

SUSTAINING IRAQ'S RECONSTRUCTION

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2

OVERVIEW

This section updates reporting on the support provided by three key stakeholder groups for Iraq's relief and reconstruction. As of March 31, 2008, the amounts contributed for the reconstruction program totaled \$112.52 billion, including \$46.3 billion in U.S. appropriated funds,¹³ \$50.33 billion in Iraqi funds, and \$15.89 billion in international support. For an overview of the sources of these funds, see Figure 2.5.

This report marks five years since the Congress appropriated the initial funding for the relief and reconstruction of Iraq. Thus, throughout this section, SIGIR provides snapshots of progress achieved by the program over the last half-decade.

THE UNITED STATES (\$46.3 BILLION)

The Congress appropriated U.S. funding for Iraq's relief and reconstruction to 4 major funds and 27 smaller accounts.

Section 2a, entitled *U.S. Support for Iraq's Relief and Reconstruction*, contains a review of reconstruction appropriations by fund source and summarizes the use of U.S. tax dollars in Iraq from the first appropriation—approved five years ago—through March 31, 2008.

Section 2 is broken down into these areas:

- **Reconstruction Management:** reviews the U.S. reconstruction program, including insights into lessons learned.
- **U.S. Funding Streams:** provides an overview of U.S. appropriations for the assistance, relief,

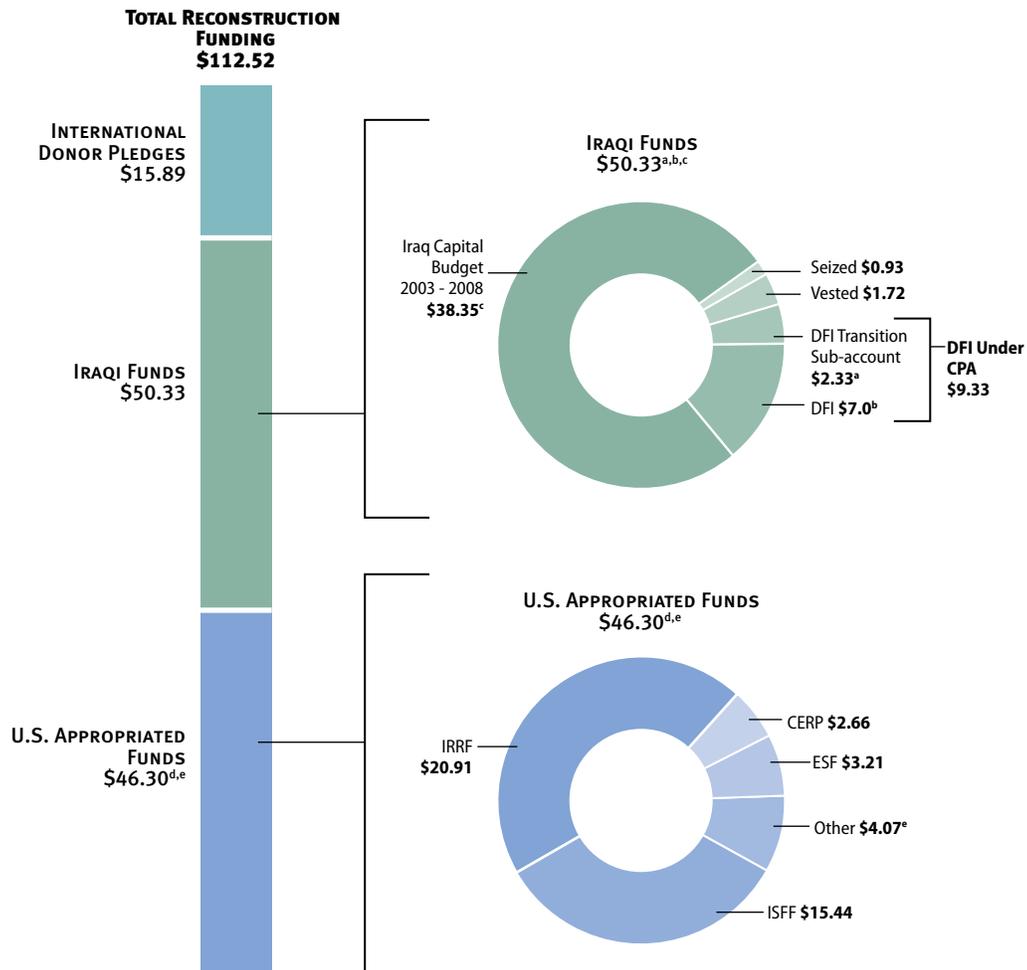
and reconstruction of Iraq.

- **Iraq Relief and Reconstruction Fund (IRRF):** entails projects funded with \$20.91 billion, comprising IRRF 1 (\$2.48 billion) and IRRF 2 (\$18.44 billion).
- **Iraq Security Forces Fund (ISFF):** reviews support for training and equipping Iraqi Security Forces (ISF) with appropriations totaling \$15.44 billion that are managed by the Multi-National Security Transition Command-Iraq (MNSTC-I).
- **Economic Support Fund (ESF):** reviews funds managed by the Department of State (DoS), with annual appropriations for Iraq's relief and reconstruction totaling \$3.21 billion.
- **Commander's Emergency Response Program (CERP):** examines the rapid-response funding mechanism for military commanders, with appropriations of \$2.66 billion.
- **Bureau of International Narcotics and Law Enforcement Affairs (INL) Funding:** reviews the \$281 million appropriated to support rule-of-law programs that are managed by DoS.

Appendix C cross-references budget terms associated with the IRRF, ISFF, ESF, CERP, INL, and international support for Iraq reconstruction. IRRF sectors have been defined differently by the U.S. Army Corps of Engineers, Gulf Region Division (GRD); DoS; Public Law (P.L.) 108-106; and SIGIR. Appendix D provides a cross-reference of this terminology. Appendices E and F provide more comprehensive information about the

Figure 2.5

SOURCES OF IRAQI RECONSTRUCTION FUNDING—\$112.52 BILLION \$ Billions



Note: Numbers are affected by rounding.

^a Includes August 11, 2004 transfer of \$86 million cash from the Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.

^b In previous Quarterly Reports, SIGIR reported approximately \$20 billion in DFI cumulative deposits to fund Iraqi government operations and reconstruction programs. SIGIR has refined that number to reflect only reconstruction funding, which is approximately \$7 billion, according to GAO Report 05-876 (July 28, 2005, p. 2).

^c For a breakdown of Iraqi capital budget expenditures, CY 2003-2008, see the *Governance and Capacity Development* section in this Report.

^d For the description of projects and programs funded by U.S. appropriations, see the endnote referenced in the first paragraph of this overview.

^e May include humanitarian aid or other types of assistance.

sources of U.S. appropriated funding, including IRRF apportionments, a historical perspective of relief and reconstruction accounts, and obligated and expended funding activities.

IRAQ (\$50.33 BILLION)

Section 2b, entitled *Developments in Iraq*, focuses on Iraqi initiatives and summarizes progress in key U.S. programs and projects supporting Iraq's development. The review includes information on:

- **Security:** updating the transfer of security responsibilities to Iraqi and the status of capacity-building programs in the sector.
- **Iraq's Economy:** reviewing key economic indicators and progress in developing Iraq's infrastructure to improve service delivery.
- **Governance and Capacity Development:** summarizing Iraq's governance and anticorruption activities, and U.S. support for capacity development.

As of March 31, 2008, the Government of Iraq (GOI) had provided \$50.33 billion for the reconstruction effort. Its nascent capacity to execute budgets, particularly for capital programs, has limited the success of GOI reconstruction efforts over the past five years.

SIGIR reports on four main Iraqi funding sources:

- vested funds amounting to \$1.72 billion
- funds seized by the Coalition forces amounting to \$.93 billion
- Development Fund for Iraq (DFI) assets of \$9.33 billion, drawn primarily from oil proceeds and repatriated funds
- GOI capital budget funding of \$38.35 billion from 2003 to 2008, from Iraq's oil revenues. See the *Governance and Capacity Development* section in this Report for a listing of Iraqi capital budgets for reconstruction over the past five years.

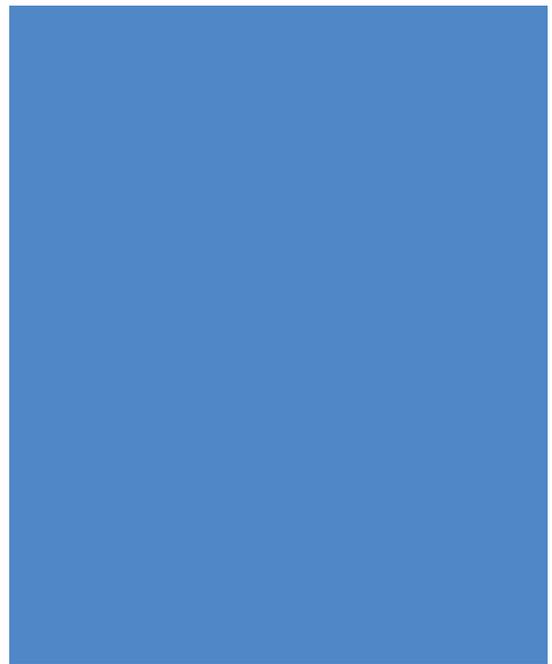
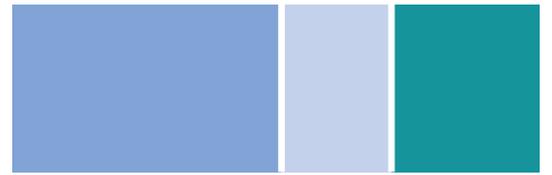
For an accounting of seized, vested, and the DFI, see Appendix G, *Iraqi Funds Obligated for Reconstruction Activity by CPA*.

INTERNATIONAL DONORS (\$15.89 BILLION)

The success of the Iraq reconstruction program requires continuing assistance from the international community. The *International Compact with Iraq* (Compact)—a five-year plan to achieve stability, sound governance, and economic recovery in Iraq—is now the primary mechanism for coordinating international support. Currently, the total amount of donor support pledged is \$15.89 billion.

Appendix M of this Report, entitled *International Relief and Support for Iraq*, discusses donor contributions and efforts. SIGIR updates the status of the Compact; progress on debt relief and programs of the World Bank, United Nations, and International Monetary Fund; and grants and loans from international donors. For Appendix M, see the SIGIR website: www.sigir.mil.

