessary to support, operate, and maintain Chief of Mission and MNF-I staffs at the U.S. Embassy-Iraq. The audit will answer these questions:

- Are all requirements, including those initiated by the contractor, properly validated?
- Is a proper and adequate review process in place for all work?
- Does the contractor present auditable invoices?
- Is all work properly evaluated against criteria?
- Do proper controls exist for the property associated with this task order?
- What are the lessons learned from the management and execution of the service contract process and practices related to this task order?

In addition, SIGIR will assess the suitability of continuing a LOGCAP-type contract arrangement for selected services when the U.S. Embassy-Iraq moves into its new compound. For comparative purposes, SIGIR will look at similar services performed, associated costs incurred, and which U.S. government agencies were responsible for each area under previous LOGCAP contracts, as well as similar life-support services provided under other contracts in Iraq.

### Planned Audits

SIGIR will conduct performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs and operations as necessary. These audits will be accomplished through individual reviews of specific issues, as well as audit series evaluating several components of related topics. Each of these audits will be announced before the start of any audit field work. For the full text of the audit plan, see the SIGIR website:

[www.sigir.mil](http://www.sigir.mil).

These audits are planned to be announced during the next two quarters:

- Review of Blackwater Contracts in Iraq Related to Support of Iraq Relief and Reconstruction
- Review of U.S. Government Organizations' Efforts To Execute Job-producing Programs in Iraq
- Review of U.S. Government Organizations' Efforts To Expand Provincial Reconstruction Teams in Iraq
- Assessment of the Performance of Provincial Reconstruction Teams in Iraq

- Review of U.S. Government Efforts To Expand the Micro-loan Program
- Assessment of the Status of Activities for Capacity Development of Government of Iraq
- Review of Aegis Contracts in Iraq Related to Support of Iraq Relief and Reconstruction
- Financial and Program Review of a Selected (TBD) Sector to Determine Accuracy of Reporting the Status of Obligations, Expenditures, and Outcomes/Outputs
- Survey of the Project and Contracting Office Logistics Supply Management Program
- Review of the Multi-National Security Transition Command-Iraq Program for Iraq Relief and Reconstruction
- Review of the BearingPoint Contracts in Iraq Related to Support of Iraq Relief and Reconstruction
- Comparative Analysis of the Air Force Center for Environmental Excellence Versus Gulf Region Division in IRRF (Project Management and Contracting)

## SIGIR INSPECTIONS

During this quarter, SIGIR visited and assessed 14 projects throughout Iraq and produced 9 project assessment reports, which included 8 sustainment reviews and 6 construction reviews. These are some of the highlights of the reports:

- In seven sustainment reviews, SIGIR inspectors found that the Iraqi recipients of the projects had not properly carried out sustainment.
- In one sustainment review, SIGIR found that project sustainment had been properly addressed, and, if practices continue, the three projects should continue to remain functional.
- The construction reviews showed a continuing problem of contractors failing to comply with the international standards required in the contract. SIGIR inspectors identified damage to plumbing and electrical work caused by the use of inappropriate installation practices and inferior parts.

This quarter, the lack of security continued to impede construction progress and SIGIR assessments. Because of safety concerns, personal security details would not escort SIGIR assessment teams to several sites.

As of March 31, 2007, SIGIR has completed 94 project assessments, 96 limited on-site inspections, and 304 aerial assessments.

### Sustainment Reviews

During this quarter, SIGIR conducted sustainment reviews of conditions on completed projects after their transition to the GOI. SIGIR performed these reviews to determine whether the projects are likely to remain operational. The reviews focused on whether facilities were operating at the designated capacity, whether construction quality was adequate, and whether the projects remained in good operating condition.

The SIGIR sustainment reviews suggest that projects now under Iraqi control are not being adequately maintained. For example, SIGIR found water damage from poor maintenance procedures, which has caused bathroom floor tiles to break and ceilings in lower floors to leak and collapse.

In one instance, leaks may have contaminated patient-care rooms in a maternity hospital, increasing the health risk to patients. Bathroom fixtures are breaking at a high rate because of a combination of poor-quality materials acquired from the local market and because of abuse by Iraqi tenants. Electrical wiring is pieced together to accommodate retrofitted lights and appliances that were not in the original design. Newly installed fixtures, hardware, and appliances have been pilfered or abused. A number of new electrical generation systems were not adequately maintained and were inoperable at the time of SIGIR's inspections.

If these projects are typical of the quality and effectiveness of operations and maintenance (O&M) performance on transitioned projects, the value of the U.S. investment in Iraq reconstruction will be at risk. Unless corrective action is taken, the useful lives of these projects will be significantly shortened.

## Construction Reviews

This quarter, SIGIR conducted six construction reviews. SIGIR found two well-constructed projects at the **Al Basrah Oil Terminal (ABOT)**, with sufficient contractor quality control (QC) and an effective U.S. government quality assurance (QA) program in place. But in three of the five ABOT projects, SIGIR found that implementation of the Lifeboats and Deployment System; the Emergency Evacuation and Accountability Program; and the Health, Safety, and Environmental Program were not consistent with the task order objective to enhance the safety of terminal operations. These were some of the recurrent construction problems found on other construction reviews:

- contractor failure to comply with the international standards required in the contract
- construction on non-compacted soil
- deficient concrete pours
- substandard plumbing installation
- unsafe electrical wiring

## Project Assessments: Findings at a Glance

These are the highlights of SIGIR's inspection work this quarter.

### Al Basrah Oil Terminal (\$3.05 Million)

- Design submittals for the refurbishment of Berths 1 and 2 loading arms and the repair of Berths 3 and 4 loading arms were satisfactory, but the design submittals for the lifeboat deployment system were incomplete and lacked necessary details.
- The refurbishment of Berths 1 and 2 loading arms and the repair of Berths 3 and 4 loading arms appeared to meet the standards of the Scope of Work and design. The life rafts were installed after the SIGIR site visit. SIGIR is concerned not only about the adequacy of the selected life rafts, but also about the strategic location of the life rafts throughout the facility.
- The QC plan was sufficiently detailed to effectively guide the contractor's QM program, and the daily QC reports documented daily observations, construction activities, and critical issues. However, the reports lacked a sufficient number of detailed site photographs. The government QA program effectively monitored the contractor's QC program.
- The contract and task order adequately addressed sustainability. The task order specifically required the contractor to provide training courses, commissioning, a preventive maintenance plan, spare parts, a list of

two years of recommended spare parts, and management training.

- The ABOT projects to refurbish and repair the four loading arms were consistent with the original objectives of the task order. The two projects restored ABOT's design capacity of 4 million barrels per day.
- Three ABOT projects reviewed were not consistent with the task order objective to enhance the safety of terminal operations: the Lifeboat Deployment System; the Emergency Evacuation and Accountability Program; and the Health, Safety, and Environmental Program.

#### **Tallil Military Base (\$119.50 Million)**

- In general, the Tallil Military Base is meeting its objectives to support a brigade and regional training center.
- The number of sinks and toilets installed in barracks bathrooms was not sufficient to handle the volume of activity for which the buildings were designed. This shortage—combined with workmanship deficiencies, inferior materials, insufficient maintenance, and abusive use—caused significant deterioration to the enlisted and transient barracks that SIGIR inspected.
- The base's current power supply adequately meets current demand. One inoperable generator in the primary power plant was not repaired in a timely manner and could impact the plant's ability to meet the power requirements of the base this summer.
- The Iraqi Garrison Support Unit (GSU)

is providing adequate maintenance to the water treatment plants, generators, dining facilities, laundry, medical center, and vehicle maintenance facility. Maintenance in the barracks bathrooms is inadequate, and the GSU has not repaired vehicle damage to sidewalks and storm drains.

- Construction on four buildings was 85% complete when they were dismantled. The total cost to that point was \$1,525,890. At the time of the inspection, SIGIR was unable to receive an explanation for why the buildings were dismantled or information about their ultimate disposition.

#### **Al Hilla Recruiting Center (\$1.80 Million)**

- The facility is being used for its intended purpose—to screen and process recruits into the Iraqi Armed Forces.
- In general, the construction quality is adequate. However, the SIGIR assessment identified deficiencies that could significantly shorten the useful life of the facility if not resolved. External water pumps were exposed to the elements, and the wiring that powers the pumps was rated for indoor use rather than outdoor use, as was required. Also, bathroom floors had buckled because of water leaks that appear to have been caused by sewage backup from an overflowing holding tank. The sewage holding tanks could not be readily evacuated because access by pumping trucks was restricted. The guard house roof had deteriorated and begun leaking.

- Facility maintenance was inadequate because the GOI did not make any funding available. Bathrooms were not cleaned, electrical wiring had been pieced together, and the sewage holding tank was never evacuated. If maintenance continues at its current level, the useful life of the bathroom plumbing, electrical wiring, and sewage system will be significantly shortened.
- Documentation transferring the facility from the U.S. government to the GOI was not available.
- Sustainability was addressed in the task order requirements, but not adequately administered. SIGIR found documented instances of non-compliance with contract and task order required international standards for plumbing and electrical installation. SIGIR is concerned that the problems will worsen over time and render at least part of the Iraqi Civil Defense Headquarters buildings unusable.
- Despite the problems, the facility is functional and used daily by several hundred employees. However, the renovation and construction results were not fully consistent with the original contract and task order objectives.

## **Iraq Civil Defense Headquarters (\$3.00 Million)**

- Design drawings could not be located for the 30% and 60% required submissions. The 100% complete design drawing was inadequate: it lacked quality, detailed design construction drawings.
- SIGIR inspectors noted construction deficiencies and equipment installation at a low level of workmanship that did not comply with the international standards required by the contract and task order.
- The contractor's QC plan was sufficiently detailed; yet the contractor's QC program implementation failed to identify significant construction deficiencies, such as poor plumbing installation practices. The government QA program was not fully operational. The QA Representative did not identify any instances in which the subcontractor did not follow the required international standards.

## **Bab Shams Police Station Renovation (\$.35 Million)**

- Most renovation and construction tasks appeared to meet the requirements of the Statement of Work (SOW), except for the placement and construction quality of the wastewater culvert/pipeline and some force-protection improvements.
- The facility appeared to be able to operate at full capacity.
- QC activities, QA activities, and processes for design submittal and approval were not as effective as they should have been during construction and before final payment.
- Unless equipment and facilities are properly used and maintained, long-term sustainability may not be maximized.

- A new \$79,000 generator system was not operational or in use, likely the result of inadequate O&M practices.
- Since turnover, tampering has degraded renovation improvements to the electrical system and components throughout the facility.

#### **Gaugli-Ashur Police Station Renovation (\$0.88 Million)**

- USACE conducted a prudent evaluation of pre-existing conditions and sufficiently planned and defined project requirements.
- Key construction and completed renovation tasks appeared to meet SOW requirements.
- The facility appeared to be able to operate at full capacity.
- USACE construction management was adequate.
- The equipment O&M management and facility/building maintenance practices conducted by Iraqi Police personnel appeared effective.

#### **Erbil Maternity and Pediatric Hospital (\$6.83 Million)**

- Rehabilitation work and new equipment installation appeared to meet specifications.
- A number of sustainment issues have likely had a negative impact on hospital operations.
- Some new and key equipment systems have not been properly used.

- Because some previously trained equipment operators are no longer employed by the hospital, some new equipment is not being used.
- Medical waste has been dumped into hospital drains and sewer systems, clogging these systems and potentially spreading contaminants.
- Excessive amounts of water have been used to clean ground and upper-story hallway and bathroom floors, resulting in water damage to walls and possibly spreading contaminants.
- Some equipment systems were not maintained according to the manufacturers' warranty requirements.

#### **Baghdad International Airport (BIAP) Power Plant Enhancement (\$11.80 Million)**

- USAID completed the project in 2005, turning over the installed generator sets, which were to supply 18 megawatts (MW) of electrical generation.
- The contractor installed 17 new generator sets, with a total capacity of 22 MW.
- When inspected, 10 of the 17 generator sets were not operational. The Cummins and Caterpillar generator sets had not been maintained; after the turnover, the General Electric generator sets were not being used.
- There was no O&M plan for the generator sets at BIAP.

## West BIAP Special Forces Barracks (\$5.20 Million)

- Overall construction appeared to meet Scope of Work requirements, and the facility appeared to be able to operate at full capacity.
- QC and QA activities and design submittal processes appeared effective during construction.
- In the future, some maintenance or sustainability issues will likely have a negative impact on the capacity and capability of the barracks complex.
- Some bathroom floor drains in company barracks were plugged or drained very slowly, flooding nearby floors, because the amount of water needed to effectively flush the toilets was not supplied.
- A new generator system was not operational or in use, likely as a result of inadequate O&M practices.
- Some roofs leaked where water accumulated around drain basins because rooftop debris—beverage cans and plastic bottles—blocked drain downspouts.

## Planning

SIGIR selects a cross-section of projects from each of the major reconstruction sectors to assess, survey, and analyze:

- projects involving water, electricity, oil facilities, and transportation
- projects involving large and small amounts of contract dollars
- projects of different general contractors
- projects in different sections of the country

- projects in programs of each of the major U.S. agencies
- projects that were fully completed and partly completed

## On-site Project Assessment Program Approach

### SUSTAINMENT REVIEWS

SIGIR developed a new assessment product to address these questions:

- Are completed projects operating at their designated capacity?
- Was the quality of the completed construction adequate?
- Does the project remain in good operating repair?
- Was the project officially transferred to the GOI?

SIGIR reported its first sustainment review in the December 2006 Quarterly Report and completed eight new sustainment reviews this quarter.

### CONSTRUCTION REVIEWS

Since June 2005, SIGIR has completed 82 construction reviews, 2 during this quarter. These were the general objectives of the construction reviews:

- Were the project components adequately designed before construction or installation?
- Did construction or rehabilitation meet the standards of the design?
- Were the contractor's QC plan and the U.S.

FOURTEEN PROJECTS ASSESSED THIS QUARTER (THOUSANDS)

PCO ID	PROJECT NAME	ASSESSMENT TYPE	GOVERNORATE	BUDGETED TOTAL COST	EXECUTING AGENCY	CONTRACTOR	GRD REGION
Various	Al Basrah Oil Terminal (ABOT) (5 projects)	Construction	Basrah	\$3,045	GRC	Parsons	South
Various	Military Base, Tallil	Sustainment	Thi-Qar	\$108,590	AFCEE	Weston	South
Various	Military Base-Upgrades, Tallil	Sustainment	Thi-Qar	\$10,511	AFCEE	Weston	South
21949	Recruiting Center, Hilla	Sustainment	Babylon	\$1,824	AFCEE	Weston	South
6209	Iraqi Civil Defense HQ, Baghdad	Construction	Baghdad	\$3,000	GRC	Parsons	Central
21070	Bab Shams Police Station, Mosul	Sustainment	Ninewa	\$353	GRN	Local	North
21089	Gaugli-Ashur Police Station, Mosul	Sustainment	Ninewa	\$881	GRN	Local	North
	Maternity and Pediatric Hospital	Sustainment	Erbil	\$6,831	GRN	Local	North
JA-03-8	BIAP 12 Standby 06 Power	Sustainment	Baghdad	\$11,792	USAID	Bechtel	Central
	West BIAP Special Forces Barracks	Sustainment	Baghdad	\$5,205	GRC	Local	Central

TABLE 3-2

- government’s QA program adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were project results consistent with original objectives?