U.S.
SUPPORT
FOR IRAQ'S
RELIEF AND
RECONSTRUCTION



section

2a



RECONSTRUCTION MANAGEMENT

The U.S. relief and reconstruction program in Iraq is funded by appropriations made available for the building of physical infrastructure, the establishment of political and societal institutions, and for products and services to benefit the people of Iraq.¹⁴ As of March 31, 2008, funds appropriated for the U.S. relief and reconstruction program in Iraq totaled \$46.3 billion.

Although the IRRF 1 and IRRF 2 are almost entirely obligated and expended, other U.S. assistance is funded by these primary accounts: the Economic Support Fund (ESF), the Commander's Emergency Response Program (CERP), and the Iraq Security Forces Fund (ISFF).



Basrah Children's Hospital.

FIVE YEARS OF RECONSTRUCTION

During the past five years, management of the U.S. program evolved from a U.S.-led process focused at the national level to a more collaborative U.S.-Iraqi process at the provincial level. The U.S. Ambassador to Iraq testified this quarter that "the era of U.S. major infrastructure projects is over."¹⁵ His words acknowledge the reality that the reconstruction effort has shifted from a large-scale U.S.-driven hard construction program to a targeted assistance model that supports capacity development and local projects and programs. U.S. appropriations continue, however, to support some brick-and-mortar construction, particularly in the security sector.

The five largest U.S. reconstruction projects by dollar value, as identified in the Iraq Reconstruction Management System (IRMS) and supported by Gulf Region Division (GRD) and USAID data, are listed in Table 2.2. For the top five contractors, by contract award amount, see Table 2.3.

RECONSTRUCTION MANAGEMENT



Basrah Children's Hospital—Main and ancillary hospital buildings. March 2008.

TOP FIVE U.S. CONSTRUCTION PROJECTS

PROJECT	SECTOR	LOCATION	FUND	TOTAL COST (\$ MILLIONS)	REPORTED OUTCOMES	% COMPLETE
Nassriya Water Supply Project ^a	Water	Thi-Qar	IRRF 2	\$276.73	Provides potable water to 550,000 people	100% 9/11/2007
Kirkuk Substation Combustion Turbines	Electricity	Tameem	IRRF 1	\$205.16	Installation of two new gas combustion turbines, a 65-MW unit and a 260-MW unit	100% 11/29/2005
Erbil City-Ifrayz Water Supply Project	Water	Erbil	IRRF 2	\$183.40	Provides potable water to 333,000 people	100% 7/20/2006
Basrah Children's Hospital ^b	Health Care	Basrah	Multiple	\$163.60	Will be a state-of-the-art acute and referral care hospital with a focus on pediatric oncology	85%
Qudas Expansion	Electricity	Baghdad	IRRF 2	\$162.73	Will add enough power to serve between 180,000 and 235,000 homes	73%

Sources: IRMS, *ITAO Rollup*, March 28, 2008; GRD, responses to SIGIR data call, March 17, 2008, and April 5, 2008; USAID OIG Report No. E-267-05-003-P, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005; USAID, *Activities Report*, April 14, 2008.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

^a The Iraq Reconstruction Management System lists the Nassriya Drainage Pump Station Project with a cost of more than \$81.9 million. GRD reported a cost of \$93.9 million for the project. Two other projects exceed the amount listed in IRMS.

^b The Basrah Children's Hospital has received funding from multiple sources, which include the IRRF, CERP, CHS, UNDP, and other sources.

TABLE 2.2

TOP FIVE CONTRACTORS (\$ MILLIONS)

FUND TYPE	CONTRACTOR	OBLIGATED	EXPENDED
INL ^a	DynCorp	\$1,424	\$1,255
IRRF	Bechtel National, Inc.	\$1,214	\$1,177
IRRF & ISFF	Environmental Chemical Corporation	\$1,025	\$900
IRRF	FluorAMEC, LLC	\$941	\$934
IRRF & ISFF	AECOM, Government Services, Inc.	\$705	\$422

Source: Corps of Engineers Financial Management System, April 4, 2008; USAID, *Activities Report*, April 14, 2008; INL, response to SIGIR data call, April 8, 2008.

^a The DoS Bureau of International Narcotic and Law Enforcement Affairs (INL) is not a fund. Funding for this contractor came from direct appropriations and other transfers to INL.

TABLE 2.3

RECONSTRUCTION OVERSIGHT: FIVE YEARS OF EVOLUTION

In April 2003, the U.S. expected Iraq to assume complete sovereignty within 12 to 18 months, to include full responsibility for relief and reconstruction efforts, funded primarily by Iraqi oil revenues.¹⁶ That expectation was supplanted by a

large-scale relief and reconstruction program for which the United States appropriated more than \$46 billion. Three organizations have overseen the strategic management of these funds. For a timeline of the management and funding of the U.S. reconstruction program, see Table 2.4.

According to the Office of Management and

FIVE YEARS OF MANAGING AND FUNDING THE RECONSTRUCTION PROGRAM

JANUARY 2003 – APRIL 2003	
<p>OFFICE OF RECONSTRUCTION AND HUMANITARIAN ASSISTANCE (ORHA)</p> <p>Civilian component: ORHA had oversight of the early humanitarian and disaster recovery plans and activities for short-term relief.</p> <p>Military component: The Coalition Forces Land Component Command (CFLCC) was established under U.S. Army Forces Central Command, in March 2003.</p>	<p>U.S. FUNDING:</p> <p>IRRF 1 — \$2.475 billion: First major congressional appropriation focused efforts on rebuilding 12 areas of the Iraqi economy and infrastructure.</p> <p>ESF — \$50 million: First two appropriations to the ESF for use in Iraq, providing bilateral funding for Iraqi economic, democracy, and capacity-development programs.</p>
APRIL 2003 – JULY 2004	
<p>COALITION PROVISIONAL AUTHORITY (CPA)</p> <p>Civilian component: The CPA assumed responsibility for the major reconstruction program.</p> <p>Military component: CFLCC was replaced by the Combined Joint Task Force-7 in June 2003, and in May 2004, the Multi-National Force-Iraq (MNF-I) took over responsibility for security operations in Iraq.</p>	<p>U.S. FUNDING:</p> <p>IRRF 2 — \$18.439 billion: Largest single appropriation to date, focusing on large-scale reconstruction projects to address critical infrastructure needs in Iraq’s core sectors.</p> <p>CERP — In June 2003, Combined Joint Task Force-7 ordered the CERP into operation with seized Iraqi funds, addressing humanitarian needs through small-scale projects.</p>
JULY 2004 – PRESENT	
<p>U.S. EMBASSY-IRAQ</p> <p>Civilian component: The U.S. Embassy became the authority for direction, coordination, and supervision of all U.S. government employees, policies, and activities in Iraq. The U.S. Agency for International Development (USAID); U.S. Army Corps of Engineers, Gulf Region Division (GRD); and other U.S. agencies are tasked with executing the projects in the reconstruction program.</p> <p>Military component: U.S. security and military operations in Iraq continue under the authority of the U.S. Central Command (CENTCOM).</p>	<p>U.S. FUNDING:</p> <p>ISFF — \$15.440 billion: A series of U.S. appropriations specifically for the development of Iraq’s security apparatuses. Funding for the ISFF increased as brick-and-mortar projects gave way to an emphasis on non-construction activities to support the Iraqi military troops and civilian security forces. The ISFF is now the second-largest funding stream for U.S. reconstruction, and most allocations provide training, equipment, and other support for the ISF.</p> <p>ESF — \$3.161 billion: With no ESF funds requested in FY 2004 and FY 2005, substantial appropriations were added in FY 2006 and FY 2007. The PRT program, funded primarily by the ESF, emerged as a significant component in developing provincial and local governments, as well as supporting key economic and infrastructure development initiatives.</p> <p>CERP — \$2.661 billion: A series of U.S. appropriations to the CERP account have been an important source for providing military commanders the resources to address needs at the local and provincial levels. Although Iraqi assets provided early funding to the program, the United States began appropriating funds in 2004. Since then, the Congress has appropriated additional CERP dollars in every supplemental and DoD appropriation.</p>

Sources: SIGIR, *Iraq Reconstruction: Lessons Learned in Program and Project Management*, March 2007; U.S. Army, “A Brief History of V Corps, 1918 – 2006,” September 1, 2006. For the sources of U.S. funding, see *U.S. Funding Streams* in this Report.

TABLE 2.4



Corner view of the Basrah Children's Hospital. March 2008.

Budget (OMB), total appropriations for U.S. government assistance programs have decreased every year since 2003.¹⁷ In 2008, with oil prices and Iraq's oil revenue at post-invasion highs, Iraq is now funding most relief and reconstruction activities.

The U.S. program will continue extensive capacity-building efforts within the GOI to promote the asset-transfer and sustainment process, which are essential elements to further progress in Iraq. There are currently 238 U.S. employees working within the various Iraqi ministries, not including security ministries.¹⁸

In keeping with the continual evolution of the U.S. program, GRD announced several organizational changes in its Programs Directorate this quarter:¹⁹

- The Oil and Electrical sectors were combined into a new **Energy Division**. A technical and ministerial consultation mission will continue to support the Ministry of Electricity, while GRD will retain its role in closing out projects.

- A new **Reconstruction Division** was formed from two sectors: Facilities and Water. This division will focus on executing continuing programs in support of the U.S. Embassy, its senior consultants, and ITAO for all U.S. reconstruction activities in Iraq other than energy sector projects. The division will provide technical and ministerial consultation for the Ministries of Construction and Housing, Municipalities and Public Works, Water Resources, and the Baghdad Amanat.
- A new **Military Programs Division** will support the Iraqi Security Forces, working to establish disciplined business processes and practices and to improve engineering and construction capacities.

In addition to these three divisions, the Program Support and Integration Division of GRD will provide assistance to all engineering and construction projects in Iraq.

FIVE YEARS OF OVERSIGHT

A number of U.S. oversight agencies continue to work to ensure that U.S. appropriations in Iraq are used efficiently and effectively. These include SIGIR and the Offices of the Inspectors General of the Department of Defense (DoD OIG), Department of State (DoS OIG), U.S. Agency for International Development (USAID OIG), the Government Accountability Office (GAO), the Defense Contract Auditing Agency (DCAA), and the U.S. Army Audit Agency (USAAA).

To date, oversight agencies have produced 325 audits of the Iraq reconstruction program.²⁰ For the growth of oversight work on Iraq since 2003, see Figure 2.1.

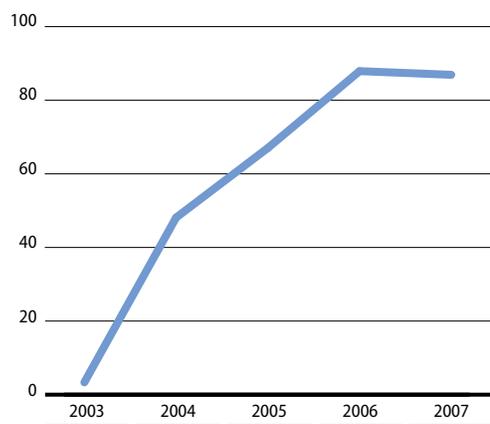
AUDITS

As of April 30, 2008, SIGIR had issued 115 audit reports of U.S. reconstruction programs and projects. This quarter, SIGIR completed its fifth audit in a series of focused large contract reviews assessing program management and oversight, including reviewing vulnerabilities to fraud, waste, and abuse. SIGIR reviewed the Perini Corporation's work awarded in 2004 to construct electrical distribution and transmission facilities in southern Iraq.

Figure 2.1

FIVE YEARS OF RECONSTRUCTION OVERSIGHT — AUDITS

Source: Multiple sources; see Appendix K.



Note: To date, SIGIR has received reporting for 32 audits published in 2008.

The audit found that, of the contract's 10 task orders, Perini completed 5 (although some were significantly descoped), and 5 were terminated for the convenience of the government. The terminations occurred because Perini's proposed costs were too high or project delays were too long.²¹ The United States paid almost \$123 million on the contract and authorized approximately \$8 million in award fees. For highlights of five top SIGIR audits, see Table 2.5.

RECONSTRUCTION MANAGEMENT

TOP FIVE SIGIR AUDITS

PRODUCT NAME	BACKGROUND	OBSERVATIONS
Oversight of Funds Provided to Iraqi Ministries through the National Budget Process SIGIR Audit 05-005, January 30, 2005	<ul style="list-style-type: none"> CPA was the authority responsible for temporary governance of Iraq through June 28, 2004. CPA was responsible for oversight of the Development Fund for Iraq (DFI), which funded Iraqi government ministries through the national budget process. 	<ul style="list-style-type: none"> CPA provided less than adequate controls for approximately \$8.8 billion in DFI funds provided to the Iraqi ministries through the budget process. CPA did not establish or implement sufficient managerial, financial, or contractual controls to ensure DFI funds were used in a transparent manner. There was no assurance the funds were used for the purposes mandated by Resolution 1483.
Management of the Primary Healthcare Centers Construction Projects SIGIR Audit 06-011, April 29, 2006	<ul style="list-style-type: none"> Contract awarded to Parsons Delaware, Inc., on March 25, 2004. Three task orders contracted for the construction of 150 PHCs throughout Iraq; total definitized cost of the construction was more than \$103 million. Additional task orders included nearly \$70 million for the purchase and installation of medical and dental equipment for each center and a task order to cover indirect costs. Combined definitized cost associated with the 150 PHCs was \$243 million. 	<ul style="list-style-type: none"> As of March 6, 2006, approximately \$186 million was spent on the PHC project, over a two-year period, with little progress made. Of the original 150 planned centers, 8 were descope, and 1 was placed under another contract vehicle, 135 were just partially constructed (with 121 subsequently “terminated for convenience”), and only 6 were accepted as completed by GRD. Contractor performance and U.S. government management actions were both factors in the failure to complete the PHC project as planned. Although the projects could have been better managed between March 2004 and July 2005, there was a strong commitment among the Iraqi and U.S. governments to complete the remaining partially completed centers.
USAID’s Management of the Basrah Children’s Hospital SIGIR Audit 06-026, July 31, 2006	<ul style="list-style-type: none"> In August 2004, USAID awarded a contract to Bechtel National, Inc., to build a pediatric hospital. Ceiling price of the contract was estimated originally at \$50 million. Early decisions to increase the size of the facility, design flaws, contract delays, poor construction, and site security increased the price to between \$149.5 million and \$169.5 million. 	<ul style="list-style-type: none"> USAID’s accounting systems and management were inadequate and failed to identify either construction progress or accurate contract costs. USAID stopped reporting indirect costs that may have totaled \$48 million. Only one contracting officer, one administrative contracting officer, and one cognizant technical officer were overseeing \$1.4 billion in contracts (including the hospital) at the time of the audit.
U.S. Government Anticorruption Efforts in Iraq SIGIR Audit 07-007, July 24, 2007	<ul style="list-style-type: none"> During 2005, SIGIR and the U.S. Embassy discussed approaches for addressing corruption in Iraq, culminating in an anticorruption summit on November 12, 2005. The summit rejuvenated the Anticorruption Working Group, which was previously inactive. 	<ul style="list-style-type: none"> Analysis showed effort; however, several challenges impeded progress in implementing a coherent anticorruption program. The absence of a program manager with the authority and support to coordinate the effort posed a significant challenge. There was no comprehensive, integrated plan with metrics tying the programs to the U.S. Embassy’s strategy. Instances of progress included the formation of the Office of Accountability and Transparency, which works to strengthen the Iraqi anticorruption institutions.
Effectiveness of the Provincial Reconstruction Team Program in Iraq SIGIR Audit 07-015, October 18, 2007	<ul style="list-style-type: none"> The PRT program was established as an integrated civil-military initiative run jointly by DoS and DoD. 25 PRTs and ePRTs are operating in Iraq. 	<ul style="list-style-type: none"> The PRT program was making incremental progress in developing the nation’s provincial and local government capacity to effectively govern and manage its own reconstruction. Iraq’s complex and overlapping sectarian, political, and ethnic conflicts—as well as the ongoing security challenges—continue to hinder progress in promoting economic development, rule of law, and political reconciliation. SIGIR recommended that the U.S. Ambassador and the Commanding General, MNF-I, jointly establish a comprehensive plan for the PRTs, with clearly defined performance measures and guidance to synchronize CERP funds to support the U.S. capacity-development mission.

TABLE 2-5

Al Basrah Oil Terminal (ABOT).



INSPECTIONS

As of April 30, 2008, SIGIR had published 115 inspection reports since inception (90 construction and 25 sustainment assessments).²² Overall, SIGIR's inspections have found that the deficiencies noted for inspected projects were largely the result of insufficient government oversight and inadequate contractor performance.²³

This quarter, SIGIR inspected seven U.S.-funded projects, including a detailed review of the Nassriya Water Treatment Plant, the most expensive IRRF project built in Iraq. For the five top SIGIR inspections, see Table 2.6.

INVESTIGATIONS

As of March 11, 2008, SIGIR's investigative work had produced 15 indictments, 14 arrests, and 5 convictions.²⁴ The most notable investigation is the Bloom-Stein case. Contractor Philip Bloom and CPA Comptroller and Funding Officer Robert Stein pled guilty to participating in a scheme

to defraud the CPA of more than \$8.6 million. Stein admitted to stealing \$2 million and accepting bribes to award contracts to Bloom. Several contracting parties were indicted in the investigation.²⁵

This quarter, a federal grand jury indicted David Ricardo Ramirez in San Antonio, Texas, on charges of smuggling bulk amounts of cash and structuring bank transactions to avoid cash-reporting requirements involving more than \$150,000. He allegedly spent the money on various property and vehicles. From November 2006 to November 2007, Ramirez worked as a contractor for Readiness Management Support at Balad Air Base, in Iraq; the indictment alleges that the cash was transferred from Balad, Iraq, to San Antonio, Texas, during this same time period. For a summary of this important case and examples of other SIGIR investigative work, see Table 2.7.

RECONSTRUCTION MANAGEMENT

TOP FIVE SIGIR INSPECTIONS

INSPECTION	BACKGROUND	OBSERVATIONS
<p>Al Fatah River Pipeline Crossing</p> <p>SIGIR SA-05-001, January 27, 2006</p>	<ul style="list-style-type: none"> On March 8, 2003, the USACE Fort Worth District Contracting Division awarded a non-competitive, cost-plus award-fee contract to KBR for the repair and continuity of operation of the Iraqi oil infrastructure. Delivery Order 6 was awarded to KBR on December 8, 2003, for nearly \$222 million to accomplish: <ul style="list-style-type: none"> Pipeline crossing of the Tigris River via Horizontal Directional Drilling (HDD) under the river. Replacement of a 50-kilometer section of pipeline connecting the Al Fatah crossing to 50 kilometers of new replacement pipeline completed by Iraq before the war. Generators to stabilize power for the oil fields and refineries. 	<ul style="list-style-type: none"> The \$75.7 million allocated to the project was exhausted, and only 28% of the drilling scope was completed. The HDD project was discontinued in August 2004 and replaced with a contract awarded to Parsons Iraqi Joint Venture, at a cost of \$29.7 million, which SIGIR considers cost overrun for the project. The project failed because subsurface geologic conditions, such as loose, unconsolidated gravels and cobbles, made it impossible to retain open boreholes for large diameter pipelines. Unfortunately, warnings that these conditions existed were contained in a consultant's desktop study before awarding the drilling subcontract and were ignored by USACE and KBR. A flawed construction design, a subcontract that had no performance requirements, a compartmentalized project management structure that impeded communications, and inadequate oversight by the USACE and KBR contributed to the project's failure. Failure to complete the project may have been instrumental in losing more than \$1.5 billion in potential oil revenues critical to the Iraqi government.
<p>Baghdad Police College</p> <p>SIGIR PA 06-078 and 06-079.2, January 29, 2007</p>	<ul style="list-style-type: none"> GRD awarded two task orders to Parsons Inc. to renovate portions and construct other portions of the Baghdad Police College. The two task orders totaled \$72.2 million. 	<ul style="list-style-type: none"> Contractor did not provide, and the U.S. government did not review, required design drawings. The U.S. government did not review daily quality control reports and also was unaware of significant deficiencies at project site. Numerous deficiencies were found, including poor plumbing installation, expansion cracks, and exposed rebar. The completed barracks buildings had significant plumbing failures. In an effort to complete the project, 24 items were removed from the scope of work under the contract.
<p>Al Basrah Oil Terminal (ABOT)</p> <p>SIGIR PA 06-080, April 26, 2007</p>	<ul style="list-style-type: none"> In January 2004, GRD awarded an indefinite delivery indefinite quantity, cost-plus award-fee contract to Parsons Iraqi Joint Venture for the continuing operations of the Iraq oil infrastructure. Contract minimum was \$500,000 with an estimated not-to-exceed amount of \$800 million. Delivery Order 0016 was awarded on March 11, 2005, to increase the ABOT loading capacity to 3 million barrels per day, while enhancing the reliability and safety of terminal operations. The existing facility was operating prior to that time at a loading capacity of approximately 1.2 million barrels per day. There were 23 modifications to Delivery Order 0016, which among other things, increased its total cost to more than \$48 million. 	<ul style="list-style-type: none"> Design information submitted for repairs to Berths 1–4 and on-site assessment of work appeared to be satisfactory. Design information for the lifeboat deployment system appeared to be incomplete and lacked necessary details; SIGIR could not comment on the quality of work during site visit because installation had not occurred. Contractor's quality-control plan and government quality-assurance program was satisfactory. Contract task order adequately addressed sustainability. ABOT projects to refurbish and repair the four berth loading arms were consistent with the original task order objectives.
<p>Doura Power Plant</p> <p>SIGIR PA 07-103, July 27, 2007</p>	<ul style="list-style-type: none"> Bechtel was tasked with the rehabilitation of two of the four steam turbines at the Doura Power Plant. \$90.8 million project turned over to the GOI. 	<ul style="list-style-type: none"> Doura Power Plant Units 5 and 6 were not operational when SIGIR observed them in June 2007. Unit 5 experienced catastrophic failures in August 2006 and April 2007; the Ministry of Electricity had operational control of the unit. Unit 6 had not been operational since the rehabilitation was completed by the United States. The Ministry of Electricity had not operated effectively and had not sufficiently maintained equipment.
<p>Relief and Reconstruction Funded Work at the Mosul Dam</p> <p>SIGIR PA 07-105, October 29, 2007</p>	<ul style="list-style-type: none"> GRD selected CH2M Hill/Parsons as the Sector Project and Contracting Office Contractor responsible for engineering analysis and technical consulting, requirements management, quality assurance, contract administration, procurement, and logistics support. 21 contracts, valued at \$27 million, were let to foreign companies. 	<ul style="list-style-type: none"> Numerous problems were found at the site, including no design drawings and specifications for large silos for holding concrete or for the construction of a grout-mixing plant, and foundation bolts were poorly installed. Many contractor invoices lacked supporting details for materials and equipment claimed. Contract file documentation showed that the contracting officer attempted to modify the delivered concrete mixing plants into grout-mixing plants at the expense of the U.S. government. Equipment and materials (valued at approximately \$19.4 million) delivered to the Mosul Dam for the implementation of the grouting operations did not provide benefit to the Ministry of Water Resources and may have been wasted.