Table 3-2 lists project assessments completed this quarter. For a complete list of project assessments from previous quarters, see Appendix J. Figure 3-1 shows the approximate location of each project assessed.

**SIGIR Project Assessments**

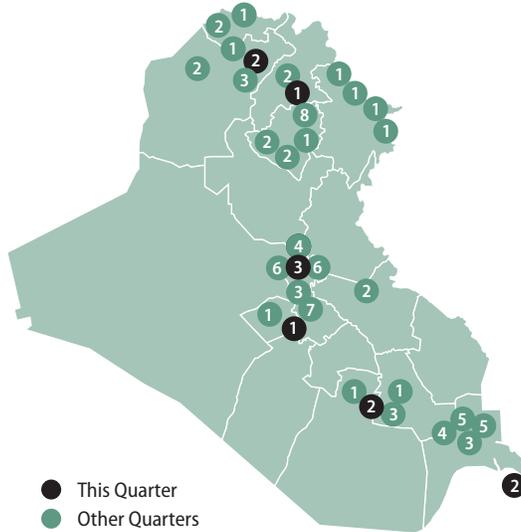
This section provides summaries of SIGIR project assessments this quarter. For the full reports, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

**Al Basrah Oil Terminal, Basrah, Iraq**  
SIGIR PA-06-080

ABOT is an offshore, deep-sea loading terminal for crude oil in the Persian Gulf, approximately 20 kilometers off the southeastern coast of Iraq. ABOT was originally designed to

Figure 3-1  
**PROJECT ASSESSMENTS**

Approximate locations of the 91 projects where inspections were conducted, analyzed, and reported to date.



have a maximum design loading rate of 4 million barrels per day (BPD). Before this project began, ABOT normally operated at a loading capacity of approximately 1.2 million BPD.

The ABOT facility comprises a series of steel-piled structures with steel decks, interconnected by walkways. The terminal facility is approximately 1.6 kilometers long and is located in approximately 36 meters of water.



Aerial view of ABOT's four berths. (Photo courtesy of USACE)



Aerial photo of ABOT platform. (Photo courtesy of USACE)

ABOT was operating at reduced production rates because of the dilapidated condition of the crude oil loading arms and the missing and damaged ancillary equipment. Parsons Iraq Joint Venture's (PIJV) initial assessment of the loading arms on Berths 1 and 2 found severe rust, corrosion, and oil leakage; while for Platform B, Berths 3 and 4, PIJV determined that loading arms were refurbished in 2003. However, they suffered operational damage and developed hydraulic leaks, which required repairs.

In January 2004, the USACE Fort Worth District awarded an indefinite delivery/

indefinite quantity (IDIQ), cost-plus award-fee contract to PIJV, of Houston, Texas, for the continuing operations of the Iraqi oil infrastructure.

The overall objective of TO 0016 was to increase the ABOT loading capacity to 3 million BPD; while enhancing the reliability and safety of terminal operations. To accomplish the objectives of TO 0016 at ABOT, 15 projects were originally identified,<sup>395</sup> and each project had a Unique Record Identifier (URI). Specifically, TO 0016's project are shown in Table 3-3.

### PROJECTS REQUIRED UNDER TO 0016

URI NUMBER	TITLE OF PROJECT
18031	Berths 1 and 2 Loading Arm Refurbishment
18033	ABOT Pipeline Repairs
18034	ABOT Emergency Shutdown System
18035	Metering
18037	ABOT Power Generation and Cable
18038	ABOT Fire Protection System
18039	ABOT Grating and Handrail Repair
18157	Terminal Oil Spill Containment
20782	ABOT Marine Works and Life Support
22670	On the Job Training
22671	Emergency Evacuation and Accountability Plan
22672	Health, Safety, and Environmental Program
22673	Lifeboat Deployment System
22674	Second Repair Berth 3 and 4 Loading Arms
22675	Hydraulic Bridge System

TABLE 3-3



Severe rust, corrosion, and oil leakage of Berth 1 loading arm.

This project assessment addresses these URIs:

- refurbishment of Berths 1 and 2 loading arms
- second repair of Berths 3 and 4 loading arms
- lifeboats and deployment system
- emergency evacuation plan

### What SIGIR Found

#### Design

Based on the SIGIR review of the design information, the refurbishment and repair of the four loading arms appeared to be satisfactory. However, the lifeboat deployment system appeared to be incomplete and lacked necessary details. The design package did not properly identify the specific type of life raft needed and did not establish the exact material composition of the life raft. In addition, PIJV did not provide the government design drawings with technical details, such as the specification of material used for the proposed life rafts and physical measurements and buoyancy/stability data of the life rafts during rough sea conditions of up to 15-foot waves.

### Construction

#### Refurbishment and Repair of Berths 1-4 Loading Arms URIs 18031 and 22674

During the site visit to ABOT, SIGIR identified the 12 loading arms, which were hydraulically powered and remotely controlled to engage and disengage to the tanker. At the time of the site visit, three large tankers were docked at ABOT; however, only two tankers were being loaded with crude oil. The loading arms for Berths 3 and 4 were connected to the tankers, complying with their intended function to load crude oil onto the tankers. However, because of time and security constraints, SIGIR did not



Current condition of refurbished loading arm.



Two loading arms engaged to the tanker receiving crude oil.



Enlarged view of one engaged loading arm.



Connection of loading arm to receiving tanker.



Exterior of life raft.

witness the fully automated and remotely initiated sequence of movements of the loading-arm system making connection to the tanker.

Based on the time-limited on-site assessment, the refurbishment and repair of the four loading arms appeared to meet the standards of the SOW and design. As a result, for the first time in many years, all four berths are in operation. According to GRD Oil representatives, the ability to berth four tankers at the same time has significantly improved loading efficiency.

#### **Lifeboat Deployment System URI 22673**

Emergency evacuation capabilities are very important for protecting personnel working on ABOT. Offshore oil-drilling facilities and loading terminals are innately dangerous work environments, with the ever-present potential for an explosion or fire—an important concern for the U.S. government and the owners and operators of the terminal.

In March 2005, PIJV assessed the ABOT facility to be in “an extremely dangerous and unsafe condition following the previous hostilities and years of neglect with no maintenance being carried out whatsoever.” In May 2005, PIJV described ABOT’s life support, safety management, and emergency evacuations facilities as “nonexistent.” GRD Oil representatives assert that “significant safety improve-

ments” have been made to ABOT, which have a “direct bearing on the probability of needing to use the life rafts.” In addition, GRD Oil representatives stated that the safety posture will be significantly increased “when all work is completed.” However, the intent of this project was to provide “emergency and/or fast rescue boats” to be used in the “event of an emergency.” Therefore, this project was evaluated based upon not the likelihood of an emergency but rather on the suitability of the life rafts for use in an emergency.

This project was significantly behind schedule, according to GRD documentation (March 17, 2007). The original baseline start date was August 18, 2006, and the baseline completion date was September 14, 2006. However, the actual current start date was January 3, 2007, and the revised completion date is April 27, 2007.

GRD representatives stated that eight life rafts arrived at ABOT in January 2007. SIGIR reviewed the limited specification documentation for life rafts and determined that the design of the life rafts is not adequate for a potential fire at the facility. Specifically, the type of escape vehicle, material of the life raft, number of life rafts, and method of escape are not appropriate for a major oil fire. In addition, the location of the life rafts is questionable, and GRD has acknowledged that there has been no

training in the use of the life rafts.

GRD representatives stated that “the life rafts are totally enclosed,” which complies with PIJV’s specification that the “life raft shall have a canopy to protect the occupants from exposure....” The manufacturer’s documentation did not include a photograph of the entire life raft. Therefore, SIGIR relied on the manufacturer’s illustration and the inspection photographs to determine that the life raft chosen is not completely enclosed and will not provide the occupants any protection from a major fire. The manufacturer’s documentation does not specify the type of material used for the life raft’s canopy or whether the material is fire-retardant.

Training people to use life rafts in an emergency evacuation is critical to avoid mistakes during an actual event. Even though the life rafts were installed on ABOT on January 10, 2007, there has still been no training on their use. In March 2007, GRD representatives stated that “training has been scheduled once the life raft deployment system is fully installed.” At this point, according to GRD documentation, the deployment system will not be completed until at least April 27, 2007.

**Emergency Evacuation and Accountability (EEA) Plan and Health, Safety, and Environmental (HSE) Program URIs 22671 and 22672** Offshore platforms are inherently dangerous work sites. According to PIJV’s November 2005 Project Scope and Status Report, the “ABOT platform does not have any system in place to provide for an emergency mustering point,

orderly collection of the personnel on the platform and evacuation of the personnel off the platform, and an accounting of all personnel.”

PIJV recommended the development of an EEA plan and HSE program manual for ABOT personnel. PIJV submitted its Safety and Environmental Management Program (SEMP), which combined the EEA plan and HSE program manual into one document. SIGIR reviewed the SEMP and found it to be non-specific. However, in several significant and potentially life-threatening areas, SIGIR found the SEMP to be deficient. For example, even though the SEMP encompasses the EEA plan, there is limited, if any, discussion of a complete terminal evacuation.

### **Program Quality Management**

The contractor’s QC plan was sufficiently detailed to effectively guide the contractor’s QM program. The daily QC reports documented daily observations, weekly overviews, construction activities, and critical issues. However, there was a significant lack of detailed site photographs to reinforce the narrative information in the reports. In addition, there was no QC deficiency log.

The government QA program effectively monitored the contractor’s QC program. USACE Gulf Region South, which was responsible for the ABOT projects, had dedicated personnel on site at ABOT during significant construction activities. SIGIR found that the daily QA reports were sufficiently complete, accurate, and timely.

### Conclusion

The ABOT projects to refurbish and repair the four loading arms were consistent with the original objectives of the task order. The TO objective was to increase the loading capacity of the terminal to 3 million barrels per day, and the two projects restored ABOT's design capacity of 4 million barrels per day.

Three specific ABOT projects—the Lifeboat Deployment System, the EEA Plan, and the HSE Program—were not consistent with the TO objective to enhance the safety of terminal operations. For the Lifeboat Deployment System, SIGIR has concerns about the type of life raft, life raft material, required number of life rafts, location of the life rafts, method of escape from a major fire, and lack of training in the use of life rafts. The SEMP does not address the possibility of a large-scale fire on the terminal. In addition, there is limited, if any, discussion of a complete terminal evacuation.

### Recommendations

SIGIR recommends that the Commanding General, GRD, take these actions:

1. Contact the life raft manufacturer directly to determine:
  - a. whether this particular life raft is appropriate for its intended use as an evacuation vehicle for an offshore oil platform
  - b. the material used to make the life raft canopy
  - c. the analysis performed to determine the number of occupants that the life raft will safely hold while maintaining a stable floating condition
2. Require PIJV to update the Health, Safety, and Environmental Management Program, including:
  - a. procedures for a major fire
  - b. points of contact and phone numbers for the Al Faw Terminal to contact in case of an emergency and the 48-inch crude lines need to be shut off
  - c. locations for muster strategic points
  - d. identify the situations requiring a full evacuation of the terminal
  - e. identify the evacuation escape vehicles and their locations on the terminal
3. Provide immediate training to ABOT operating personnel in the use of the life rafts; specifically, request a demonstration video from the manufacturer to use for training terminal personnel.

### Management Comments

The Gulf Region Division concurred with the recommendations contained in the report. Actions taken during the course of the inspection and planned are fully responsive and should correct potential problems. For the full management comments and SIGIR's evaluation of these management comments, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).



Tallil Military Base wastewater treatment plant.



Tallil Military Base fire station.

## Tallil Military Base, Nasiriyah, Iraq

SIGIR PA-06-087 & PA-06-088

The Tallil Military Base, which the GOI renamed Camp Ur, was built over a facility that was neglected by the former regime for more than ten years and severely damaged from looting during and after the war in 2003.

Camp Ur was designed to garrison approximately 3,000 personnel, including one brigade. Construction included 22 barracks, 32 headquarters buildings, 3 dining facilities, 7 warehouses, 7 maintenance facilities, and 29 other support buildings, such as a fire house, jail, and mosque. Most of the buildings were constructed with modular steel. Utility construction included a wastewater treatment plant, a water-treatment plant, an electrical generation plant, a fire-protection system, and perimeter security. The base grounds included four athletic fields, a parade ground, sidewalks, paved roads, and street lighting. A regional training center and a firing range were located adjacent to the base to provide basic training for approximately 750 troops.

Built between April 23, 2004, and January 29, 2006, for \$119.5 million, the base was transferred to the Iraqi Army on June 24, 2006. MNSTC-I was the funding agency responsible for defining the general requirements; the Air Force Center for Environmental Excellence (AFCEE) was the contracting authority. Weston Solutions, Inc., was the design-build contractor that managed the base construction under three task orders issued on IDIQ contract #FA8903-04-D-868.

### What SIGIR Found

On January 31, 2007, the SIGIR team visited Camp Ur and found that these buildings and facilities were operational and in adequate repair: HQ buildings, water treatment plant, dining facilities, medical center, laundry, jail, fire house, telecom center, vehicle maintenance center, and mosque.



Tallil Military Base jail.



Tallil Military Base hospital examination area.

SIGIR noted deficiencies at these buildings and facilities:

#### **Enlisted Barracks**

Eighteen enlisted/transient barracks were built on the base. Each has a maximum capacity of 156 soldiers—72 on the ground floor and 84 upstairs. The inspection found that leaks from the upstairs floor had damaged floor tiles and ceilings on the ground floors. An inadequate design, combined with low-quality fixtures and poor workmanship, made the facilities too fragile for the volume of use they experienced. The problem was compounded by poor maintenance and abuse by the tenants.

The contract required eight sinks, showers, and toilets on the ground floor, and nine sinks, showers, and toilets upstairs. However, the contractor installed only five sinks on each floor of the two barracks that SIGIR inspected. Although time limitations prevented a review

of all barracks, their similarity in design and construction suggests that similar shortages exist in all enlisted and transient barracks. The shortage was compounded by using plumbing and fixtures that are closer to household-grade than commercial-grade. The fixtures, supply lines, and valves were flimsy and easily broken. Floor tile was installed over a sand base and not adequately sealed. Water seeped through the joints, causing tile breakage and damage to the ceiling on the ground level.

Inadequate maintenance and apparent abuse by the occupants compounded the problem. Water leaks caused damage to the floors and the ground-floor ceilings. Broken fixtures left sinks, showers, and toilets unusable. Abusive use—such as standing on toilet seats, slamming shower doors, and stuffing water bottles down toilet drains—damaged plumbing and fixtures. During a site visit on February 2, 2006, an AFCEE representative noted 18



Barracks bathroom sinks and floor shortly after construction was completed. (Photo provided by Westin, Inc.)



Barracks bathroom sinks and floor at time of SIGIR inspection.

examples of soldier abuse to the bathrooms, including drains filled with debris, discarded drain covers, and cracked toilets. The AFCEE site report commented that the abuse began when Iraqi soldiers occupied the facility.

### Electrical Power Generation

Nine 1.5-megawatt (MW) generators were originally installed to power the base facilities, but five were subsequently removed and taken to the Iraqi Special Operation Forces (ISOF) facility in Baghdad. Three of the four remaining generators were operational. The fourth had been waiting for a replacement turbocharger ordered in July 2006. The plant manager told SIGIR that three generators are sufficient to supply power to the base in the winter, but higher demand for air conditioning will pose a problem during the summer.