TABLE 2.6



Bloom



Stein

TOP FIVE SIGIR INVESTIGATIONS

CASE	BACKGROUND	STATUS
<p>Robert Stein Former CPA Comptroller and Funding Officer</p> <p>Philip Bloom Contractor</p>	<ul style="list-style-type: none"> Stein pled guilty to conspiracy, bribery, money laundering, possession of machine guns, and being a felon in the possession of a firearm. Stein co-conspired with Bloom to funnel numerous fraudulent contract payments to Bloom in exchange for kickbacks and bribes. The total value of contracts awarded to Bloom through the bid-rigging schemes totaled more than \$8.6 million. 	<ul style="list-style-type: none"> On January 29, 2007, Stein was sentenced to nine years in prison and three years of supervised release; he was ordered to pay \$3.6 million in restitution and forfeit \$3.6 million in assets. On February 16, 2007, Bloom was sentenced to 46 months in prison and 2 years of supervised release; he was ordered to pay \$3.6 million in restitution and forfeit \$3.6 million in assets.
<p>Bruce D. Hopfengardner Lt. Colonel in the U.S. Army Reserve</p>	<ul style="list-style-type: none"> Hopfengardner pled guilty to conspiracy to commit wire fraud and money laundering in connection with the Bloom-Stein scheme. He admitted that while serving as a special advisor to the CPA, he used his official position to steer contracts to Bloom, who provided \$144,500 in cash, over \$70,000 in vehicles, and other items in return. He admitted to stealing \$120,000 in reconstruction funds, smuggling the stolen currency into the United States aboard commercial and military aircraft. 	<ul style="list-style-type: none"> On June 25, 2007, Hopfengardner was sentenced to 21 months in prison, followed by 3 years supervised release; he was ordered to forfeit \$144,500. U.S. Army Colonel Curtis G. Whiteford, U.S. Army Lt. Colonels Debra M. Harrison and Michael B. Wheeler, with civilians Michael Morris and William Driver, were indicted for various crimes related to the Bloom-Stein case. Steven Merkes, former U.S. Air Force Master Sergeant, pled guilty to accepting illegal gratuities from Bloom. On June 1, 2007, he was sentenced to 12 months and a day in prison and ordered to pay restitution of \$24,000.
<p>Faheem Mousa Salam Employee of Government Contractor</p>	<ul style="list-style-type: none"> Salam pled guilty to a violation of the Foreign Corrupt Practices Act for offering a bribe of \$60,000 to an Iraqi police officer. 	<ul style="list-style-type: none"> On February 2, 2007, Salam was sentenced to three years in prison, two years of supervised release, and 250 hours of community service.
<p>John Cockerham U.S. Army Major</p> <p>Melissa Cockerham Wife to John Cockerham</p> <p>Carolyn Blake Sister to John Cockerham</p>	<ul style="list-style-type: none"> The three individuals, an unidentified co-conspirator, and others allegedly accepted millions of dollars in bribe payments in return for rigging bids. Bribes allegedly totaled \$9.6 million. 	<ul style="list-style-type: none"> On July 27, 2007, John Cockerham was indicted on bribery, money laundering, and wire fraud; Melissa Cockerham and Carolyn Blake were indicted on money laundering and wire fraud.
<p>Terry Hall</p>	<ul style="list-style-type: none"> Hall allegedly paid money and other items of value to a U.S. military contracting officer to influence the officer, including the award of more than \$20 million in military contracts. 	<ul style="list-style-type: none"> On November 15, 2007, Hall was arrested on a criminal complaint charging bribery. On November 20, 2007, a federal grand jury indicted Hall for soliciting bribes.

TABLE 2.7

LESSONS LEARNED INITIATIVE

SIGIR's *Lessons Learned Initiative* has documented the challenges faced within the Iraq program and provided recommendations that have improved management of personnel, contracting, and oversight of programs and projects in Iraq.

SIGIR published three reports between February 2006 and March 2007, focusing on human capital management, contracting and procurement, and program and project management, respectively. SIGIR is currently working on a fourth lessons-learned report, covering all aspects of the reconstruction program.

These are the top five lessons learned recommendations, drawn from SIGIR's previous reports:

- **The Congress should consider a “Goldwater Nichols”-like reform measure 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, increasing cooperation and integration. The Iraq experience illustrates the need to expand cooperation and integration across U.S. agencies, but most especially among DoD, DoS, and USAID.
- **The Administration and Congress should develop a “civilian reserve corps” that would serve as reconstruction and stabilization first responders.** This civilian reserve corps would include a quick-reaction human resources team that pre-identifies human capital require-

ments for potential relief and reconstruction contingency operations.

- **Explore the creation of an enhanced Contingency FAR (CFAR).** By promoting greater uniformity through a single interagency, the CFAR would provide a single set of simple and accessible contracting procedures for universal use in post-conflict reconstruction situations.
- **The Congress should fund, expand, and empower the Office of the Coordinator for Reconstruction and Stabilization (S/CRS), pursuant to NSPD-44.** This organization could serve as the primary point of authority within the U.S. government for planning and programming future relief and reconstruction efforts.
- **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.** Operations that involve multiple agencies, funding streams, and management systems require that the Congress take steps to standardize oversight and provide clear guidance on any reporting requirements involving multiple agencies.

The SIGIR lessons learned reports are available online at www.sigir.mil.

TOP FIVE SHORTFALLS OF THE RECONSTRUCTION PROGRAM

SIGIR has documented a variety of shortfalls in the U.S. reconstruction effort through Iraq audits, inspections, investigative work, and lessons learned reports. These are the top five examples:

- **Wasteful Management Practices.** Wasteful management practices have made reconstruction programs in Iraq vulnerable to fraud, waste, and abuse. SIGIR audits found pervasive weaknesses in program and contract management, and SIGIR inspections uncovered oversight problems leading to waste at construction sites.²⁶ Poor contract management (exacerbated by shortages of qualified contracting officers) has been cited as a significant factor affecting fraud, waste, and abuse in Iraq.²⁷ SIGIR found that, where effective oversight was in place, U.S. projects were generally successful.
- **Personnel Challenges.** Limited personnel resources and high turnover rates have contributed significantly to ineffective administration and implementation of reconstruction contracts. In January 2008, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) estimated its personnel turnover rate at 180% per year.²⁸ A March 2008 GAO audit concluded that the failure to provide an adequate number of contract oversight personnel was one of the long-standing and systemic problems that continue to hinder DoD's management and oversight of contractors.²⁹
- **Fragmented Asset-transfer Program.** In a series of asset-transfer audits, SIGIR identified several shortcomings, including the lack of a uniform mechanism among U.S. agencies for transferring completed projects to the Iraqi government. SIGIR determined that the lack of common asset-transfer processes for U.S. agencies, compounded by the reluctance of GOI officials at the national level to formally accept projects, has hindered the effective handover of U.S.-funded reconstruction projects.³⁰ In an audit published this quarter, SIGIR found that U.S. agencies have taken steps to improve asset transfer policies; however, further action is needed, including a uniform transfer process.³¹
- **Inconsistent Coordination of Capacity-development Programs.** A January 2007 SIGIR audit found that the U.S. reconstruction program had not been able to provide an overarching plan for building the capacity of the Iraqi ministries to address shortfalls in budget execution, democracy and reconciliation, institutionalizing rule-of-law programs, and infrastructure development. Without a detailed strategic plan for capacity development, resources may be wasted.³²
- **Weak Support for Iraq Anticorruption Entities.** Previous SIGIR reports concluded that

U.S. anticorruption efforts lacked a comprehensive plan featuring metrics that tie the program to overall strategy, as well as baselines from which progress can be measured. This quarter, SIGIR released its latest report in a series assessing U.S. anticorruption efforts in Iraq, noting progress by the U.S. Embassy since January 2008 in revitalizing and coordinating programs.

TOP FIVE CURRENT CHALLENGES

Notwithstanding the progress made to counteract deficiencies in reconstruction management, these shortfalls continue to challenge the U.S. reconstruction effort in Iraq:

- **Sustaining the U.S. Reconstruction**

Investment. The preservation of U.S. investment in Iraq's relief and reconstruction remains a key concern because the ultimate success of the reconstruction program depends on Iraq's capacity to manage and sustain U.S.-funded projects.