### Sidewalks and Ground Drainage

A number of sidewalks and drain cleanout holes showed damage from inadequate workmanship and vehicle traffic. An AFCEE

warranty inspector visited the site on February 2 and 3, 2006. The inspector noted that approximately 70% of the concrete work done on sidewalks was of poor quality and would need to be replaced. AFCEE provided warranty requests showing that repairs were made to sidewalks in the 100, 200, 600, 700, and 800 complex areas from May 25, 2006, to June 3, 2006. SIGIR's inspection continued to find quality and damage issues at the facility.

### Iraqi Operation and Maintenance

A Garrison Support Unit (GSU) has been established at Camp Ur to provide basic maintenance to the base facilities. Except for the barracks bathrooms and area sidewalks, the GSU appears to be adequately maintaining the buildings and grounds. The water treatment plant, wastewater treatment plant, generator plant, and vehicle maintenance facility are maintained under service contracts. These facilities were operational and adequately maintained.

### Dismantled Modular Buildings

The project required construction of three modular warehouses and a 20-bay modular maintenance facility for \$1,806,000. The construction work started in September 2005 and was stopped in November 2005; approximately 85% of the work had been completed for \$1,525,890. The buildings were dismantled for an additional \$4,800. At the time of the inspection, neither MNSTC-I nor AFCEE could provide the reason for dismantling the buildings, nor could they identify their ultimate disposition.

### Recommendations

1. The barracks' bathrooms should have the required complement of commercial-grade sinks, toilets, and showers. However, undertaking significant corrective action without ensuring that the facilities will be properly maintained would not be cost-effective. Therefore, corrective action should be delayed until the GOI meets O&M demands.
2. The condition of the sidewalk and storm drain should be reviewed to determine if they are still covered by the warranty. If covered, the damage should be repaired by the contractor. If the warranty is void because of vehicle damage, the GSU should be put on notice that they are responsible for repairing the damage.
3. The GOI should be put on notice that GSU maintenance on the barracks is inadequate and will significantly shorten the useful life unless immediate repairs are made, the occupants are trained on the proper use of the facilities, and adequate oversight is maintained.
4. Assistance should be provided to the GSU to expedite delivery and installation of the turbocharger on the fourth generator in the base power plant.
5. MNSTC-I should account for the dismantled buildings and demonstrate that they were used on a higher priority project. MNSTC-I should also demonstrate that the building material costs were not charged twice to the U.S. government—first to the Tallil contract, and second to an unadjusted subcontract at the receiving facility.

### Management Comments

MNSTC-I coordinated the management comments for the affected agencies and generally concurred with SIGIR's conclusions and recommendations and stated that it will take a number of actions to implement SIGIR's recommendations. For the full version of MNSTC-I's management comments and SIGIR's response, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).



Buckled bathroom floors at inspection.



Bathroom floor repair by contractor after SIGIR's inspection. (Photo provided by Westin, Inc.)

## Al Hilla Recruiting Center, Hilla, Iraq

SIGIR PA-06-089

The Al Hilla Recruiting Center, renamed the Babil Volunteer Center, was constructed in Hilla to screen and process up to 200 volunteers per day to enlist in the Iraqi Armed Forces (IAF). The contractor delivered the facility to the U.S. government on December 7, 2005, and the U.S. government transitioned the facility to the IAF on June 13, 2006. The facility has since been occupied and used for its intended purpose—to process recruits into the IAF. The recruiting center staff includes the commander, watch captains, and approximately 120 soldiers who guard the facility and support recruit processing.

SIGIR's assessment objectives were to determine whether the facility is operating at the designated capacity, whether the construction quality was adequate, and whether it remains in good operating repair. To address these objectives, SIGIR reviewed contract documentation, met with responsible project officials, and visited the site on January 20, 2007.

### What SIGIR Found

Two bathroom floors had buckled, which caused damage to concrete and tiles. The buckling appears to have resulted from water-swelled soil surrounding damaged drain pipes, which allowed wastewater to leak into the

soil. Because the tenants never evacuated the sewage holding tank, effluent backed up in the drain lines and leaked into the ground beneath the floors. The problem would have been mitigated if the sewage holding tank had been properly evacuated; however, force protection barriers and internal walls prevented pumping trucks from accessing the tanks.

The contractor agreed to repair the buckled flooring and pipe damaged by the occupants and also agreed to provide accessibility to the sewage holding tank and have the tank evacuated. The site photos show floors at the time of SIGIR's inspection and after the contractor repaired them.

Indoor electrical wiring, receptacles, and junction boxes were used to power a water pump used in outdoor applications. The wiring appears to have short-circuited and ignited the electrical box, which has been replaced. A second water pump also used indoor electrical wiring but was not connected to a power source. The wiring, junction box, receptacle, and pumps were left unprotected from the elements.

Insufficient funding is causing inadequate maintenance. The SIGIR inspection found that bathrooms were not clean, there were no beds for the Iraqi soldiers stationed at the facility, and electrical wiring had been improperly pieced together to either repair burned-out circuits or to add lighting. Also, the waste-

water holding tank was full and channeling raw sewage onto the adjacent property, which eventually drains into the Hilla River. If maintenance continues at its current level, SIGIR believes that the useful life of the facility will be significantly shortened and health hazards will persist.

AFCEE and the contractor have taken action to investigate the causes for the deficiencies that could be attributable to warranty issues. The contractor visited the site and repaired the leaking roof on the guard house and the main building.

Neither AFCEE nor MNSTC-I could provide satisfactory documentation to demonstrate that the U.S. government had officially transferred the facility to the GOI.

### Recommendations

1. The water pumps should be protected from the outside elements, and appropriate wiring should be installed. Additionally, the disconnected pump should be connected to a power source.
2. The GOI should be notified that the facility is not being maintained adequately and it should be encouraged to allocate funds from the GOI Base Support program to provide an appropriate O&M program for the center.
3. Because the U.S. government is not responsible for operating the facility after it is completed, the project should be transferred as soon as possible to ensure that the new occupant can address warranty issues. At a minimum, SIGIR believes that docu-

mentation for transferring property from the U.S. government to the GOI should include the following documents, which should be retained in the project files:

- an agreement between the U.S. government and the Ministers of Finance and Defense that the GOI accepts the facility and has taken responsibility for operations (If either ministry delays accepting the project, the U.S. government should take unilateral action to transfer the project by sending a formal notice that the project is complete and will be transferred to the GOI on a specific date).
- a description of the warranty rights available to the new occupants and points of contact for warranty repairs
- a copy of the final inspection report and “punch list”
- O&M manuals and notification to the occupant that failure to properly maintain the facility could void the warranty
- as-built drawings of the facilities and systems
- a list of spare parts needed to meet O&M requirements for the period of time required by the contract

### Management Comments

MNSTC-I coordinated the management comments with the affected agencies. MNSTC-I generally concurred with SIGIR's recommendations and stated that it will take actions to implement them. For the full version of the management comments and SIGIR's response, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).



Exterior view of ICD HQ prior to renovation.

## Iraq Civil Defense Headquarters, Baghdad, Iraq

SIGIR PA-06-090

The objective of this project was to fully renovate the Civil Defense Headquarters and other buildings on the site to serve as a fully operational and usable facility. Additional work was added to the original Scope of Work to expand the interior and exterior of the facilities to accommodate additional room space for all departments of Civil Defense for the Ministry of Interior. The project site was the Iraqi Civil Defense Headquarters (ICD HQ) compound, in Baghdad, Iraq. The original facility was constructed in 1991; however, severe looting and burning after the 2003 war left the ICD HQ buildings severely dilapidated and in need of significant rehabilitation. In March 2004, CPA awarded a contract to Parsons Delaware, Inc., to renovate the ICD HQ.

The original work included:

- repairing plumbing and renovating restrooms
- installing safety and fire-alarm systems
- renovating and replacing security facilities
- repairing and replacing the electrical systems
- upgrading the mechanical and structural facilities

Subsequent additions to the Scope of Work included an electrical transformer, guard towers, sally ports, and bathrooms.

### What SIGIR Found

To conduct the assessment project, SIGIR reviewed relevant contract documentation, contractor submittals, QC and QA reports, and site photos; SIGIR also conducted discussions with USACE and ICD HQ personnel. SIGIR performed on-site assessments of the ICD HQ project on January 24, February 27, March 12, and April 12, 2007.



Condition of bathroom prior to renovation.

**General Observations**

**Design**

Not all project components were adequately designed before renovation and construction at the ICD HQ. USACE could not locate the required 30% and 60% design submittal packages; it provided only the 100% final design-drawing submittal package. The government representative, who apparently had access to the design-submittal packages, rejected the 30% and 90% design drawings because they were incomplete and lacked important information necessary for construction. SIGIR reviewed the design-drawing submittal marked as the “100% final drawing package” and found them inadequate because they lacked quality, detailed design-construction drawings. The contractor’s drawings lacked significant and basic design details, such as the rough-in and finish-out for the installation of plumbing fixtures and the need for an adequate number of cleanouts and traps.

**Construction**

SIGIR noted work that did not meet the standards of the contract and task order. SIGIR identified deficiencies in construction and poorly installed equipment that did not comply with the international standards required by the contract and task order.

*Plumbing*

SIGIR identified water damage and staining on the ceiling, walls, and floor of the ground floor. SIGIR inspected the first-floor bathroom and saw evidence of similar water damage and staining on the ceiling. The subcontractor did not use quality parts and did not follow established International Plumbing Code (IPC) standards.

During return visits to the ICD HQ, SIGIR identified a significant increase in water damage to the ground-floor Operations Room. In addition, aside from the potential health hazards from the leak, wastewater was drop-



Water damage in ground-floor Operations Room.



Close-up view of water damage on ceiling.



Water damage to the ceiling.



Water damage within the ground-floor Operations Room from SIGIR's first site visit in January 2007.

ping directly on electrical wires. The wires were poorly covered, and the constantly leaking water had broken the plastic covering. Live wires were exposed to water, significantly increasing the risk of electrocution and electrical short-circuiting.

USACE representatives pointed out that water damage may have been the result of installation of showers by ICD HQ after the work that USACE oversaw. Although the showers installed by ICD HQ were a minimum of 27 feet from the site of the water damage, they may have been responsible for the leak or some part of the leak.

### *Lighting, Ceiling Fans, and Outlets*

On the first SIGIR site visit, ICD HQ personnel immediately called attention to electrical fire damage around several fluorescent light fixtures; SIGIR identified at least six locations where electrical fires had occurred. ICD HQ personnel had removed the light fixtures



Significant increase in water damage between January and March 2007.



Unprotected high-voltage power cable wires exposed to leaking water.



Electrical fire damage around the fluorescent light fixtures.

involved in the electrical fires, and in some cases, replaced the lights with new ones.

*Potential Causes of Electrical Fires*

According to GRD documentation, electrical fires were recorded as early as November 2005. However, with no design drawing submittals to review, SIGIR cannot determine if the electrical design was poor and contributed to the electrical fires by having too much load on one particular breaker. When SIGIR inspectors lifted a false ceiling panel in a hallway, the work quality appeared to be poor. Specifically, the subcontractor used potentially dangerous installation techniques, such as allowing electrical wiring to dangle and placing electrical wires inside plastic tubing. In at least one case, the back covering of a light fixture was missing, and other live wires ran across it. Also, the subcontractor had positioned electrical wires carrying various loads dangerously close to each other.

When alerted by SIGIR to the electrical fires, USACE immediately took action to determine the source of the problem.



Left side of sally port gate, no locking system for gate.

### *Sally Port Gates*

The task order SOW required the installation of four remote-controlled anti-explosive armored steel rolling-gates. Two gates were to be erected at each of the two sally ports of entry within the ICD HQ compound. The movement of the gate is achieved by two wheels at the bottom of the gate, traveling on a track embedded in the pavement. A motor was installed to provide the needed torque to operate the gates.

During SIGIR's first site visit, ICD HQ personnel stated that the sally port gates were not operational. The design for the operation of the gate was not available, and the as-built drawings did not include specifications for the motor. SIGIR's opinion is that the mechanism to move the gate from one end to the other was not adequately designed and configured. A properly designed steel rolling-gate would have included load calculations, such as the weight of the gates while in motion, to determine the correct size motor to operate the gates. In addition, considering the weight of the gate doors, at least four wheels are necessary to move it across the track. The motor provided by the subcontractor does not have adequate

horsepower to move the gate; consequently, the motor cannot produce the required torque to operate the gates.

Because security is of the utmost importance at the ICD HQ, and the sally port gates failed to provide it, the ICD HQ installed manually operated security gates at the compound at its own expense.

### **Program Quality Management**

The contractor's QC plan was sufficiently detailed, including the use of daily QC reports to document construction deficiencies, but the contractor's QC program implementation



Right side of sally port gate, showing installed motor and two wheels to move gate. Significant amount of rust was noted.

failed to identify significant construction deficiencies, such as poor practices in plumbing installation. Specifically, the daily QC reports did not identify any construction deficiencies or violations of international standards. In addition, the daily QC reports did not contain test or inspection results, and there was no QC deficiency log for this project.

The government QA program was not fully operational. The daily QA reports were vague and did not document critical information, such as insight into problems encountered at the site. The QA Representative's (QAR's) site photographs showed deficiencies; however, the root cause of the problem was not addressed. No corrective actions were determined or, if made, were not documented. In addition, the QAR failed to identify any instances in which the subcontractor did not follow the required international standards. Obvious violations of the IPC were not identified or corrected, such as exposed sewer pipes leading from the ground-floor bathroom to the outside manhole.

### **Conclusion**

The ICD HQ renovation and construction project results were not fully consistent with the objectives of the original contract and task order because the project was poorly designed and constructed. The renovated main office buildings continue to experience plumbing failures and electrical fires, which will leave the Iraqis with continual maintenance issues.

### **Recommendations**

SIGIR recommended that the Commanding General, GRD, take these actions:

1. Determine the cause of plumbing leaks and take action to repair any portion caused by deficient work on the part of the U.S. government contractor.
2. Complete the investigation initiated during the SIGIR assessment to determine the cause(s) of the electrical fires. If the light fixtures are the cause, require the manufacturer to replace all lighting fixtures throughout the facility. If the lighting fixtures are not the cause of the electrical fires, seek additional funding to perform an engineering analysis to determine the specific cause of the electrical fires.

### **Management Comments**

The Commanding General, GRD, concurred with comments to SIGIR's recommendations, noting that Iraqi Civil Defense personnel had occupied the headquarters building for 24 months and that during that time many modifications had emerged, such as the addition of showers and rewiring of electrical fixtures. Despite the problems identified in the report, the facility is fully functional and in daily use by several hundred employees.

GRD explained that because the building occupants had employed self-help construction, it could be difficult to ascertain whether deficiencies stem from the original construction or if they are compounded by self-help



Site before construction:  
Inadequate guard  
houses, no security wall,  
open sewer culverts,  
and inadequate lighting.

modifications. Nevertheless, GRD committed to conduct an assessment of the identified plumbing and electrical discrepancies within 30 days of the publication of SIGIR's final report. For the full management comments and SIGIR's evaluation of these management comments, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

### **Bab Shams Police Station, Mosul, Iraq** SIGIR PA-06-091

The objective of this project was to repair and reconstruct the Bab Shams Police Station, a single-story masonry block structure in eastern Mosul. During the project, Iraqi Police (IP) occupied the facility. It appeared that the renovation project was reasonably well planned and focused on high-priority needs. The project addressed a number of needs, including upgrading the electrical systems and installing a new back up generator system, constructing a full-perimeter solid-block security wall, constructing new guard towers and rooftop fighting positions, installing exterior lighting, painting the complete exterior and interior, and constructing a 36-inch concrete pipe to convey sewer water around the perimeter of the station.