An essential element to meeting this goal is an effective asset-transfer process. Absent an effective means of transferring completed projects to the Iraqi government and adequate Iraqi commitment and funding to maintain the facilities, the U.S. reconstruction investment could be placed at risk.

Resolving the asset-transfer issue is essential to ensuring that the GOI and the United States fully realize that the benefit of the U.S. reconstruction program is sustained.³³ The GOI

must budget funding for sustaining U.S.-funded projects to ensure their continued benefit.³⁴

- **Combating Iraq's Corruption.** The U.S. Ambassador has said that pervasive corruption poses a serious threat to Iraq's stability.³⁵ SIGIR first reported in 2005 that corruption in Iraq is a "second insurgency," endangering the fledgling democracy.³⁶

In testimony before the Congress this quarter, the Inspector General noted the negative effects corruption has on the political and economic progress necessary for the transfer of security and reconstruction responsibilities to Iraqi control. During the March 2008 hearing before the Senate Appropriations Committee, the Inspector General said:³⁷

In very real terms, corruption stymies the construction and maintenance of Iraq's infrastructure, deprives people of goods and services, reduces confidence in public institutions, and potentially aids insurgent groups reportedly funded by graft derived from oil smuggling or embezzlement. Corruption discourages hope, devalues America's contributions to Iraq, and strengthens the appeal of our opponents.

- **Improving Contract Oversight in Contingency Environments.** As of January 26, 2008, nearly 164,000 contractors worked under DoD contracts in Iraq. By way of comparison, as of March 30, 2008, nearly 157,000 troops were serving in Iraq.³⁸

In a contracting environment of this magnitude—entailing more than 17,000 contract-

ing actions to date from GRD and USAID³⁹—three prerequisites are essential to protecting taxpayer interests throughout the contracting process: (1) clearly defined roles and responsibilities, (2) continuous and effective oversight by qualified and experienced personnel, and (3) systemic and technical coordination among all contracting agencies operating in theater.

A SIGIR audit released this quarter found that, over time, there were multiple DoD contracting organizations. Currently, six DoS offices and two USAID offices are simultaneously engaged in awarding reconstruction contracts for projects across Iraq.⁴⁰

The Inspector General made a number of recommendations in testimony before the Congress that civilian agencies contracting in a contingency environment need to adopt.⁴¹

- **Right-sizing the U.S. Reconstruction Management Program.** The primary focus of U.S. reconstruction support has shifted to capacity development with “an emphasis on local and post-kinetic development through [a] network of PRTs and ministerial advisors.”⁴²

In spring 2003, U.S. reconstruction activities under the Office of Reconstruction and Humanitarian Assistance (ORHA) focused primarily on what was expected to be a short relief and reconstruction effort—using traditional aid programs from individual agencies

to accomplish these objectives. The Coalition Provisional Authority, which succeeded ORHA in 2003, transformed the effort into a large-scale, sector-based approach to reconstruction, creating massive programs and expending billions of dollars of U.S. funds on reconstruction in Iraq through the IRRF.

With the IRRF now nearly depleted and the ESF, CERP, and the ISFF having emerged as the dominant sources of available funding for the reconstruction effort, the U.S. reconstruction program has evolved to a series of agency-driven programs. This makes coordination more challenging. For example, a recent SIGIR audit found a lack of coordination between the CERP and PRT programs. This October 2007 audit of the PRT program found that commanders were using CERP funds to conduct projects more appropriate for the local and provincial governments and, in some cases, without coordinating with ESF-funded PRT activities.⁴³ A recent report on PRTs released by the House Armed Services Committee substantiated this point, finding that PRTs in Iraq face complex management challenges because funding is not centrally coordinated.⁴⁴

WORLD BANK ASSESSMENT OF IRAQ'S GOVERNANCE CAPACITY — PERCENTILE RANKING (SCALE = 0 TO 100)

	2002	2003	2004	2005	2006
Control of Corruption	1.9	8.7	2.4	5.3	3.4
Voice and Accountability	0.0	4.3	2.4	8.2	7.7
Political Stability	3.8	0.0	0.0	0.0	0.0
Government Effectiveness	0.5	2.4	4.7	1.9	1.4
Regulatory Quality	0.0	5.9	4.4	5.4	7.3
Rule of Law	3.3	1.4	0.5	0.5	1.0

Source: World Bank (Kaufmann, Kraay, Mastruzzi), *Governance Matters IV: Aggregate and Individual Governance Indicators Report 1996 – 2006, 2007*.

Note: Percentile rank indicates rank of Iraq among all countries in the world. The ranking ranges from 0 to 100, with 0 being the lowest ranking.

TABLE 2.8

- **Expanding Iraqi Governance Capabilities.**

The World Bank's 2007 assessment of Iraq's progress, *Aggregate and Individual Governance Indicators Report*, measured six dimensions of Iraqi governance. The assessment found that Iraq ranks in the bottom 10% of all countries in the world for each category: control of corruption, voice and accountability, political stability, government effectiveness, regulatory quality, and rule of law. For Iraq's World Bank rankings for the past five years, see Table 2.8.

The *International Compact for Iraq* (Compact) benchmarks—most of which align with

the benchmarks identified by the United States last year—set key milestones and metrics for measuring progress. The Compact acknowledges that Iraq's ability to hold new provincial elections and pass key legislation, including the Hydrocarbon Law, are prerequisites for securing further international support. To date, a number of the Compact's benchmarks remain unmet or only partially satisfied. Continued benchmark assessments will shape the level of future international involvement.

U.S. FUNDING STREAMS

As of March 31, 2008, funds appropriated for the U.S. reconstruction program in Iraq totaled \$46.3 billion. See Table 2.9 for an overview of these appropriations, including the four primary fund-

ing streams that account for nearly 92% of total U.S. reconstruction⁴⁵ appropriations: the Iraq Relief and Reconstruction Fund (IRRF), the Iraq Security Forces Fund (ISFF), the Commander's

U.S. SUPPORT FOR IRAQ RECONSTRUCTION (\$ BILLIONS)

U.S. FUND	APPROPRIATED	ALLOCATED	OBLIGATED	EXPENDED
IRRF 1	\$2.48	\$2.27	\$2.26	\$2.25
IRRF 2	18.44	18.30	17.77	16.95
IRRF Total	\$20.91	\$20.57	\$20.03	\$19.20
ISFF FY 2005	\$5.39	-	-	-
ISFF FY 2006	3.01	-	-	-
ISFF FY 2007	5.54	-	-	-
ISFF FY 2008	1.50	-	-	-
ISFF Total	\$15.44	-	\$11.23	\$8.51
ESF FY 2003	\$0.05	\$0.05	\$0.05	\$0.05
ESF FY 2006 Supplemental	1.41	1.40	1.27	0.77
ESF FY 2006, DoS	0.06	0.06	0.03	0.02
ESF FY 2007 Supplemental	1.55	1.55	1.03	0.24
ESF FY 2007, Continuing Resolutions	0.12	0.10	0.10	0.06
ESF FY 2008	0.02	0.02	-	-
ESF Total	\$3.21	\$3.18	\$2.48	\$1.14
CERP FY 2004	\$0.14	-	\$0.03	\$0.03
CERP FY 2005	0.72	-	0.72	0.64
CERP FY 2006	0.71	-	0.50	0.40
CERP FY 2007 ^a	0.73	-	0.89	0.61
CERP FY 2008 ^a	0.37	-	0.42	0.12
CERP Total	\$2.66	-	\$2.56	\$1.80
Other Funding	\$4.07	\$0.26	\$0.16	\$0.04
Total	\$46.30	\$24.01	\$36.46	\$30.69

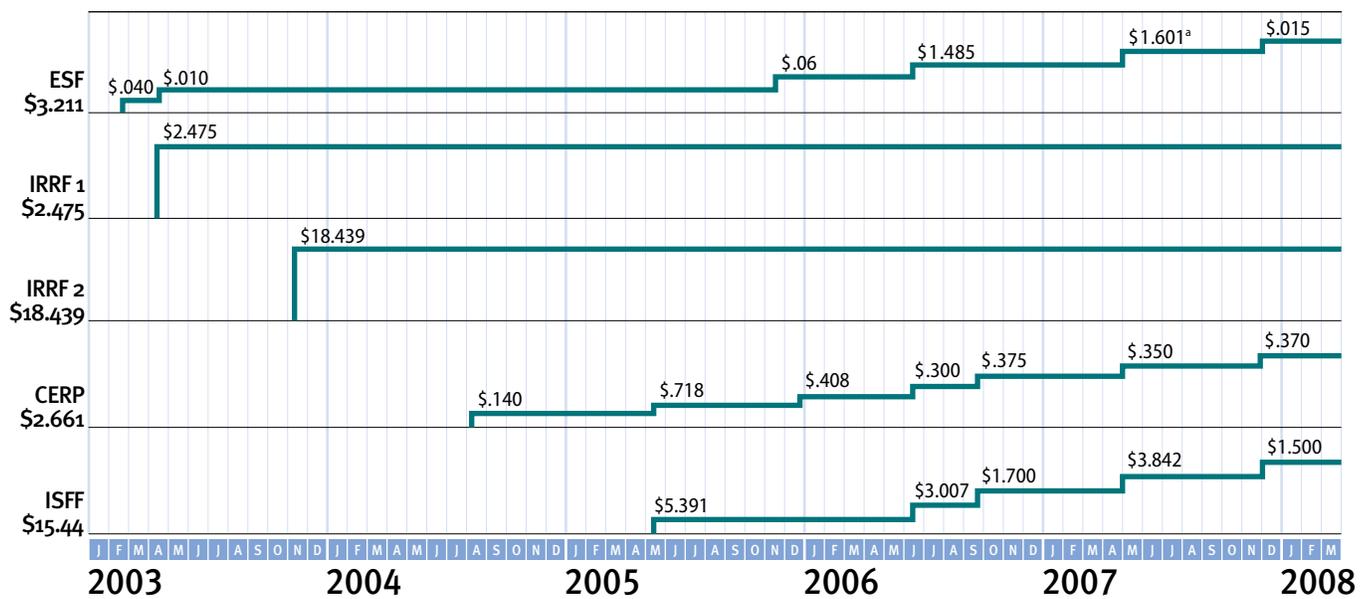
Sources: IRRF 1: USAID, response to SIGIR data call, April 8, 2008; GRD, response to SIGIR data call, April 2, 2008; Treasury, response to SIGIR data call, April 3, 2008; USTDA, response to SIGIR data call, April 3, 2008; DoS, response to SIGIR data call, April 5, 2008; WHS, response to SIGIR data call, April 1, 2008; DFAS response to SIGIR data call, April 10, 2008. IRRF 2: allocated, obligated, and expended figures all from DoS, *Iraq Weekly Status*, March 26, 2008. ISFF FY 2005–FY 2008: obligated and expended figures (no allocated or fiscal year detail for ISFF available this quarter) all from MNSTC-I, responses to SIGIR data call, April 12, 2008, and April 17, 2008. CERP FY 2004–FY 2008: obligated and expended figures (no allocated detail for CERP) all from MNC-I, response to SIGIR data call, April 9, 2008. Other Funding: allocated, obligated, and expended figures all from INL, response to SIGIR data call, April 8, 2008. ESF: allocated, obligated, and expended figures from GRD, responses to SIGIR data call, April 3, 2008, and April 5, 2008; ITAO, responses to SIGIR data call, January 4, 2008, and April 3, 2008; DoS, *Section 2207 Report*, October 2007; GRD, response to SIGIR data call, April 3, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, *Essential Indicators Report*, March 27, 2008.