### **What SIGIR Found**

To conduct the project assessment, SIGIR reviewed relevant contract documentation, contractor submittals, QC and QA reports, and photos, and SIGIR conducted discussions with the USACE Resident Engineer. SIGIR also conducted limited discussions with available IP personnel. With the assistance of U.S. Army personnel, SIGIR conducted a site visit on January 28, 2007. While on site, SIGIR observed the current condition of the facility and took many photos to document what was observed. Because the facility was turned over to IP officials in late October 2005, the site visit and photos were considered the most reliable sources of information to support the conclusions.



New guardhouse, new generator and fuel tank, new solid block wall and guard tower, and fresh paint.



Open sewer culvert through station grounds still present, therefore not complying with the contract requirements.

### General Observations

Most elements of the renovation project appeared to meet the requirements of the SOW, and the facility appeared to be able to operate at full capacity. Several toilets were flushed, and several sinks were partially filled and drained to verify operability. In addition, SIGIR observed several sewer-line traps and confirmed that they were open and that sewage generated within the police station building was able to flow. The area around the traps was dry and did not show evidence of routine plugging or backed-up sewage. However, some work performed by the contractor did not meet SOW requirements, and SIGIR observed some post-turnover sustainability issues.

### Sewer Water Conveyance System

The SOW included in the May 18, 2005 contract required the contractor to install a 36-inch diameter concrete pipe to convey all wastewater around the perimeter of the IP station. Also, the Bill of Quantities in modification P00001 (June 24, 2005) included a specific reference to construct a 36-inch concrete pipe around the perimeter of the IP station—not through IP station boundaries. In addition,

P00001 added these words to the SOW: “If this is not feasible, propose an alternative design.”

A review of USACE construction photos and SIGIR’s on-site inspection revealed that the original contract requirement for rerouting the sewer water was not met. Instead, the contractor merely capped some sections of the sewer channel that ran through the grounds of the IP station. SIGIR also found construction quality, drainage, health, and security concerns with the construction of the sewer water conveyance system.

### Construction Design

SIGIR reviewed all documentation provided by USACE to determine whether there was a design change submittal and approval for the contractor to route the sewer water conveyance through the IP station boundaries instead of around the boundaries. On February 1, 2007, SIGIR discussed the matter with the GRN Commander, Area Engineer, and Resident Engineer. The Resident Engineer told SIGIR that after a review of Mosul Area Office records and coordination with GRD, no documentation could be located to support a design change or any form of approval. In addition, the Resident Engineer told SIGIR that all available information had been provided.

In the absence of any QC or sufficient QA reports and any design submittal and approval documentation in the information provided by USACE, SIGIR was not able to determine why contractor personnel proceeded or why



Concrete over sewer culvert was cast too thin, cast without rebar or reinforcement wire and not uniformly mixed.

they were allowed to proceed. However, the contractor’s intention not to route wastewater around the perimeter should have been obvious to USACE QA personnel as early as June 12, 2006, when they visited the site.

### **Construction Quality**

Rather than route sewer water around the perimeter of the station, the contractor merely capped the pre-existing open culvert with concrete. SIGIR observed that the construction of the concrete cap was poor and had collapsed under the weight of vehicular traffic. Specifically, the concrete was not uniformly mixed, was cast too thin, and was cast without rebar or wire to improve the tensile strength.

### **Full-perimeter Security Wall**

In accordance with the SOW, the contractor was required to construct a solid-block security wall, 2.5 meters high, completely around, but no closer than 30 meters from the IP building. The wall was to be topped with triple-strand razor wire.

All requirements related to the construction of the security wall were met, except for the

razor wire, which was not adequately secured and placed on the top side of the wall. The wire was held in place merely by sand bags. A review of the USACE final inspection report of September 23, 2005, disclosed that the wire for the top of the perimeter wall was not installed and was “still piled up on the ground where it was unloaded from the delivery truck.”

Although USACE officials were aware of the problem, it appeared that issues related to the wire were not adequately addressed before the USACE Resident Engineer approved final payment to the contractor.

### **Sustainability**

#### **Inoperable Generator**

It appeared that the contractor installed, in accordance with SOW requirements, a new working generator with a fuel tank and automatic controls to start and switch to generator power during a disruption or loss of power from the municipal power grid. However, when SIGIR observed the generator system on January 28, 2007, the system was inoperable. IP personnel told SIGIR that various electrical control components “did not work,” and no



Abandoned generator with no fuel line, low oil levels, broken working-switch gears and controls.



Wiring and components securely fastened to walls.

one knew how to operate or fix the generator. At the time of the site visit, the relay control panel door on the generator system was wide open, and switch-and-control components were exposed to the elements. In addition, SIGIR verified that the generator's oil level was low and the fuel line between the fuel tank and engine had been removed.

### Post-renovation Tampering

SIGIR found considerable tampering with electrical system upgrades and components. The SOW required the contractor to “rewire damaged or exposed electrical wiring.” In addition, the contractor was required to securely fasten all wiring to walls and install needed switches and plug-ins. SIGIR determined that the contractor met the requirements of the SOW related to electric repairs and upgrades during the renovation.

SIGIR found that the generator system's automatic transfer switch-and-controls panel

had been tampered with, the door on the automatic transfer switch-and-controls panel was wide open, and the expensive switching components were exposed. IP personnel told SIGIR that the transfer switches were broken, but SIGIR could not determine who added the pieced-together wiring to the automatic transfer switch-and-controls panel circuitry and when it was added. The makeshift wiring could have caused the components of the automatic transfer switch-and-control panel to short-circuit and break down.

Throughout the facility, SIGIR noted that many switches or plug-ins had been removed. In every case of a missing switch or plug-in, the wiring was crudely twisted together to keep the circuit closed to allow power to flow to draw-points farther down the circuit—lights, switches, plug-ins, etc. SIGIR also observed pieced-together wiring being used to tap into an existing circuit.



Improperly strung electrical wiring.



Electrical switch with improvised wirings.

## Recommendations

USACE/IRMO should survey the site's current condition to develop cost-effective plans to: (1) route wastewater around the perimeter of the police station and (2) securely attach wire to the security perimeter wall.

MNSTC-I/IRMO should coordinate with the appropriate Iraqi ministry officials and develop plans to:

- Make the generator operational.
- Reinstall lighting, switches, and other electrical components that have been removed or damaged.
- Implement an effective equipment and facility O&M program staffed with trained personnel.
- Implement supervisory procedures to ensure that equipment and facilities are not misused and electrical components are not tampered with or removed.

## Management Comments

The Commanding General, MNTSC-I, generally concurred with SIGIR's recommendations. The Commanding General, USACE GRD, did not concur with SIGIR's recommendation to survey the site's current condition and develop cost-effective plans to route wastewater around

the perimeter of the police station and securely attach razor wire to the perimeter wall. The Commanding General stated that the Chief of Police had signed the final acceptance, no exceptions were noted, and additional funds and a new contract will be required for any changes. For the full management comments and SIGIR's evaluation of these management comments, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## Gaugli-Ashur Police Station, Mosul, Iraq

SIGIR PA-06-092

The objective of this project was to repair and reconstruct the Gaugli-Ashur Police Station Facility in Mosul, Iraq. The facility comprised a primary two-story masonry block structure and six support buildings in eastern Mosul. During the renovation, IP personnel occupied the facility.

Based on SIGIR's review of the SOW and pre-construction photos taken by USACE, the renovation project appeared to be reasonably well planned and focused on high-priority needs. Requirements included upgrading the electrical systems and installing a new back up generator system,



Renovation work included installing a floor, detention cell, and steel bars over windows.

completing a detention center previously started by the Iraqi government, installing a heavy metal gate to control access to the area, constructing rooftop guard houses or fighting positions on the primary building, and painting the complete exterior and interior.

#### **What SIGIR Found**

When observed by SIGIR on January 28, 2007, the facility appeared to be able to operate at full capacity because the project was sufficiently planned, and USACE construction management services had been effective. In addition, the IP's practices in post-turnover equipment O&M management and facility/building maintenance appeared effective. As a result, full-capacity operations over the long term will likely be sustained if the IP continues to properly use and effectively maintain the equipment and the facility.

#### **General Observations**

All work completed appeared to meet SOW requirements, and the facility appeared to be able to operate at full capacity, specifically:

- Heating and cooling units had been installed.
- Wiring had been repaired, and electrical

system components had been upgraded.

- A generator with automatic transfer switch and controls had been installed.
- Plumbing lines and fixtures had been replaced as needed, and additional water supply tanks had been installed.
- A septic-tank system had been installed.
- Interior and exterior painting had been completed.
- A heavy metal gate had been installed, and a rooftop guard house had been constructed.
- Parking lots had been graded and covered with gravel or rock.
- The detention center had been finished.

#### **Sustainability**

Project sustainability was adequately addressed, and the generator and transfer switch system appeared operational. IP personnel told SIGIR that the generator system was often used at night. SIGIR verified that the generator's oil level was full, and the engine's turbocharger was warm to the touch. Accordingly, it was very likely that the generator system had been running the previous night.

While on site, SIGIR did not observe any instances of potentially harmful tampering



New rooftop guard houses and lighting upgrades improved force protection capability.



Water heater installation with metal piping and fittings, and a breaker/switch.

with the electrical system. In addition, several showers, sinks, and toilets were tested to verify that they were fully operational. Interior and exterior plumbing improvements—including new and upgraded showers, toilets, water heaters, piping, and sink installations—appeared to have been reasonably well maintained since turnover to IP. With the installation of additional water supply tanks, SIGIR did not see any evidence of any water shortage. SIGIR found no evidence of chronic septic tank overflow, and there was no sewer water standing in the area. Rooftop guard houses had been placed to maximize fields of fire and observation to sustain operations and maintain control in an attack. Similarly, a heavy gate system installed during the renovation improved the station's defensive capability. SIGIR observed that the detention center was functional and in use.

### Management Comments

This report did not contain any negative findings or recommendations for corrective action; therefore, SIGIR did not request management comments. However, USACE GRD reviewed the draft, offered no additional information, and had no comments.

### Erbil Maternity and Pediatric Hospital, Erbil, Iraq

SIGIR PA-06-094

The objective of this project was to rehabilitate and modernize the Erbil Maternity and Pediatric Hospital in Erbil, Iraq. Parts of the facility and equipment had degenerated to the point that the facility could not meet the functional and cleanliness requirements of a hospital. Before the renovation project, the hospital's sewer system was not functional because pipes were clogged throughout the system and in the septic tank's center section and pump. As a result, the septic tank system was bypassed, and hospital sewage was pumped directly from the cesspool into the municipal system.

### What SIGIR Found

At the time of the SIGIR site visit on January 19, 2007, no renovation work was in progress because the project had been completed and turned over to Iraqi officials on May 1, 2006. SIGIR found no evidence that the original rehabilitation work on the hospital and installation of new equipment had not met contract



Waste from plugged external toilets was removed from the floor by workers prior to renovation. (USACE photo, June 18, 2006)

specifications. Accordingly, SIGIR focused on whether the project was operating and likely to continue to operate as planned. While on site, SIGIR inspectors observed a number of sustainment issues that could continue to have a negative impact on hospital operations.

**Sustainability**

The hospital sewer system has occasionally clogged, causing wastewater to back up through floor drains into some sections of

the hospital where patients receive care. This may have occurred because of the improper disposal of medical waste materials. SIGIR verified that the sewer system was free-flowing during renovation and when turned over to Iraqi officials on May 1, 2006. However, SIGIR observed large amounts of medical waste products in the sewer system’s traps, manholes, and septic tank.

At the time of the SIGIR site visit, some mechanical equipment installed during renovation was inoperable either because O&M practices had been ineffective or because hospital workers chose not to use the new equipment. For example, SIGIR observed that a new incinerator installed during renovation was not used because the people initially trained to operate the incinerator were no longer employed at the hospital. In another example of chosen non-



External toilet following renovation. (USACE photo, January 18, 2006)



Hallway, water-damaged steel door, and water-damaged gypsum board that had to be removed prior to renovation. (USACE photo, June 18, 2005)

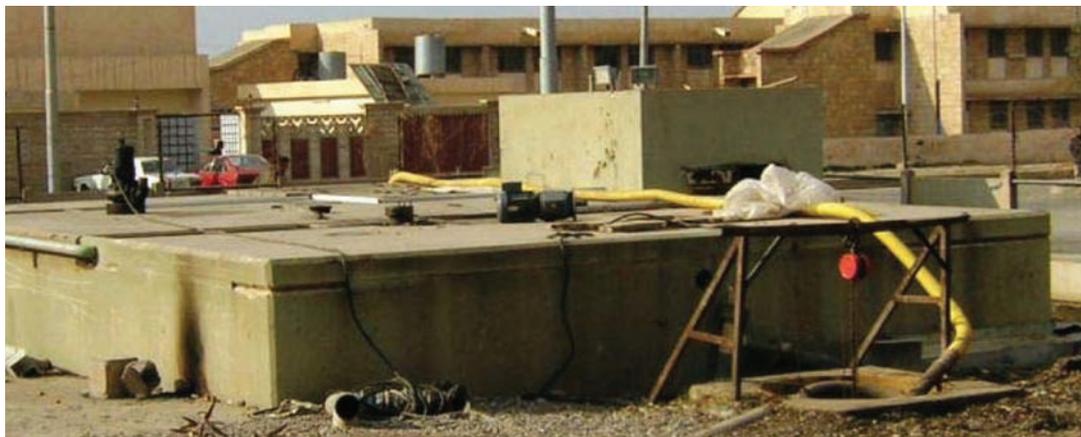
use, a new sophisticated oxygen generator and distribution system was used only as a back up system while hospital staff continued to use oxygen tanks that were not properly protected and secured. In addition, one of three new boilers was not operating, possibly because of a fire, and it was being used for parts. Critical water purification equipment did not function because weekly maintenance checks to observe and drain moisture traps were not performed. In another instance, simple water softener maintenance had not been performed, and there was visible evidence that water used in the HVAC system had been contaminated. The risk of accelerated degradation of the the heating, ventilation, and air-conditioning (HVAC) equipment has increased. During the site visit, equipment operators told SIGIR that warranty repairs were needed for broken equipment. However, hospital managers had not contacted equipment manufacturers or service representatives. Overall, long-term

sustainability and serviceability of hospital equipment has been reduced because of the absence of effective O&M and parts-management programs.

Excessive amounts of water have been used to clean hallways and bathroom floors, which has resulted in damage to the facility. SIGIR observed cleaning crews using a water hose, wet mop, and squeegee to clean hallways and bathroom floors. According to the USACE Resident Engineer, this practice has caused water to leak or migrate from hallways and bathrooms to other places in the facility. It is reasonable to conclude that contaminated water from an upper-story hallway or bathroom could migrate to a first-floor wall or leak directly through the ceiling and cross-contaminate a first-floor patient care room.



Following renovation, the hallway had a new suspended ceiling and lighting. In addition, walls and door were repaired, and new flooring was installed. (USACE photo, January 8, 2006)



Before renovation, the septic tank was bypassed and hospital sewage was pumped from the cesspool to the municipal system. (USACE, January 4, 2005)



The adequacy of the piping system was demonstrated by the fact that medical waste materials managed to make their way through the piping system.



New incinerator was not used.

## Recommendations

1. Representatives from the U.S. government should coordinate with appropriate GOI officials and request that hospital officials implement proper procedures to dispose of medical waste and ensure that all medical waste materials are properly collected and disposed of. The waste materials must not be disposed of in hospital drains and the sewer system.
2. Representatives from the U.S. government should coordinate with appropriate GOI officials and request that hospital officials implement a formal preventive maintenance program that includes a process for scheduling and tracking completed equipment and facility maintenance tasks. The program should also include a library of O&M manuals with a list of part numbers, potential suppliers, and delivery options, which is readily available to maintenance personnel. Relying on manufacturers' warranties is not a substitute for an effective O&M program.
3. Representatives from the U.S. government and Erbil Maternity Hospital officials should coordinate and develop a plan to provide additional training for equipment users and facility maintenance personnel.
4. Representatives from the U.S. government should coordinate with appropriate GOI officials and request that hospital officials ensure that cleaning crews use the minimal amount of water necessary to clean the facility.

## Management Comments

Both IRMO and the Commanding General, USACE-GRD non-concurred with SIGIR's recommendations. IRMO noted that regardless of the merits, SIGIR's recommendations appear to exceed the contract requirements and purview or authority of either IRMO or GRD to enforce. USACE-GRD stated that the rehabilitation project did not include funding or the requirement to provide the training that SIGIR recommended. For the full version of management comments and SIGIR's response, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).



Needles and other medical waste widely littered the area.



Water saturated and damaged wall with visible mold.



Evidence of water leakage from hot-water line.



New generator used as a back up.



Cockrill generator removal. (Photo provided by USAID)



GE generator. (Photo provided by USAID)

### Baghdad International Airport Power Plant Additions, Baghdad, Iraq

SIGIR PA-07-097

The objective of the project was to install 18 MW of electrical power production capability for the Baghdad International Airport (BIAP) power plant, which is near the commercial passenger terminal in Baghdad, Iraq.

#### What SIGIR Found

SIGIR reviewed relevant contract documentation; conducted discussions with USAID, IRMO, USACE, and GRD; and conducted an on-site assessment of the facility on March 3, 2007. During the site visit, SIGIR found that 17 generator sets were purchased and installed: 7 Cummins, 7 Caterpillars, and 3 General Electric generator sets. Based on the USAID documents, the project appeared to be reasonably well-planned and focused on the high-priority needs of BIAP for continuous electricity. The project was turned over in October 2005. SIGIR found no evidence that the original work at BIAP and installation of the new equipment had not met the contract specifications.

Accordingly, SIGIR focused on whether the project was operating and likely to continue

to operate as planned. While on site, SIGIR observed a number of sustainment issues that have, and could continue to have, a negative impact on the operating capacity of the BIAP power plant operations.

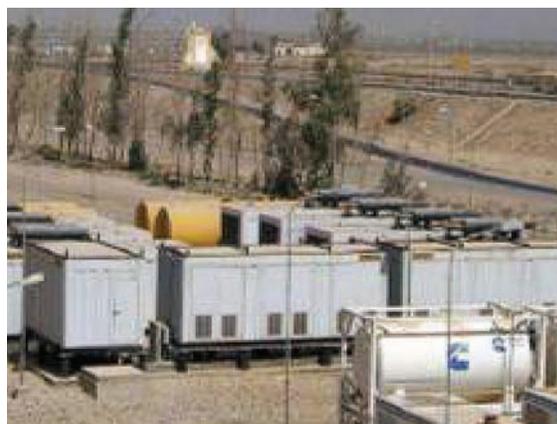
#### Sustainability

Of the 17 generator sets at the BIAP power plant, 10 were not operational. SIGIR verified that the generator sets appeared to be new and functional when they were turned over in October 2005. However, maintenance did not appear to have been adequately performed on the Cummins and Caterpillar generator sets between turn-over and the site visit in March 2007. Unless a proper O&M plan is implemented and carried out, there is little assurance that the functional generator sets will remain operational to sustain BIAP.

At the time of SIGIR's site visit, the new General Electric generator sets were not being operated because BIAP workers chose not to use them. Unless BIAP decides to use the General Electric generator sets and without effective O&M, the long-term demand on the Cummins and Caterpillar generator sets will reduce their sustainability and serviceability.



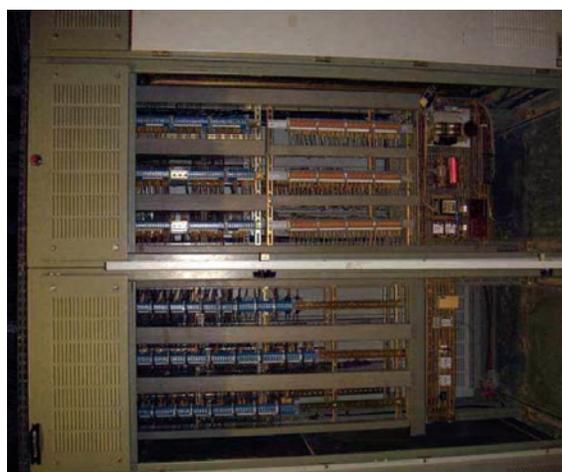
Seven Cummins generators. (Photo provided by USAID)



Seven Caterpillar generators. (Photo provided by USAID)



11-kilovolt (kV) system. (Photo provided by USAID)



Programmable Logic Controller system. (Photo provided by USAID)

## Recommendations

IRMO should coordinate with the appropriate Iraqi ministry officials and develop plans to:

1. Perform the necessary critical repairs to the Cummins, Caterpillar, and General Electric generator sets.
2. Implement an effective O&M plan with a trained staff and spare parts for the Baghdad International Airport.

## Management Comments

IRMO generally concurred with SIGIR's conclusions and recommendations. For the full version of the management comments and

SIGIR's response, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## BIAP Special Forces Barracks, Baghdad, Iraq

SIGIR PA-07-100

The objective of this project was to construct a barracks complex to house approximately 825 Iraqi Special Forces personnel. The facility, located in a secure compound at Baghdad International Airport (BIAP), included construction of 5 single-story barracks designed to house 156 soldiers each and a single-story barracks for senior grade non-commissioned



Concrete blocks were used to make load-bearing walls.



"Omni" blocks were placed on evenly spaced concrete beams.

officers (NCOs). The SOW required that each building be constructed of masonry, masonry infill, reinforced concrete, and plaster. Indigenous Iraqi building materials and techniques were also required in all structures. The SOW also included site preparation; generators and switch gear; interior plumbing and bathrooms; interior lighting and plug-ins; and HVAC systems.

#### **What SIGIR Found**

With the assistance of USACE personnel, SIGIR conducted site visits on March 3 and 17, 2007. While on site, SIGIR observed the current condition of the facility and took many photos to document what was observed. In addition, SIGIR conducted limited discussions with available barracks occupants. To effectively evaluate the project's sustainability, SIGIR focused on key elements of the construction project to compare what was required, what was constructed and provided to the Iraqis, and what was observed on March 3 and 17, 2007.

#### **General Observations**

Based on a thorough review of USACE QA reports and numerous photos taken during construction and SIGIR's site visits on March 3 and 17, 2007, construction of the complex of

barracks appeared to meet the requirements of the SOW. To meet SOW requirements, concrete blocks were placed on top of foundation footings to form the vertical load-bearing walls of the buildings.

Before construction, the design of the buildings was reviewed and approved, including the roof system. Workers placed prefabricated "Omni" blocks on evenly spaced steel-reinforced concrete beams to fabricate the roof's support structure system with tied rebar between beams. Overall, beam spacing and block placement appeared even, straight, and uniform. Subsequently, the roof's solid flatwork concrete was cast above the system of beams, resulting in a strong and rigid building.

Both interior and exterior construction appeared to meet SOW requirements. Rooms and hallways were properly finished with plaster and painted. Doorways and windows appeared to have been properly installed, and fire extinguishers appeared in good condition and were full, according to gauges. Plumbing and electrical system components appeared to have been installed in accordance with requirements. Overall, there was no evidence that construction-related issues would preclude operating the barracks complex at full capacity.

## Sustainability

### *Sewer*

Some bathroom floor drains in company barracks were plugged or drained very slowly, which caused flooding in the bathrooms. This very likely was caused by a lack of water needed to effectively flush toilets and move sewage solids through the piping system to the holding tanks. The sewage blocked the drains so that when water was introduced, the drains backed up and flooded the bathrooms. SIGIR verified that applicable wastewater holding tanks were not full for those bathrooms that did not drain, and water-supply tanks for affected bathrooms were empty.

### *Inoperable Generators*

At the time of the site inspection, none of the four 150 kV electrical generators installed under the contract, valued at approximately \$50,000 each, were operational. SIGIR could not determine when or why the generators became inoperative, but SIGIR observed that batteries were missing and the levels of engine oil were not adequate. Without operating generators, the facility has no back-up power system; the SOW called for a back-up system.

### *Roof*

The roofs of at least three barracks leaked in several places where water accumulated around drain basins. This condition likely



Four generators installed, but not operational during site visits.



Roof drain blocked by debris.

occurred because roof-top debris—including beverage cans and plastic bottles—blocked the downspouts. As a result, too much water likely pooled on roof tops near the downspout basins and migrated down walls to the interior of the building. Unless drain downspouts are kept open and rain water is able to efficiently flow off the roof, the likelihood is high that rain-water will continue to pool on roofs and leak to the interior of the various buildings.

### Recommendations

MNSTC-I and IRMO officials should coordinate with the appropriate Iraqi officials and request that Iraqi facility managers:

1. Implement procedures to schedule water deliveries frequent enough to ensure that no barracks facility within the complex is without water or monitor use and deliver water as needed to specific tanks in order to ensure that heavy use areas do not run out of water.
2. Develop a plan to make all generators installed during construction fully operational and routinely serviced by qualified personnel.
3. Implement procedures to ensure that the roofs are kept free from debris (beverage cans and plastic bottles) in order to ensure that roof drain basins run free and do not plug.

### Management Comments

USACE-GRD, MNSTC-1, and IRMO were provided a draft report for review and comment. Both USACE-GRD and MNSTC-I generally concurred with our recommendations, however several clarifying points were made. No response was received or required by IRMO. For the full version of the management comments and SIGIR's response, see the SIGIR website: [www.sigir.mil/](http://www.sigir.mil/).



DigitalGlobe 2005©

Aerial Image 1. An example of imagery provided by NGA this quarter shows an overview of the Mishkab Water Treatment Unit in the An Najaf region on July 31, 2005.

## Aerial Project Survey Program

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, conducts aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR Satellite Imagery Group is responsible for gathering and producing imagery and imagery-related products to support SIGIR personnel in their oversight mission. SIGIR project assessment teams in Iraq use this information and analysis to evaluate reconstruction project sites that are inaccessible because of the security situation or are located in remote locations. The information provided is also used to identify and verify project locations and to obtain follow-up information on previously inspected reconstruction sites. This provides SIGIR personnel with a visual basis to evaluate reconstruction progress and allows them to provide graphics to be used in reports that help to determine if projects are being built according to contract specifications. The Satellite Imagery Group also assists other SIGIR directorates by providing imagery products as needed.

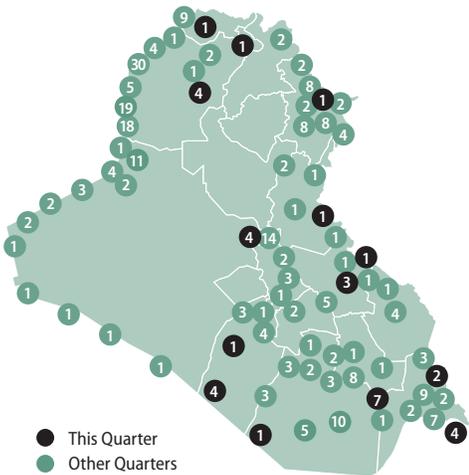
## NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY SUPPORT

This quarter, SIGIR has continued to work with the National Geospatial-Intelligence Agency (NGA) to provide more in-depth analysis and evaluation of project sites. To date, this continuing relationship has resulted in analysis of 107 project sites and 6 road segments. In the first quarter of 2007, NGA completed analyses of 11 project sites for SIGIR; NGA's continued assistance provides an invaluable resource to SIGIR personnel. These are some of NGA's notable findings provided to SIGIR for the quarter:

- Three sites appeared to be completed.
- Five border forts did not match standard design and lacked security parameters.
- Three sites could not be located with provided coordinates.

The partnership of SIGIR and NGA combines resources to meet mission requirements. NGA's assistance and knowledge base increases the number of projects that can be reviewed

Figure 3-2  
**AERIAL IMAGERY ASSESSMENTS**



and the depth of analysis, giving SIGIR a more accurate picture of Iraq’s reconstruction progress. Aerial Image 1 is an example of imagery provided by NGA this quarter.

**SIGIR IMAGERY**

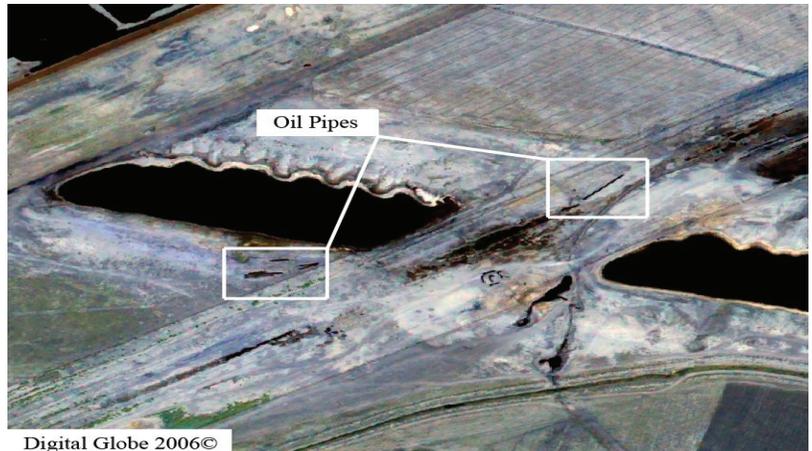
This quarter, SIGIR imagery analysts created 27 imagery products using satellite imagery and limited available contract information on 20 projects. This imagery provides visual assessments of progress at reconstruction site locations throughout Iraq. Figure 3-2 shows the approximate location of each aerial assessment. SIGIR shares the imagery products with government contracting agencies to update their project information and to identify any obvious deficiencies. During this quarter,

SIGIR created imagery products for these projects:

- 5 border forts
- 4 water-treatment facilities
- 2 oil platforms
- 2 canal crossings
- 2 police stations
- 1 hospital
- 1 military brigade
- 1 military barracks
- 1 range
- 1 power substation

Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for site visits and to identify possible problems (Aerial Images 2, 3, and 4).

In partnership with NGA during the past five quarters, SIGIR imagery analysis has resulted in 304 cumulative satellite imagery assessments and products.



Aerial Image 2. Border Imagery of a canal crossing of the Tigris River near Baiji showing the status of oil pipe installation.



Aerial Image 3. Time-phase overview of a recruiting center in Hilla. Imagery on the left shows the status of site preparation on November 26, 2005. Imagery on the right shows the completed site on January 25, 2007.



Aerial Image 4. Overview of the Al Basrah Oil Terminal.