Note: Numbers are affected by rounding.

^a MNC-I reports obligations for the CERP. In FY 2007 and FY 2008, reported obligations exceed appropriations totals. MNC-I did not provide amplifying information about this.

U.S. FUNDING STREAMS

Figure 2.2
TIMELINE OF U.S. APPROPRIATIONS
 \$ Billions



Note: Funding totals are not to scale.

^a Total includes P.L. 110-28, enacted May 25, 2007, and aggregate total of FY 2008 continuing resolutions for ESF; also includes FY 2007 rescission of \$76 million.

Emergency Response Program (CERP), and the Economic Support Fund (ESF). For a timeline of these appropriations, see Figure 2.2.

The total U.S. appropriations for Iraq relief and reconstruction was revised downward from the \$47.5 billion reported in SIGIR's January 2008

Report to \$46.3 billion this quarter. This change reflects updated information provided by the Office of Management and Budget (OMB) on reconstruction accounts and a rescission in the ESF account. For details of these changes, see the *Overview* section in this Report.

SIGIR’S EXPANDED MANDATE

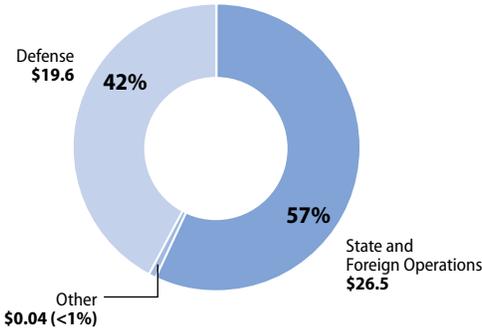
On January 28, 2008, the President signed the National Defense Authorization Act for Fiscal Year 2008 (P.L. 110-181), expanding SIGIR’s jurisdiction to include all monies “appropriated or otherwise made available for the reconstruction of Iraq,” or for the “assistance for the reconstruction of Iraq,” regardless of funding stream or fiscal year. SIGIR’s tenure was also extended and now concludes 180 days after all but \$250 million of funds made available for Iraq reconstruction are expended.

As of March 31, 2008, SIGIR has oversight of 31 different relief and reconstruction funds, totaling \$46.3 billion. Funds under SIGIR purview are divided between Defense appropriations (42%) and State and Foreign Operations appropriations (57%), shown in Figure 2.3.

Table 2.10 presents the best information available for U.S. appropriated funding but does not provide a complete picture of all U.S. relief and reconstruction activities. SIGIR does not have complete information on funding for narrowly focused programs of some agencies or the use of agency operating funds for projects in Iraq. However, SIGIR has included estimates for selected accounts, which are reflected in the table’s reference notes.

Figure 2.3

SUMMARY OF SIGIR OVERSIGHT BY SOURCE
\$ Billions, % of \$46.3 Billion
Source: SIGIR Analysis of Public Laws (2003–2007)



Note: Numbers are affected by rounding.

U.S. FUNDING STREAMS

U.S. APPROPRIATIONS FOR IRAQ RELIEF AND RECONSTRUCTION (\$ THOUSANDS)

FUNDING MECHANISM	P.L. 108-7	P.L. 108-11	P.L. 108-106	P.L. 108-287	P.L. 109-13	P.L. 109-102	P.L. 109-148	P.L. 109-234	P.L. 109-289	U.S. TROOP READINESS, VETERANS' CARE, KATRINA RECOVERY, AND IRAQ ACCOUNTABILITY APPROPRIATIONS ACT, 2007	2007 FOREIGN ASSISTANCE CONTINUING RESOLUTIONS	CONSOLIDATED APPROPRIATIONS ACT, 2008	TOTAL APPROPRIATIONS
Iraq Relief and Reconstruction Fund (IRRF-1)	20-Feb-03	16-Apr-03	6-Nov-03	5-Aug-04	11-May-05	14-Nov-05	30-Dec-05	15-Jun-06	29-Sep-06	25-May-07	21-Dec-07	P.L. 110-161	\$2,475,000
Iraq Relief and Reconstruction Fund (IRRF-2)			\$18,439,000										\$18,439,000
Iraq Security Forces Fund (ISFF)					\$5,391,000			\$3,007,000	\$1,700,000	\$3,842,300		\$1,500,000	\$15,440,300
Economic Support Fund (ESF)	\$40,000	\$10,000				\$60,390		\$1,485,000		\$1,478,000	\$122,800	\$14,830	\$3,211,020
Commander's Emergency Response Program (CERP) ^c				\$140,000	\$718,000		\$408,000	\$300,000	\$375,000	\$350,000		\$370,000	\$2,661,000
Coalition Provisional Authority (CPA) ^d			\$908,000										\$908,000
Project and Contracting Office ^e								\$200,000		\$630,000			\$830,000
Natural Resources Risk Remediation Fund (NRRRF)		\$489,300											\$489,300
Department of State, Bureau of International Narcotics Control and Law Enforcement Affairs (DoS/INL)		\$20,000						\$91,400		\$150,000	\$20,048		\$281,448
International Disaster and Famine Assistance		\$143,800								\$45,000	\$5,000	\$80,000	\$273,800
Migration and Refugee Assistance										\$45,000	\$20,000	\$149,400	\$214,400
Democracy Fund (State)								\$250,000					\$250,000
Iraq Freedom Fund (Reconstruction and Rehabilitation only) ^f								\$150,000					\$150,000
Special Inspector General for Iraq Reconstruction (SIGIR)			\$75,000					\$24,000		\$35,000			\$134,000
USAID Administrative Expenses		\$21,000			\$24,400			\$79,000					\$124,400
Child Survival and Health Programs Fund		\$90,000											\$90,000
P.L. 480 Title II Food Aid													\$68,000
Voluntary Peacekeeping Operations													\$50,000
Alhurra-Iraq Broadcasting													\$40,000
Emergency Refugee and Migration Assistance				\$40,000									\$37,000

U.S. APPROPRIATIONS FOR IRAQ RELIEF AND RECONSTRUCTION (\$ THOUSANDS)

FUNDING MECHANISM	CONSOLIDATED APPROPRIATIONS RESOLUTION, 2005	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2005	EMERGENCY APPROPRIATIONS ACT FOR THE DEFENSE AND FOR THE RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2005	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE GLOBAL WAR ON TERROR AND TSUNAMI RELIEF, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF STATE, FY 2006	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FY 2006	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2007	RECOVERY AND IRAQ ACCOUNTABILITY APPROPRIATIONS ACT, 2007	U.S. TROOP READINESS, VETERANS' CARE, KATRINA	2007 FOREIGN ASSISTANCE CONTINUING RESOLUTIONS	CONSOLIDATED APPROPRIATIONS ACT, 2008	TOTAL APPROPRIATIONS
Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)											\$7,000	\$12,350	\$16,000	\$35,350
Education and Cultural Exchange Programs												\$20,000		\$20,000
Overseas Humanitarian, Disaster and Civic Aid			\$17,000											\$17,000
Defense Contract Audit Agency (DCAA) ^g										\$16,372				\$16,372
International Affairs Technical Assistance							\$13,000			\$2,750				\$15,750
United States Agency for International Development; Office of Inspector General (USAID OIG)	\$3,500		\$1,900		\$2,500					\$2,500				\$10,400
DoD Office of the Inspector General								\$5,000						\$5,000
Combatant Commander Initiative Fund (CINC Initiative Fund)	\$3,612													\$3,612
Department of State, Office of Inspector General								\$1,000		\$1,300				\$2,300
Department of Justice; Litigation support										\$1,648				\$1,648
International Military and Education Training (IMET)						\$693						\$1,138		\$1,831
Legal Activities and U.S. Marshals (Salaries and Expenses)								\$1,000						\$1,000
TOTAL	\$108,000	\$3,343,212	\$19,480,900	\$140,000	\$6,135,900	\$61,083	\$408,000	\$5,206,400	\$2,075,000	\$7,006,870	\$201,336	\$2,130,230	\$46,296,931	

Notes:
 a \$18.439 billion represents the amount appropriated by the Congress for Iraq programs in the IRRF 2 under P.L. 108-106, enacted in November 2003. The Congress had initially appropriated \$18.649 billion to the 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. The 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.

b \$40 million from FY 2003 ESF base account that was not reimbursed; \$10 million from P.L. 108-11, FY 2007 ESF Emergency Supplemental includes \$76 million rescission.
 c Congress appropriated \$500 million in CERF funding under P.L. 110-161; DoD allocated \$370 million for Iraq and \$130 million for Afghanistan.

d Excludes \$75 million for Special Inspector General for Iraq Reconstruction support funding is provided for Project and Contracting Office activities.
 e Per conference reports for P.L. 109-234 and P.L. 110-28, reconstruction support funding is provided for Project and Contracting Office activities.
 f 110-28 conference report includes \$50 million in drawdown authority for a task force to improve business and stability operations in Iraq, and \$100 million to help DoD defray the administrative/security costs of helping support Provincial Reconstruction Teams.

g As identified in 110-28 conference report. Includes Iraq reconstruction efforts for civilian personnel, temporary/additional duty, and miscellaneous contracts.

TABLE 2.10

IRAQ RELIEF AND RECONSTRUCTION FUND

The first U.S. appropriation specifically for Iraq’s relief and reconstruction occurred in April 2003, when the Congress passed P.L. 108-11 creating the IRRF 1. Through the IRRF 1, \$2.48 billion was made available to USAID, DoD, DoS, the U.S. Department of Treasury (Treasury), and the U.S. Trade and Development Agency (USTDA). For the status of IRRF 1 funds, see Figure 2.4.

In November 2003, the Congress passed P.L. 108-106, providing \$18.44 billion in supplemental funds to further support U.S. agencies managing the reconstruction effort. These funds, known as the IRRF 2, emphasized investment in the restoration of Iraq’s infrastructure, entailing large projects in the oil, electricity, and water sectors. For the status of IRRF 2 funds, see Figure 2.5.

THE STATUS OF THE IRRF: FIVE YEARS ON

IRRF 1 reconstruction planners initially focused on the immediate humanitarian needs of post-conflict Iraq. After further assessment, the United States set additional priorities for IRRF 2 projects to address years of neglect. The focus for IRRF 2 became large infrastructure construction projects and security. Initially, most contracts were awarded to large, multi-national firms.

As the security situation in Iraq worsened, reconstruction needs began to shift to a wider range of smaller projects. Reconstruction managers modified their approach to target projects that employed more Iraqi contractors. By 2006, 75% of new IRRF contracts were awarded to Iraqi firms.⁴⁶

Figure 2.4

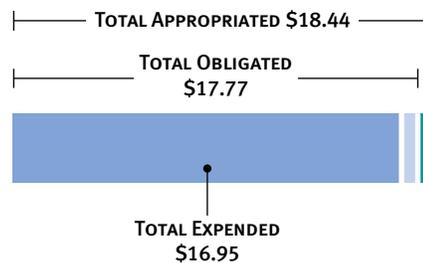
STATUS OF IRRF 1 FUNDS
\$ Billions
Source: P.L. 108-11 as of 3/31/2008



Note: Numbers are affected by rounding.

Figure 2.5

STATUS OF IRRF 2 FUNDS
\$ Billions
Sources: P.L. 108-106; DoS, *Iraq Weekly Status* (3/26/2008)



Note: Numbers are affected by rounding.

IRRF 1

The IRRF 1 was intended to provide a rapid, short-term infusion of funds to jumpstart the recovery of Iraq in the post-conflict period. Its focus was largely on providing humanitarian assistance and addressing the immediate rehabilitation needs of Iraq.⁴⁷ The Congress apportioned to USAID (71.2%), followed by DoD (22.8%), DoS (5.5%), Treasury (0.3%), and USTDA (0.2%). IRRF 1 funds expired in September 2004; however, some funds remain available for existing obligation adjustments.

USAID

USAID, the largest recipient of the IRRF 1, was apportioned \$1.62 billion. As of March 31, 2008, USAID had obligated \$1.61 billion and expended \$1.60 billion.⁴⁸ All of its Iraq programs funded by the IRRF 1 are now complete.⁴⁹

USAID's major program areas for IRRF were:

- Restore Economically Critical Infrastructure
- Improve Efficiency and Accountability of Government
- Support Education, Health, and Social Services
- Relief: Office of U.S. Foreign Disaster Assistance
- Office of Transition Initiatives (OTI)
- Expand Economic Opportunity

For a detailed description of USAID's program activities and outcomes, see Table 2.11.

THE DEPARTMENT OF DEFENSE

DoD, the second largest implementer of IRRF 1 funds, obligated \$518.26 million and expended \$517.94 million⁵⁰ for programs to aid in the restoration of critical infrastructure, including:

- Restore Iraq Electricity (RIE)
- Restore Iraq Oil (RIO)
- First Responder Network/Defense Institute of International Legal Studies (DIILS)

GRD reported that projects started under the IRRF 1 were subsumed by IRRF 2 programs. Therefore, some outputs and outcomes from the IRRF 1 are covered by the outputs and outcomes of IRRF 2 programs.⁵¹

THE DEPARTMENT OF STATE

DoS was apportioned just over \$125 million of the IRRF 1, all of which has been obligated. As of March 31, 2008, just over \$116 million had been expended.⁵²

IRRF 1 expenditures by DoS were largely for rule-of-law efforts, including:⁵³

- Police/Prison Programs: Reconstruction and Modernization of Detention Facilities
- Relief Efforts: Migration and Refugee Assistance
- Law Enforcement: Bureau of International Security and Nonproliferation and Bureau of International Narcotics and Law Enforcement Affairs (INL)
- Humanitarian Demining: minefield and battle-area clearance operations

USAID OUTPUTS AND OUTCOMES OF IRRF 1 PROGRAMS

PROGRAM NAME	PROGRAM DESCRIPTION	SUMMARY OF OUTCOMES
RESTORE ECONOMICALLY CRITICAL INFRASTRUCTURE	Airports: Assessed three major airports (Basrah, Baghdad, Mosul).	Rehabilitated Basrah, Baghdad, and Mosul airports.
	Seaport: Assessed Umm Qasr Seaport, improving port management and operations.	Restored power, security fencing, and security systems, which enabled Umm Qasr New Commercial and Grain ports to be functional and serving all Iraqi citizens.
	Water and Wastewater: Completed more than 26 water treatment facilities and 5 sewage treatment plants, plus wastewater and solid-waste facilities.	Restored 14 Basrah water treatment plants and the Basrah supply water system and mains and Basrah solid-waste system, serving an estimated 1,500,000 Basrah area citizens. In Baghdad, restored Rustimiyah, Kherkh, Sharq-Dijlah water, sewage, and wastewater plants.
	Electricity: Restored approximately 600 MW to the electricity grid and purchased 540 MW of new generation.	<p>Provided emergency transmission line parts and restored the 400-kV transmission link between north and south Iraq, Nassriya to Khor Zubayr line, over 250 towers, stabilizing the national electric power grid.</p> <p>Carried out major maintenance and refurbishment work on 17 major existing generating units, rated for a total 2,220 MW, and purchased 4 major new units that will provide 540 MW of new capacity.</p>
	Schools and Health Clinics: Rehabilitated schools and health clinics.	Refurbished on an emergency basis, 1,239 schools, 52 health units, and 10 fire stations, enabling these facilities to be put into use to educate, to provide health care, and to support fire protection to the Iraqi people.
	Bridges: Rebuilt 3 critical bridges.	Repaired bridges to open up traffic across three major bridges, the Al Mat (Hwy 10 Western Iraq), Kharza (Hwy 2 Mosul-Erbil) bridges, and the Tikrit Bridge over the Tigris River, restoring surface capability for humanitarian aid and commercial traffic.
	Telecommunications: Restored the number of available phone circuits in Baghdad by 240,000.	Replaced 12 major telecom switches in Baghdad exchanges and repaired the fiber optic backbone network between Baghdad and Basrah, which restored telephone service to approximately 240,000 customers in southern Iraq, and re-established international calling capability.
IMPROVE EFFICIENCY AND ACCOUNTABILITY OF GOVERNMENT	Railroad: 72 km of railroad added to the Port of Umm Qasr.	Increased port access, reduced derailments, and increased safety for humanitarian and commercial shipment to and from the port.
	Local Governance: Facilitated the establishment or refreshment of advisory councils nationwide.	<p>Conducted 29,000 local democracy dialogues events, reaching approximately 750,000 Iraqis.</p> <p>Trained 2,000 appointed council members and 490 provincial and district government officials in budget formulation, execution, public outreach, public finance, strategic planning, and other management skills.</p> <p>Established government legislative councils in 16 governorates, 96 districts within those governorates, and 195 sub-districts within those districts.</p>
	USAID Iraq Community Action Program (CAP): Works at the grassroots level throughout Iraq to foster citizen involvement in meeting local development needs.	<p>Developed Community Development Groups (CDGs), which implemented 3,871 small community development programs throughout Iraq.</p> <p>More than 500 projects directly benefited women, and many others benefited them indirectly.</p> <p>Distributed school uniform kits to 1,025 students in a Baghdad primary school.</p>

USAID OUTPUTS AND OUTCOMES OF IRRF 1 PROGRAMS

PROGRAM NAME	PROGRAM DESCRIPTION	SUMMARY OF OUTCOMES
SUPPORT EDUCATION, HEALTH, AND SOCIAL SERVICES	Higher Education and Development (HEAD): Assisted nine Iraqi universities through partnership with five American universities	<p>Provided computer, office, and laboratory equipment; textbooks; journal and organized training workshops; leadership courses for faculty; and a moot-court competition.</p> <p>More than 1,500 Iraqi faculty and students have participated in these education programs around the world.</p>
	Primary/Secondary Schools: CAII Education Program, a \$56 million project funded by \$46 million of the IRRF I	<p>Trained nearly 33,000 secondary school teachers and administrators, including 860 master trainers.</p> <p>Distributed 808,000 primary school student kits and 81,735 primary teacher kits and distributed 1.5 million secondary school student kits, 159,005 student desks, 26,437 teacher desks, 61,500 chalkboards, and 58,500 teacher kits.</p>
	Basic Education: UNICEF Education Program, a \$19.6 million project funded by \$6 million of the IRRF 1	<p>Rehabilitated water and sanitation facilities at 11 schools, compiled nationwide school survey, and distributed 18,000 recreation kits.</p> <p>Reviewed, published, and distributed 8.7 million math and science textbooks for primary and secondary school students.</p>
	Health System Strengthening: ABT, a \$23 million program funded with \$11 million of the IRRF 1	<p>Assessed clinic needs and refurbished 120 clinics and obtained equipment for 600 primary health centers.</p> <p>Assisted the Ministry of Health to develop a vision for the health sector, identified options of national health accounts, and trained more than 2,500 health care providers.</p>
	Health, Water, and Sanitation Services: UNICEF Health, a \$36 million program funded by \$25 million of the IRRF 1	<p>Screened 1.3 million children under five for malnutrition.</p> <p>Distributed high-protein biscuits and fortified milk to 450,000 children and 200,000 pregnant and nursing mothers, as well as supplementary doses of Vitamin A to 600,000 children and 1.5 million lactating mothers.</p>
		<p>Provided iron supplements to 1.6 million women of child-bearing age and potable water to 400,000 people daily in Basrah and 170,000 persons in Kirkuk and Mosul.</p> <p>Vaccinated 5 million children aged 6 through 12 against measles, mumps, and rubella.</p>
RELIEF: OFFICE OF U.S. FOREIGN DISASTER ASSISTANCE	Capacity Building: Strengthening the capacity of the Government of Iraq's Ministry of Migration (MOM)	MOM has improved its ability to manage IDP issues by developing a registration system, creating computerized registration processes, producing monthly reports in Arabic and English, and maintaining a bi-lingual website.
	Emergency Response and Early Recovery: Community-based recovery assistance, including psychosocial activities for vulnerable IDPs	<p>Active in Erbil, Muthanna, and Wassit provinces.</p> <p>Improved physical and psychosocial health of beneficiary IDPs.</p>
	Health: Mobile health teams funded to provide medical services to IDP families	More than 381,000 IDPs in 6 provinces receiving household-level training and education for maternal and child health care, which improved birthing and childcare practices.
	Water/Sanitation/Hygiene	Water/sanitation and hygiene activities improved public health and reduced incidence of water-borne disease in targeted communities.
	Emergency Relief Supplies	Provided Non-food items (NFIs) to nearly 27,000 newly displaced families across 13 provinces.
Economic Development: Construction and repair of marketplaces and enterprise spaces.	Supported economic development and restoration of livelihoods for IDPs and host communities.	