## SIGIR INVESTIGATIONS

Over the past three years, SIGIR's investigative footprint has expanded in Iraq and the United States. SIGIR now has 19 investigators on staff, all of whom are former federal law enforcement agents. Eight of these agents are assigned to Baghdad; the others investigate cases assigned to the Arlington, Virginia office. SIGIR continues to field the largest number of fraud investigators in Iraq.

This quarter, SIGIR continued to work closely in Iraq and Kuwait with agents from the Major Procurement Fraud Unit (MPFU) of the U.S. Army Criminal Investigation Division (CID), DoD Office of Inspector General (OIG) Defense Criminal Investigative Service (DCIS), Department of State (DoS) OIG, Federal Bureau of Investigation (FBI), and U.S. Agency for International Development (USAID) OIG.

SIGIR investigators are working on 79 ongoing investigations. Of these cases, 28 await prosecution at the Department of Justice (DoJ). SIGIR's work to date has resulted in 10 arrests, one 25-count indictment of 5 people, 5 convictions, 3 imprisonments, \$3.6 million in restitution orders, and \$9.5 million in recovered and seized assets.

SIGIR continued its work this quarter with five other agencies in the International Contract Corruption Task Force:

- MPFU, U.S. Army CID
- DoS OIG Criminal Investigations Directorate
- USAID OIG
- DCIS
- FBI

SIGIR is also a member of several subcommittees of the DoJ National Procurement Fraud Task Force (NPFTF), most notably the International Working Committee (IWC)—a valuable link between federal law enforcement agencies and DoJ. SIGIR investigators also worked closely with the DoJ Commercial Litigation Section, Civil Division, pursuing civil remedies against individuals and companies.

### International Contract Corruption Task Force/Joint Operations Center

SIGIR continued work on the International Contract Corruption Task Force through the Joint Operation Center (JOC) at SIGIR headquarters in Arlington, Virginia. The JOC gathers intelligence and disseminates information on corruption and fraud investigations.

To date, the JOC has enabled the federal law enforcement community engaged in Iraq investigations to effectively share target information and case intelligence. The JOC is producing a steady flow of federal law enforcement actions that will continue to develop over the next quarters.

### Legal Actions this Quarter

This quarter, the legal process resulted in indictments, pleas, restitutions, and sentences for individuals involved in the Bloom-Stein conspiracy in Hilla, Iraq. Uncovered by SIGIR, the scheme would have defrauded the CPA of more than \$8.6 million.<sup>396</sup>

On February 7, 2007, U.S. Army Colonel Curtis G. Whiteford, U.S. Army Lt. Colonels Debra M. Harrison and Michael B. Wheeler, and civilians Michael Morris and William Driver were indicted for various crimes related to the scheme. Whiteford, Robert Stein's deputy in the comptroller's office, was charged with 1 count of conspiracy, 1 count of bribery, and 11 counts of wire fraud. Harrison, who oversaw the expenditure of CPA funds for reconstruction projects, was charged with 1 count of conspiracy, 1 count of bribery, 11 counts of wire fraud, 4 counts of interstate transport of stolen property, 1 count of bulk cash smuggling, 4 counts of money laundering, and 1 count of preparing a false tax form.

Wheeler, an advisor for CPA projects for Iraq reconstruction, was charged with 1 count of conspiracy, 1 count of bribery, 11 counts of wire fraud, 1 count of interstate transport of stolen property, and 1 count of bulk cash smuggling.

William Driver, Harrison's husband, was charged with 4 counts of money laundering. Michael Morris, who worked for Philip Bloom as a middle-man in the criminal scheme, was charged with 1 count of conspiracy and 11 counts of wire fraud.

On February 16, 2007, Steven Merkes, a former U.S. Air Force Master Sergeant working for DoD in Germany, pled guilty in U.S. District Court for accepting illegal bribes from Phillip Bloom. Merkes accepted the bribes in exchange for furnishing Bloom with sensitive contract information before awarding con-

tracts to Bloom. Merkes faces incarceration of 12-18 months, conditions of supervised release, and restitution orders by the court.

In another matter this quarter, on February 2, 2007, Faheem Mousa Salam was sentenced to 3 years in prison, 2 years of supervised release, and 250 hours of community service for offering a bribe to an Iraqi police official. In August 2006, Salam, a naturalized U.S. citizen employed by Titan Corporation, pled guilty to violating the Foreign Corrupt Practices Act.

## Suspensions and Debarments

Since December 2005, SIGIR has worked closely with DoJ, CID, DCIS, and the Army Legal Service Agency's Procurement Fraud Branch to suspend and debar contractors in cases of fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. These cases arise both from criminal indictments filed in federal district courts and allegations of contractor irresponsibility requiring fact-based examination by the Army's Suspension and Debarment Official.

To date, Army CID has suspended 19 individuals or companies based on allegations of fraud and misconduct connected to Iraq reconstruction and Army support contracts. In addition, 16 other individuals or companies have been proposed to the Army Suspension and Debarment Official for debarment, and 9 have been debarred.

This quarter, as a result of SIGIR oversight, the Army has asked Parsons Corporation

(Parsons) to show cause why the firm should not be proposed for debarment. On March 27, 2007, the Army's Suspension and Debarment Official sent a letter to Parsons, which stated, "As the result of allegations made by the Special Inspector General for Iraq Reconstruction regarding contracts awarded to Parsons by the U.S. Army Corps of Engineers, Gulf Region Division, the effectiveness of your company's standards of conduct and internal control systems have come into question." The letter asked Parsons to provide specific information for the Army to use in its deliberative process.

For details on suspensions and disbarments, see Appendix K.

## **SIGIR-issued Subpoenas**

This quarter, to gather information from contractors and other sources, SIGIR investigators have issued a number of Inspector General Subpoenas under the Inspector General Act of 1978, as amended. Also, SIGIR recently asked contractors for data on their internal investigations and audits.

## **Proposed New Legislation**

SIGIR notes that the Congress is currently considering new legislation to strengthen efforts to punish fraud, waste, and abuse of funds in Iraq and elsewhere. SIGIR supports the enactment of this new law and will coordinate fully with DoJ to enforce it.

## SIGIR HOTLINE

SIGIR Hotline facilitates reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the American taxpayer. SIGIR transfers any Hotline cases that are not related to the Iraq Relief and Reconstruction Fund (IRRF) or to programs and operations of the former Coalition Provisional Authority (CPA). SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from Iraq, the United States, and throughout the world.

### First Quarter Reporting

As of March 31, 2007, SIGIR Hotline had initiated 567 cases; 52 are currently open. A summary of these cases is provided in Table 3-4.

### New Cases

During this reporting period, the SIGIR Hotline received 25 new complaints in these categories:

- 15 involved contract fraud.
- 6 involved personnel issues.
- 4 involved miscellaneous issues.

The SIGIR Hotline receives most reports of perceived fraud, waste, abuse, mismanagement, and reprisal by electronic mail. The SIGIR's 25 new Hotline complaints were received in these ways:

- 21 by electronic mail
- 2 by SIGIR Hotline phone call
- 1 by SIGIR Hotline fax
- 1 by conventional mail

### SUMMARY OF SIGIR HOTLINE CASES, AS OF MARCH 31, 2007

OPEN CASES		
Investigations		44
Audit		8
<b>Total Open</b>		<b>52</b>
CLOSED CASES		
	1ST QTR 2007	CUMULATIVE*
FOIA	0	4
OSC Review	0	2
Assists	0	44
Dismissed	5	99
Referred	8	209
Inspections	0	79
Investigations	3	69
Audit	0	9
<b>Total Closed</b>	<b>16</b>	<b>515</b>
<b>Cumulative* Open &amp; Closed</b>		<b>567</b>

\*Cumulative totals cover the period since the SIGIR Hotline began operations—from March 24, 2004, to March 31, 2007.

TABLE 3-4

### Closed Cases

During this quarter, 16 Hotline cases were closed:

- 8 were referred to other inspector general agencies.
- 5 were dismissed for lack of sufficient information or were outside of SIGIR's investigative purview.
- 3 complaints were closed based on information received from SIGIR Investigations.

### Referred Complaints

After a thorough review, eight complaints were referred to outside agencies for proper resolution:

- 3 were sent to the Joint Contracting Command-Iraq/Afghanistan.
- 3 were sent to the DoS OIG.
- 2 were sent to the MNF-I IG.

## SIGIR LESSONS LEARNED INITIATIVE

On March 22, 2007, SIGIR released *Iraq Reconstruction: Lessons in Program and Project Management* at a hearing held by the Senate Committee on Homeland Security and Governmental Affairs. At the hearing, the SIGIR presented the key findings of the report, including its nine recommendations:

**Recommendation 1: The Congress should consider a reform measure like “Goldwater Nichols” to promote better integration among DoD, USAID, and DoS, particularly with respect to post-conflict contingency operations.** In 1986, the Goldwater-Nichols Act initiated a fundamental reorganization of DoD. As a result of this legislation, U.S. forces increased cooperation and integration. It was not an easy process, but over the past 20 years the United States has benefited greatly from the improved coordination among the military services.

The Iraq experience illustrates the need to expand cooperation and integration across U.S. agencies, but most especially among DoD, DoS, and USAID. Unlike other agencies, these three have missions that require them to operate primarily outside the United States and engage constantly with other governments and international entities.

Steps have already been taken to move this integration forward. National Security Presidential Directive 44 (NSPD-44) and DoD Directive 3000.05 encourage interagency cooperation. USAID has created an office of

military affairs to serve as a liaison to DoD. In response to NSPD-44, DoS established the Office of the Coordinator for Reconstruction and Stabilization. USAID and DoS staff regularly attend military training exercises to share lessons learned and to brief military personnel on their responsibilities and capabilities. DoD’s Joint Concept Development and Experimentation Office is currently looking at ways to improve civilian/military planning. These steps, although important, are just a beginning. The experience of the Goldwater-Nichols Act suggests that the Congress should consider new legislation that could advance further cooperation among DoD, DoS, and USAID on post-conflict contingency reconstruction and relief planning and execution.

**Recommendation 2: The Congress should adequately fund the DoS Office of the Coordinator for Reconstruction and Stabilization.** The President created the Office of the Coordinator for Reconstruction and Stabilization (S/CRS) in response to the need for better post-conflict contingency coordination among U.S. departments. S/CRS completed a post-conflict implementation plan in October 2006. This plan identifies tasks in the short, medium, and long term that the U.S. government should execute to improve planning, preparing, and executing post-conflict contingency operations. The plan commendably seeks to address many of the lessons learned from Iraq that

SIGIR and others have identified. Most important, it aims at institutionalizing ongoing inter-agency contingency exercises and developing a civilian reserve corps. A lack of funding and weak recognition of S/CRS by other agencies have prevented the plan from being fully realized. The Congress should provide S/CRS with the funding and authority to fulfill its mission.

**Recommendation 3: The U.S. government should clarify the authorities of the multiple agencies involved in post-conflict operations to avoid ambiguity over who is in charge.**

Although no single U.S. agency demonstrated the capacity to manage the large and complex Iraq program alone, the resultant and unavoidably ad hoc response that sometimes ensued was less than optimal. Developing ad hoc organizations in theater, such as the PMO and IRMO, consumed significant U.S. resources and time. Moreover, these new offices did not have the appropriate staff, procedures, systems, or institutional strength to direct effectively the complex, interagency rebuilding effort.

S/CRS should be fully empowered to take up its presidentially mandated responsibility for coordinating the planning for future contingency relief and reconstruction operations. Additionally, S/CRS should be provided legal authority, working within the interagency structure and guidelines, to decide who should be in charge of what in any post-conflict reconstruction operation.

**Recommendation 4: Existing agencies should institutionalize the most effective project management systems, procedures,**

**policies, and initiatives developed during the Iraq reconstruction effort.** Because U.S. government agencies did not have appropriate systems in place to properly manage a program of the magnitude and complexity of the IRRF, they often created new systems and procedures. Over time, many of these procedures became effective in practice. USAID, DoS, and DoD should identify and institutionally incorporate the best practices from the Iraq experience.

**Recommendation 5: Program managers should integrate local populations and practices at every level of the planning and execution process.** In planning for future contingency operations, the U.S. government should involve, from the outset, a broad spectrum of individuals with familiarity about the affected nation (from policy makers to contractors to international experts). In Iraq, successful reconstruction managers took the time to understand local customs and practices.

Project design and execution should incorporate local contractors and vendors. Also, planning for projects should consider local and regional quality standards, rather than trying to impose U.S. standards, which too often caused increased cost and delayed execution in Iraq.

**Recommendation 6: Funding designated for post-conflict contingency programs should support flexible programs and projects that yield both short- and long-term benefits.** Consideration should be given to developing multi-year programs with properly

sequenced reconstruction projects. Both short- and long-term relief and reconstruction programs can be better planned and implemented through a multi-year financing strategy rather than through unscheduled supplemental appropriations. Contingency funding should also be made available for essential but unforeseen programs and projects. In Iraq, adequate reserves were not set aside to fund unanticipated projects, and the frequent reprogramming of funds adversely affected outcomes in several infrastructure sectors.

**Recommendation 7: Develop policies and procedures to manage non-U.S. appropriated funds.** The United States deployed to Iraq without standardized policies and procedures to manage non-U.S. appropriated funds (e.g., the Development Fund for Iraq). Policies and systems were thus developed reactively and not implemented consistently. As a result, there were questions about the accountability of non-U.S. funds. As oversight entities pursue allegations of waste, fraud, and abuse, jurisdictional questions continue to surface. Before contingency operations begin, planners should develop clear policies regarding the management of non-U.S. funds.

**Recommendation 8: Develop comprehensive planning for capacity development.** Before approving reconstruction funds, the Congress should require agencies to present a capacity-development strategy that will enable the effective transfer of operational responsibility for reconstruction projects to the host country.

In Iraq, capacity-development programs were not adequately integrated into the overall effort. Projects should include an organizational and management component as well as training in operations and maintenance.

**Recommendation 9: Future post-conflict contingency planning should provide for well-resourced and uninterrupted oversight of relief and reconstruction programs to ensure effective monitoring from the outset and permit real-time adjustments.**

An effective monitoring and oversight plan needs to be in place within each agency from the outset of contingency operations. This will allow for early and direct feedback to program managers, who can implement course corrections in operating practices and policies. Early and effective oversight will also deter fraud, waste, and abuse. For construction projects, there should be consistent oversight, including appropriate quality assurance and quality control programs. In Iraq, successful projects were usually those that received good quality assurance and effective quality control.

The full report is available at the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## Capping Report: The Story of Iraq Reconstruction

In keeping with SIGIR's mandate from the Congress—to provide recommendations that promote economy, efficiency, and effectiveness in the administration of the reconstruction program in Iraq—SIGIR is producing a cumulative account of these efforts, *The Story of Iraq*

*Reconstruction.* This capping report draws together SIGIR's Quarterly Reports to the Congress, audits, inspections, investigations, interviews with key decision-makers, and SIGIR's three reports on the lessons learned from Iraq reconstruction.

The United States, Iraq, and the international community have committed more than \$103 billion to Iraq reconstruction; approximately \$37 billion comes directly from bills passed by the Congress. *The Story of Iraq Reconstruction* will provide a narrative history

of the planning and execution of this reconstruction, with a primary focus on the role of the Office of Reconstruction and Humanitarian Assistance, CPA, USAID, DoD, and DoS. The report will begin with preparations for reconstruction in 2002, follow progress through 2006, and conclude with recommendations on how reconstruction efforts can be better carried out in the future. SIGIR will publish *The Story of Iraq Reconstruction* at the end of 2007.

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## SIGIR WEBSITE

During this reporting period, the SIGIR website ([www.sigir.mil](http://www.sigir.mil)) recorded these activities:

- More than 900 users visited the SIGIR website per day, double the number of visitors from previous quarters.
- Most users were from within the United States (84%). The remaining 16% were from 168 different countries, mainly in Western Europe (5.88%), Asia (2.77%), and the Middle East (2.45%).
- The Arabic language section of the site received more than 912 visits.
- A significant percentage of visitors to the SIGIR website were from government agencies, most notably DoD and DoS.
- Users visited the SIGIR Reports section most often.
- The most frequently downloaded documents were the October 2006 and January 2007 Reports to the Congress.

## LEGISLATIVE UPDATE

Public Law (P.L.) 108-106, as amended, requires SIGIR to submit quarterly reports to the Congress. Appendix A provides a cross-reference of this Report with these requirements.

In addition, Section 4 (a) (2) of the Inspector General Act of 1978, as amended, which was applied to SIGIR by P.L. 108-106, as amended, requires SIGIR to:

Review existing and proposed legislation and regulations relating to programs and operations of such establishment and to make recommendations in the semiannual reports concerning the impact of such legislating to regulations on the economy and efficiency in the administration of programs and operations administered or financed by such establishment or the prevention and detection of fraud and abuse in such programs and operations.

### New Legislation

On December 20, 2006, President Bush signed into law the Iraq Reconstruction Accountability Act of 2006 (P.L. 109-440). This legislation modified SIGIR's termination date, repealing the October 1, 2007 date and returning the termination formula of 10 months after "80% of funds appropriated or otherwise made available to IRRF have been expended." U.S. funds made available in FY 2006 for Iraq reconstruction are also included in this termination calculation, bringing the total to approximately \$32 billion. (See U.S. Appropriated Funding in Section 2 of this Report.)

- The legislation requires SIGIR to prepare a final forensic audit report on all funds deemed to be amounts appropriated or otherwise made available to the Iraq Relief and Reconstruction Fund.
- The legislation does not define "forensic audit," and SIGIR has not found a generally accepted industry definition. However, based on research and information received from industry, SIGIR has developed this working definition: a formal examination of records against a set of standards that is performed by a third-party and would withstand the scrutiny of a court when the results are presented as evidence in a trial.

The deliverable would be a detailed financial report that would provide the Congress with asset tracing of all U.S.-funded reconstruction activities to answer the fundamental question: "Where did the money go?"

### Congressional Hearings

During the first quarter of 2007, SIGIR was invited to testify before the following nine House and Senate committees and subcommittees to address issues ranging from contracting to war profiteering:

- House Armed Services Committee
- House Appropriations Committee, Defense Subcommittee
- House Appropriations Committee, Subcommittee on State, Foreign Operations and Related Programs
- House Oversight and Government Reform Committee

- House Armed Services Committee, Subcommittee on Oversight and Investigations
- Senate Judiciary Committee
- Senate Homeland Security and Governmental Affairs Committee
- House Foreign Affairs Committee, Subcommittee on International Organizations, Human Rights, and Oversight
- House Foreign Affairs Committee, Subcommittee on the Middle East and South Asia

In a hearing before the House Appropriations Subcommittee on Defense, SIGIR and GAO were asked to provide a definition of “waste” as it relates to reconstruction efforts in Iraq. Waste involves the taxpayers not receiving reasonable value for money connected with any government-funded activities because of an inappropriate act of omission by players with control over or access to governmental resources (e.g. executive, judicial, or legislative branch employees; contractors; and grantees). Waste goes beyond fraud and abuse, and most waste does not involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

On March 22, 2007, SIGIR released *Iraq Reconstruction: Lessons in Program and Project Management*, the third in the Lessons Learned Initiative Series, at a hearing of the Senate Homeland Security and Governmental Affairs Committee.

## Legislation of Interest to SIGIR

In the first three months of the 110th Congress, 32 measures (2 resolutions and 30 bills) have been introduced that affect SIGIR, are a result of SIGIR recommendations or findings, or address enhanced accountability for the U.S. reconstruction effort in Iraq, reconstruction contracting, or fraud issues.

Senator Susan Collins (R-ME) has introduced the *Accountability in Government Contracting Act of 2007* (S. 680). This bill would implement significant changes in government contracting, including an increase in the number of government contracting personnel and a decrease in the use of sole-source contracts. As Senator Collins stated at a recent hearing, many of these changes are responsive to recommendations made in SIGIR’s *Iraq Reconstruction: Lessons in Contracting and Procurement* report.

The *Iraq Weapons Accountability Act of 2007*, House Resolution (H.R.) 529, introduced by Congressman Stephen Lynch (D-MA), directly addresses SIGIR’s recommendations from its audit report, “Iraqi Security Forces: Weapons Provided by the U.S. Department of Defense Using the Iraq Relief and Reconstruction Fund,” released on October 28, 2006.

House Foreign Affairs Chairman Tom Lantos (D-CA) introduced the *Iraq Reconstruction Improvement Act of 2007* (H.R. 1581), which addresses improvements in coordination, implementation, and oversight of U.S. economic reconstruction assistance for Iraq.

The measure also addresses SIGIR's tenure and other oversight issues.

The 110th Congress is considering other legislation that addresses SIGIR oversight areas in three broad categories.

### LEGISLATION AFFECTING SIGIR'S TENURE AND/OR JURISDICTION

- H. Res. 97, *Providing for Operation Iraqi Freedom Cost Accountability*, addresses reporting requirements for SIGIR (Congressman Patrick Murphy, D-PA).
- H.R. 508, *Bring the Troops Home and Iraq Sovereignty Restoration Act of 2007*, requires U.S. military disengagement from Iraq, provides U.S. assistance for reconstruction and reconciliation in Iraq, and revises SIGIR authorities (Congresswoman Lynn Woolsey, D-CA).
- H.R. 714, *War Funding Accountability Act*, establishes reporting requirements relating to funds made available for the reconstruction of Iraq and addresses SIGIR reporting requirements (Congressman Mike Thompson, D-CA).
- S. 433 and H.R. 787, *Iraq War De-Escalation Act of 2007*, states U.S. government policy on Iraq and addresses a wide range of reconstruction topics (Senator Barack Obama, D-IL; Congressman Mike Thompson, D-CA).
- H.R. 1591 and S. 965, *U.S. Troop Readiness, Veterans Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007*, makes emergency supplemental appropriations for FY 2007 and addresses SIGIR issues (Senator Robert Byrd, D-WV; Congressman David Obey, D-WI).

### LEGISLATION RESULTING FROM SIGIR RECOMMENDATIONS OR ALIGNING WITH SIGIR FINDINGS:

- H.R. 369 and S. 674, *Transparency and Accountability in Security Contracting Act of 2007*, seeks to improve the contracting process (Congressman David Price, D-NC; Senator Barack Obama, D-IL).
- S. 119 and H.R. 400, *War Profiteering Prevention Act of 2007*, addresses war profiteering and related issues (Senator Patrick Leahy, D-VT; Congressman Neil Abercrombie, D-HI).
- H.R. 528, *Iraq Contracting Fraud Review Act of 2007*, directs the Secretary of Defense, through the DCAA, to identify contracts that are subject to fraud or other contracting improprieties (Congressman Stephen Lynch, D-NC).
- H.R. 663, *New Direction for Iraq Act of 2007*, addresses the termination of contracts with contractors having more than one federal Iraqi reconstruction contract for non-fulfillment of one such contract (Congressman Earl Blumenauer, D-OR).
- H.R. 897, *Iraq and Afghanistan Contractor Sunshine Act*, requires enhanced disclosure for contracts and task orders of more than \$5 million (Congresswoman Janice Schakowsky, D-IL).

- S. 613 and H.R. 1084, *Reconstruction and Stabilization Civilian Management Act of 2007*, enhances the overseas stabilization and reconstruction capabilities of the U.S. government (Senator Richard Lugar R-IN; Congressman Sam Farr, D-CA).
- H.R. 1362, *Accountability in Contracting Act*, reforms U.S. government acquisition processes (Congressman Henry Waxman, D-CA).
- S. 606, *Honest Leadership and Accountability in Contracting Act of 2007*, addresses war profiteering and other topics (Senator Byron Dorgan, D-ND).
- H.R. 744, *Iraq Policy Revitalization and Congressional Oversight Enhancement Act*, addresses reporting issues (Delegate Madeline Bordallo, D-Guam).
- H.R. 775, *Supplemental Appropriations Act*, addresses performance measures and other key issues (Congressman John McHugh, R-NY).
- H.R. 1062, *Security and Victory in Iraq Act of 2007*, addresses stability efforts and reporting (Congressman John Boehner, R-NY).
- H.R. 1263, *Iraq Benchmarks Act*, redeploys U.S. armed forces from the non-Kurdish areas of Iraq if certain security, political, and economic benchmarks relating to Iraq are not met (Congressman Howard Berman, D-CA).
- H.R. 1325, *Partnership for Iraq Reconstruction Act*, addresses matching funds requirements from the GOI (Congressman Albio Sires, D-NJ).
- H.R. 1460, *Change the Course in Iraq Act*, establishes a coordinator for Iraq Stabilization and places conditions on obligations of funds to the GOI (Congresswoman Ellen Tauscher, D-CA).
- S. 1144 provides for an assessment of the GOI's achievement of benchmarks for the political settlement and national reconciliation in Iraq (Senator Olympia Snowe, R-ME).

### **LEGISLATION THAT ADDRESSES ENHANCED REPORTING, ACCOUNTABILITY, AND/OR BENCHMARKING IN POST-CONFLICT RECONSTRUCTION EFFORTS**

- H. Res. 152, calls for detailed reports on Iraq to facilitate greater congressional oversight (Congressman David Lipinski, D-IL).
- H.R. 533, *Iraq Transition Act of 2007*, establishes a Commission on Iraqi Transition (Congressman Stephen Lynch, D-CA).
- H.R. 645, *Comprehensive Strategy for Iraq Act of 2007*, provides for the withdrawal of U.S. armed forces from Iraq, authorizes assistance for Iraq, and addresses other purposes (Congressman David Price, D-NC).
- S. 679, provides a comprehensive strategy for stabilizing Iraq and other matters. (Senator John Kerry, D-MA).

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# Other Agency Oversight

INTRODUCTION

OTHER AGENCY AUDITS

OTHER AGENCY INVESTIGATIONS

SECTION

# 4



## INTRODUCTION

SIGIR formed the Iraq Accountability Working Group (IAWG) to provide coordination of audit efforts in Iraq. Through the IAWG, the forward-deployed audit staffs of U.S. agencies with presence in Iraq coordinate audits, share data on Iraq relief and reconstruction, minimize audit disruption to clients, and avoid duplicative efforts.

This quarter, the IAWG met on April 4, 2007, in the former Republican Presidential Palace in Baghdad, Iraq, which currently houses the U.S. Mission-Iraq. Organizations in attendance included:

- SIGIR
- U.S. Agency for International Development (USAID), Regional Office of the Inspector General
- USAID, Controller, Baghdad
- Multi-National Force-Iraq (MNF-I)
- U.S. Army Corps of Engineers, Gulf Region Division (USACE GRD)
- Multi-National Security Transition Command-Iraq (MNSTC-I)
- Joint Contracting Command-Iraq/Afghanistan (JCC-I/A)
- Department of Defense, Office of Inspector General (DoD OIG)

During the meeting, audit representatives briefed their respective audit programs, including the objectives, scope, and tentative start dates for planned audits. Then participants engaged in a general discussion of planned work, coordination, primary audit contact personnel, and other administrative details.

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC)<sup>1</sup> to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the IGs of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations meet quarterly to exchange details about current and planned audits, identify opportunities for collaboration, and minimize redundancies.

The most recent meeting was held on February 28, 2007, at the SIGIR office in Arlington, Virginia. The organizations in attendance included:

- DoD OIG
- Department of State Office of Inspector General (DoS OIG)
- U.S. Army Audit Agency (USAAA)
- USAID OIG
- Government Accountability Office (GAO)
- Defense Contract Audit Agency (DCAA)
- Defense Intelligence Agency Office of the Inspector General
- SIGIR

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by DoD OIG, DoS OIG, USAID OIG, GAO, DCAA, and USAAA. For details, see Appendix L. The U.S. Department of the Treasury and the Department of Commerce did not complete or initiate any new audits this quarter.

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## OTHER AGENCY AUDITS

This section updates the audits that IIGC member agencies reported to SIGIR:

- For recently completed oversight reports, see Table 4-1.
- For ongoing oversight reports conducted by other U.S. agencies during this reporting period, see Table 4-2.
- For more information on other agency audits, including audit summaries, see Appendix L.
- For a complete historical list of audits and reviews on Iraq reconstruction by all entities, see Appendix M.

## RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 3/31/2007

#	AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
1	DoD	D-2007-060	2/12/2007	Management of the Iraq Security Forces Fund–Phase II
2	DoD	D-2007-049	1/25/2007	Equipment Status of Deployed Forces within U.S. Central Command
3	DoS	AUD/IQO-07-20	1/30/2007	INL Iraq Police Contract (Adnan Palace)
4	GAO	GAO-07-308SP	1/9/2007	Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight
5	GAO	GAO-07-385T	1/18/2007	Securing, Stabilizing, and Rebuilding Iraq: GAO Audit Approach and Findings
6	GAO	GAO-07-439T	1/31/2007	Defense Logistics: Preliminary Observations on the Army's Implementation of its Equipment Reset
7	GAO	GAO-07-144	2/15/2007	Defense Logistics: Improved Oversight and Increased Coordination Needed to Ensure Viability of the Army's Prepositioning Strategy
8	GAO	GAO-07-426T	2/15/2007	Rebuilding Iraq: Reconstruction Progress Hindered by Contracting, Security, and Capacity Challenges
9	GAO	GAO-07-582T	3/9/2007	Operation Iraqi Freedom: Preliminary Observations on Iraqi Security Forces' Logistical Capabilities
10	GAO	GAO-07-612T	3/13/2007	Stabilizing Iraq: Factors Impeding the Development of Capable Iraqi Security Forces
11	GAO	GAO-07-637T	3/22/2007	Stabilizing Iraq: Preliminary Observations on Budget and Management Challenges of Iraq's Security Ministries
12	GAO	GAO-07-444	3/22/2007	Operation Iraqi Freedom: DoD Should Apply Lessons Learned Concerning the Need for Security over Conventional Munitions Storage Sites to Future Operations Planning
13	GAO	GAO-07-503R	3/28/2007	Operation Iraqi Freedom: Preliminary Observation on Iraqi Security Forces' Logistics and Command and Control Capabilities
14	USAAA	A-2007-0040-ALL	1/16/2007	Procedures for Managing the Overaged Repairable Items List at the Tactical Wheeled Vehicle Refurbishment Center-Kuwait
15	USAAA	A-2007-0093-ALL	3/9/2007	Cost-Effectiveness of Transitioning Selected Functions Performed at the Theater Distribution Center (Task Order 87) from Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
16	USAAA	A-2007-0104-ALL	3/23/2007	Summary Audit Report on the Cost-Effectiveness of Transitioning Work Under the Logistics Civil Augmentation Program Contingency Contract to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
17	USAID	E-267-07-002-P	1/22/2007	Audit of USAID/Iraq's Agriculture Reconstruction and Development Program
18	USAID	E-267-07-003	2/4/2007	Follow-up Audit of USAID/Iraq's Education Activities

TABLE 4-1

## ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 3/31/2007

#	AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT DESCRIPTION
1	DoD	D2006-D000AB-0236.000	8/4/2006	Audit of U.S. Transportation Command (USTRANSCOM) Compliance with DoD Policy on the Use of Commercial Transport
2	DoD	D2006-D000LQ-0254.000	9/5/2006	Audit of Potable and Nonpotable Water in Iraq
3	DoD	D2006-D000LH-0246.000	8/30/2006	Audit of the Inspection Process of the Army Reset Program for Ground Vehicles for Units Returning from Operation Iraqi Freedom
4	DoD	D2006-D000AE-0225.000	7/21/2006	Audit of the Conditional Acceptance and Production of the Army Medium Tactical Vehicles in Support of the Global War on Terror
5	DoD	D2006-D000AE-0241.000	8/4/2006	Audit of the DoD Use of GWOT Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation
6	DoD	D2006-D000FL-0208.000	5/23/2006	Audit of Internal Controls over Out-of-Country Payments
7	DoD	D2006-D000CK-0210.000	5/15/2006	Audit of Procurement Policy for Armored Vehicles
8	DoD	D2005-D000FD-0300.000	9/15/2005	Antideficiency Act Investigation of the Operation and Maintenance Appropriation Account 2142020 and 2152020
9	DoD	D2006-D000CK-0273.000	9/29/2006	Audit Research on DoD Contracts Awarded to Parsons Corporation and its Subsidiaries
10	DoD	D2007-D000LF-0032.000	11/30/2006	Audit of Supplemental Funds Used for Medical Support for the Global War on Terror
11	DoD	D2006-D000LA-0251.000	8/22/2006	Audit of Management of Prepositioned Munitions
12	DoD	D2007-D000LA-0054.000	11/9/2006	Audit of Procurement, Distribution, and Use of Body Armor in the Department of Defense
13	DoD	D2007-D000LC-0051.000	12/14/2006	Audit of Hiring Practices Used to Staff the Iraqi Provisional Authorities
14	DoD	D2007-DINT01-0092	12/15/2006	Evaluation of Department of Defense Intelligence Support to the Combatant Commands in Operation Enduring Freedom and Operation Iraqi Freedom
15	DoD	D2006-DIP0E3-0038	7/15/2006	Advisory Support to Iraqi Ministry of Defense and Ministry of Interior Offices of the Inspector General
16	DoD	D2006-DIP0E3-0256	8/23/2006	Interagency Iraqi Anticorruption and Principled Governance Initiative
17	DoD	D2006-D000LD-0062.000	12/15/2005	Supply Chain Management of Clothing, Individual Equipment, Tools and Administrative Supplies
18	DoD	D2007-D000FD-0145.000	3/5/2007	Internal Controls over Air Force General Funds, Cash, and Other Monetary Assets
19	DoD	D2007-D000FN-0142.000	2/27/2007	Internal Controls over Navy General Fund, Cash, and Other Monetary Assets Held Outside the Continental United States
20	DoD	D2007-D000LQ-0141.000	2/15/2007	Management of the Iraq Security Forces Fund – III
21	DoD	D2007-D000FP-0122.000	2/9/2007	Internal Controls over Army Cash and Other Monetary Assets Held Outside the Continental United States

#	AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT DESCRIPTION
22	DoD	D2007-D000LH-0108.000	1/5/2007	DoD Training for U.S. Ground Forces Supporting Operation Iraqi Freedom
23	DoD	D-2007-D000CK-0144-000	2/16/2007	Audit Research on DoD Contracting Issues Related to the Global War on Terror
24	DoS	Not Reported	4/19/2006	National Endowment for Democracy Grant Audit
25	DoS	Not Reported	12/13/2005	INL Invoicing for Jordan International Police Training Center Audit
26	DoS	Not Reported	9/14/2006	Accountability for Contractor-Held Government Property and Equipment Supporting Department Programs and Operations in Iraq and Afghanistan
27	DoS	Not Reported	Not Reported	Baghdad New Embassy Construction Audit
28	GAO	350895	August 2006	Solatia (Condolence) Payments in Iraq
29	GAO	320383	January 2006	Iraq Energy
30	GAO	320411	August 2006	Accountability for Equipment Provided to Iraqi Forces
31	GAO	350853	September 2006	Army and Marine Corps Readiness
32	GAO	320424	July 2006	Iraq Ministry Capacity
33	GAO	320388	October 2005	Afghan Counter-narcotics
34	GAO	120596	November 2006	Restore Iraqi Oil Settlement
35	GAO	350948	December 2006	Factors Affecting US Support for the Iraqi Security Forces
36	GAO	320437	August 2006	Insurgents, Militias, and Other Armed Groups in Iraq
37	GAO	320461	October 2006	Efforts to Stabilize Iraq and Achieve Conditions to Allow the Drawdown of U.S. Troops
38	USAAA	A-2006-ALL-0264 and A-2007-ALL-0212	1/3/2005	Audit of Logistics Civil Augmentation Program (LOGCAP)
39	USAAA	A-2006-ALL-0397	6/26/2006	Retrograde Operations in Southwest Asia
40	USAAA	A-2007-ALL-0329	Not Reported	Audit of U.S. Army Contracting Command Southwest Asia-Kuwait
41	USAAA	A-2007-ALL-0081	Not Reported	Management of Shipping Containers in Southwest Asia
42	USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Telecommunication Activities
43	USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Planning and Reporting Process of its Activities
44	USAID	Not Reported	Not Reported	Audit of Office of Foreign Disaster Assistance Program in Iraq
45	USAID	Not Reported	Not Reported	Audit of Provincial Reconstruction Teams in Iraq
46	USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Local Governance Activities

TABLE 4-2

## OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activi-

ties from other agencies, see Table 4-3. For more information on these investigations, see Appendix L.

### STATUS OF INVESTIGATIVE ACTIVITIES FROM OTHER U.S. AGENCIES, AS OF 3/31/2007

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES
DCIS	2	2	57
DoS/OIG	0	0	2
FBI	2	1	31
USAID	2	0	10
CID/MPFU	6	5	57
<b>Total</b>	<b>12</b>	<b>8</b>	<b>157</b>

IIGC members: SIGIR (Chair), DoS OIG (Co-Vice Chair), DoD IG (Co-Vice Chair), Army IG, USAID IG, Treasury IG, DoC IG, DCAA, USAAA, GAO (observer member), USACE Chief Audit Executive (observer member)

TABLE 4-3

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36. DoS, *Section 2207 Report*, April 2006.
37. DoS, *Section 2207 Report*, January 2007.
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43. IRMO, response to SIGIR, April 20, 2007. An IRMO electricity expert reports results that conflict with results reported here by established SIGIR sources. For example, the electricity expert reports that this quarter Baghdad received 10.5 hours of power per day (SIGIR reports 6 hours of power), and the rest of Iraq receives 13.4 per day (SIGIR reports 12.0 hours of power). Variations also occur in pre-war levels and current demands across the country.
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- 4,300 MW”
45. DoS, Section 2207 Report, April 5, 2005, p. 5.
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  63. IRMO, “Load Served October–December 2006,” December 2006.
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396. For complete details of this conspiracy, see the SIGIR *October 2006 Quarterly Report*, Appendix J.

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## ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in the SIGIR Quarterly Report to the Congress.

ACRONYMS	DEFINITIONS
ABOT	Al Basrah Oil Terminal
ACC	Area Control Center (for air traffic control)
ACWG	Anti-Corruption Working Group
AFCEE	Air Force Center for Environmental Excellence
AFRN	Advanced First Responder Network
ARDI	Agriculture Reconstruction and Development Program for Iraq
ATC	Air Traffic Control
Bechtel	Bechtel National, Inc.
BIA	Basrah International Airport
BIAP	Baghdad International Airport
BPD	Barrels Per Day
BSA	Board of Supreme Audit
CAP	Community Action Program
CBI	Central Bank of Iraq
CBTC	Communications-Based Train Control
CCCI	Central Criminal Court of Iraq
CEFMS	U.S. Army Corps of Engineers Financial Management System
CERP	Commander's Emergency Response Program
CFN	Consolidated Fiber Network
CHRRP	Commanders Humanitarian Relief and Reconstruction Program
CID	Army Criminal Investigation Command
CMC	Communications and Media Commission
CMMS	Computerized Maintenance Management System
Compact	International Compact for Iraq
COR	Council of Representatives
COSIT	Central Office for Statistics and Information Technology
CPA	Coalition Provisional Authority
CPA-IG	Coalition Provisional Authority Inspector General
CPA-OPS	Coalition Provisional Authority Operations
CPI	Commission on Public Integrity
DAD	Donor Assistance Database
DBE	Department of Border Enforcement
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DDR	Disarmament, Demobilization, and Reintegration

# ACRONYMS & DEFINITIONS

ACRONYMS	DEFINITIONS
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Services
DFI	Development Fund for Iraq
DFID	Department for International Development (United Kingdom)
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoE	Department of Energy
DoJ	Department of Justice
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DRL	Bureau of Democracy, Human Rights, and Labor (DoS)
DynCorp	DynCorp International, LLC.
EC	European Commission
EEA	Emergency, Evacuation, and Accountability
EG	Economic Governance (USAID)
ESF	Economic Support Fund
FAR	Federal Acquisition Regulation
FBI	Federal Bureau of Investigation
FMIS	Financial Management Information System
FOB	Forward Operating Base
FPS	Facilities Protection Service
FRAGO 87	Fragmentary Order 087
FY	Fiscal Year
GAO	Government Accountability Office
GOI	Government of Iraq
GOSP	Gas-Oil Separation Plant
GRD	Gulf Region Division
GSU	Garrison Support Unit
H.R.	House Resolution
HHS	Department of Health and Human Services
HSE	Health, Safety, and Environmental Program
HVAC	Heating, Ventilation, and Air Conditioning
IAER	Iraq Agriculture Extension Revitalization Project
IAF	Iraqi Armed Forces
IAPG	Investment and Action Plan for Growth
IAWG	Iraq Accountability Working Group
ICAA	Iraqi Civil Aviation Authority
ICBG	Iraq Company for Bank Guarantees
ICD	International Cooperation Directorate
ICD HQ	Iraqi Civil Defense Headquarters
IDIQ	Indefinite Delivery/Indefinite Quality
IDP	Internally Displaced Persons
IFF	Iraqi Freedom Force
IG	Inspector General
IGFC	Iraqi Ground Forces Command
IIG	Iraqi Interim Government

ACRONYMS	DEFINITIONS
IIGC	Iraq Inspectors General Council
IIGF	Iraq Interim Government Fund
IMF	International Monetary Fund
IMMDF	Iraq Middle Market Development Fund
INL	Bureau of International Narcotics and Law Enforcement Affairs
IP	Iraqi Police
IPC	International Plumbing Code
IPS	Iraqi Payment System
IRD	International Relief and Development
IREX	International Research and Exchange Board
IRFFI	International Reconstruction Fund Facility for Iraq
IRI	International Republican Institute
IRMO	Iraq Reconstruction Management Office
IRMS	Iraq Reconstruction Management System
IRR	Iraq Republic Railway
IRRF	Iraq Relief and Reconstruction Fund
IRRF 1	Iraq Relief and Reconstruction Fund
IRRF 2	Iraq Relief and Reconstruction Fund
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISOF	Iraqi Special Operation Forces
ITP	Iraq-Turkey Pipeline
ITSI	Innovative Technical Solutions, Inc.
IWC	International Working Committee
JACC	Joint Anti-Corruption Council
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
JROC	Joint Reconstruction Operations Center
JOC	Joint Operations Center
JPAP	Joint Priority Action Plan
KBR	Kellogg Brown and Root Services, Inc.
KRG	Kurdistan Regional Government
kV	Kilovolt
LOGCAP	Logistics Civil Augmentation Program
LPG	Liquefied Petroleum Gas
MDTF	Multi-Donor Trust Fund
MFI	Microfinance Institution
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MPFU	Major Procurement Fraud Unit
MSC	Major Subordinate Commands
MSCFD	Million Standard Cubic Feet Per Day
MW	Megawatt
MWh	Megawatt Hours
NCO	Non-Commissioned Officer
NCT	National Coordination Team

# ACRONYMS & DEFINITIONS

ACRONYMS	DEFINITIONS
NDI	National Democratic Institute
NDS	Iraq's National Development Strategy
NEA	Bureau of Near Eastern Affairs
NET	National Embassy Team
NGA	National Geospatial-Intelligence Agency
NGO	Non-governmental Organization
NPFTF DoJ	National Procurement Fraud Task Force
NPTT	National Police Transition Team
NSC	National Security Council
NSPD	National Security Presidential Directive
NRRRF	Natural Resources Risk Remediation Fund
O&M	Operations and Maintenance
OAT	Office of Accountability and Transparency
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
P.L. 108-106	National Defense Authorization Act for Fiscal Year 2004
P.L. 109-440	Iraq Reconstruction Accountability Act of 2006
P.L.	Public Law
PAR	Project Assessment Report
Parsons	Parsons Delaware, Inc.
PCO	Project and Contracting Office
PHC	Primary Healthcare Center
PIJV	Parsons Iraq Joint Ventures
PM	Prime Minister
PMO	Project Management Office
PMP	Performance Monitoring Plan
POE	Port of Entry
PRDC	Provincial Reconstruction Development Committee
PRM	Bureau of Population, Refugees, and Migration (DoS)
PRT	Provincial Reconstruction Team
PTT	Police Transition Team
QA	Quality Assurance
QAR	Quality Assurance Representative
QC	Quality Control
RCLO	Regime Crimes Liaison Office
RRRP	Rapid Regional Response Program
RRT	Regional Reconstruction Team
RTI	Research Triangle Institute
S/CRS	Office of the Coordinator for Reconstruction and Stabilization
SBA	Stand-By Arrangement (IMF)
SCADA	Supervisory Control and Data Acquisition
SCIS	State Company for Internet Services
SEMP	Safety and Environmental Management Program

ACRONYMS	DEFINITIONS
SIB	Strategic Infrastructure Battalion
SIGIR	Special Inspector General for Iraq Reconstruction
SIRIS	SIGIR Iraq Reconstruction Information System
SOW	Statement of Work
SPOC	Sector Project and Contracting Office Contractors
Task Force RIE	Task Force Restore Iraqi Electricity
Task Force RIO	Task Force Restore Iraqi Oil
TO	Task Order
TPD	Tons Per Day
Treasury	U.S. Department of Treasury
UK	United Kingdom
UN	United Nations
UNAMI	United Nations Assistance Mission for Iraq
UNDG	United Nations Development Group
UNDG ITF	United Nations Development Group Iraq Trust Fund
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
UNOPS	United Nations Office for Project Services
URI	Unique Record Identifier
USAAA	U.S. Army Audit Agency
USACE	United States Army Corps of Engineers
USACE-GRD	United States Army Corps of Engineers, Gulf Region Division
USAID	United States Agency for International Development
USAID OIG	U.S. Agency for International Development Office of Inspector General
USDA	United States Department of Agriculture
USIP	United States Institute of Peace
USTDA	United States Trade and Development Agency
WB ITF	World Bank Iraq Trust Fund
WBBN	Wireless Broadband Network
WTO	World Trade Organization