USAID OUTPUTS AND OUTCOMES OF IRRF 1 PROGRAMS

PROGRAM NAME	PROGRAM DESCRIPTION	SUMMARY OF OUTCOMES
OFFICE OF TRANSITION INITIATIVES	Middle East Transition Support Initiative (METSI)	Expanded operational and program planning for OTI, including analysis on post-intervention challenges to the establishment of a framework for a unified, democratic nation in Iraq. Assisted in devising effective strategies to facilitate post-conflict stability, reconciliation, and governance.
	Economic Governance: Economic analysis and technical assistance for Iraqi Ministry of Trade, Iraq Stock Exchange, and the microfinance industry.	Assisted in the management of a \$21 million micro-credit program. Provided technical assistance to re-open the Iraq Stock Exchange and to strengthen accounting, budgeting, and lending at Iraq's commercial banks. Updated commercial laws pertaining to private sector and foreign investment, recommended reforms for insurance regulations, and trained Iraqi insurance staff.
EXPAND ECONOMIC OPPORTUNITY	Marshland Restoration	Published first scientific assessment, "The Restoration Potential of the Mesopotamian Marshes of Iraq" (<i>Science</i> , 2005). Developed hydrologic reservoir simulation model of the river basins and trained Iraqi Ministry engineers, in partnership with the U.S. Army Corps of Engineers.

Source: USAID, response to SIGIR data call, April 14, 2008.

TABLE 2.11

THE U.S. TREASURY AND U.S. TRADE AND DEVELOPMENT AGENCY

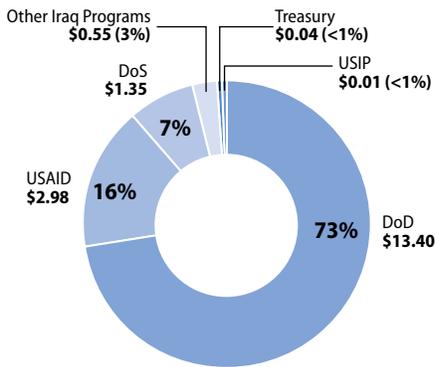
All of the Treasury's \$6 million apportionment has been obligated for technical assistance. As of March 31, 2008, more than \$5 million had been expended.⁵⁴ The USTDA was apportioned \$4.9 million and has obligated all of it and expended \$4.7 million to provide economic-related assistance and capacity development for Iraqi officials.⁵⁵

IRRF 2

USAID led most of the relief and reconstruction work for IRRF 1. However, in November 2003, when the IRRF 2 program was created, the Congress appropriated \$13 billion of the \$18.44

Figure 2.6

IRRF 2 OMB APPORTIONED FUNDS
\$ Billions, % of \$18.33 Billion Apportioned
Source: OMB, Response to SIGIR Data Call (4/4/2008)

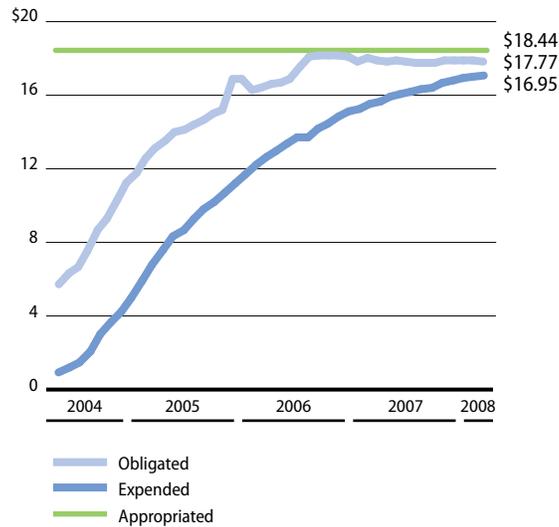


Notes: Numbers are affected by rounding. Approximately \$0.12 billion remains unapportioned.

Figure 2.7

TIMELINE OF IRRF 2 OBLIGATIONS AND EXPENDITURES

\$ Billions
Sources: IRMO, *Weekly Status Reports* (7/24/2004–4/24/2007); ITAO, *Weekly Status Reports* (5/29/2007–8/28/2007); ITAO, *Essential Indicators Reports* (9/24/2007–1/1/2008); DoS, *Iraq Weekly Status Reports* (1/30/2008–3/26/2008)



Note: Numbers are affected by rounding.

billion to DoD.⁵⁶ For a detailed description of IRRF 2 funds by agency, see Figure 2.6.

As of April 2, 2008, IRRF 2 allocations totaled \$18.3 billion, of which 2.8% remains unobligated,⁵⁷ totaling \$520 million.⁵⁸ For the timeline of IRRF 2 obligations and expenditures, see Figure 2.7.

Beginning in September 2004, the IRRF 2 underwent a series of reallocations to address the challenges of a changing reconstruction environment—particularly rising security concerns. From January 2004 to December 2007, allocations to the water and electricity sectors decreased by a combined \$3.55 billion—more than 51% from water and 24% from electricity.⁵⁹ At the same time, funding for private sector development increased by nearly 350%, and the security and justice sector rose by nearly 55%—a combined increase of \$2.59 billion.⁶⁰ For a com-

parison of allocations at the beginning of 2004 and the end of 2007, see Table 2.12.

As the IRRF program nears completion, funding re-allocations are occurring less frequently and involve less money. From January to March 2006, only \$15.9 million moved among all sectors.⁶¹ For the current distribution of IRRF 2 allocations by sector, see Figure 2.8.

KEY U.S. PROJECTS

In 2004, the World Bank estimated that \$20 billion would be required to rebuild the electrical system in Iraq. The electricity sector has the highest remaining IRRF 2 amounts to be expended,⁶² with \$4.26 billion allocated, \$4.05 billion obligated, and all but \$252 million expended.⁶³

In the water sector, the World Bank estimated that it would take \$14.4 billion to rebuild the Iraqi

IRRF 2 ALLOCATIONS COMPARISON (\$ MILLIONS)

SECTOR/ CATEGORY	1/05/2004	12/31/2007	% CHANGE
Security & Law Enforcement	\$3,243	\$5,005	54%
Justice, Public Safety, Infrastructure, and Civil Society	\$1,476	\$2,306	56%
Electricity Sector	\$5,560	\$4,225	(24%)
Oil Infrastructure	\$1,701	\$1,725	1%
Water Resources and Sanitation	\$4,332	\$2,121	(51%)
Transportation & Telecommunications Projects	\$500	\$460	(8%)
Roads, Bridges, and Construction	\$370	\$334	(10%)
Health Care	\$793	\$823	4%
Private Sector Development	\$184	\$823	347%
Education, Refugees, Human Rights, Democracy, and Governance	\$280	\$425	52%
Administrative Expenses ^a	N/A	\$213	N/A
Total	\$18,439	\$18,458	

Source: DoS, *Section 2207 Report*, January 2004, and January 2007.

Note: Numbers are affected by rounding.

^a Administrative Expenses were not included in the original CPA allocation of IRRF 2 funds.

TABLE 2.12

public works and water system.⁶⁴ As of March 31, 2008, 348 of the 374 total planned projects, valued at nearly \$697 million, have been completed.⁶⁵ \$155 million remains to be expended.⁶⁶

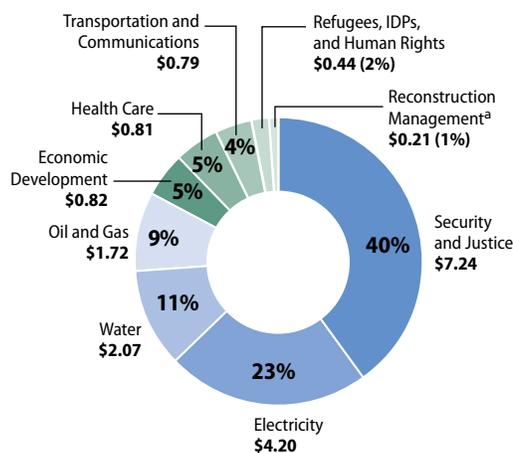
This quarter, SIGIR released two project assessments of IRRF projects: an assessment of the Nassriya Water Treatment Plant (PA-07-116) and a follow-up assessment (PA-08-0131) of a previous inspection of the 800-inmate Nassriya Prison Facility (PA-06-054). For more information on these assessments, see Section 3 of this Report.

CHALLENGES FACING IRRF-FUNDED PROJECTS

The U.S. program for transferring assets to the GOI faces difficulty. This quarter, SIGIR released a sixth audit report on asset transfer, noting several impediments to successfully transitioning IRRF-funded projects. SIGIR auditors found that

Figure 2.8

IRRF 2 CURRENT ALLOCATIONS BY SECTOR
\$ Billions, % of \$18.30 Billion Allocated
Source: DoS, *Iraq Weekly Status* (3/26/2008)



Note: Numbers are affected by rounding. DoS currently reports that \$18.30 billion has been allocated to the IRRF 2—down from last quarter's report of \$18.31 billion. The change is a result of de-obligations for future use in IRRF 2 programs.

^a The Reconstruction Management category includes administrative fees and expenses specifically related to the IRRF. The *Reconstruction Management* section in this Report is unrelated to this IRRF allocation category.

TOP TEN IRRF 2 CONTRACTORS (\$ MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED
Bechtel National, Inc.	\$1,214	\$1,177
FluorAMEC, LLC	\$941	\$934
Parsons Global Services, Inc.	\$667	\$635
Kellogg, Brown & Root Services, Inc. (KBR)	\$630	\$615
Parsons Iraq Joint Venture	\$624	\$614
Washington Group International	\$508	\$504
Development Alternatives, Inc.	\$440	\$436
Environmental Chemical Corporation	\$352	\$349
Anham Joint Venture	\$259	\$259
Symbion Power, LLC	\$252	\$210

Sources: U.S. Army Corps of Engineers Financial Management System, *All Items Report for PMCON* and *All Items Report for PMNCN*, April 4, 2008; USAID, *Activities Report*, April 14, 2008.

TABLE 2.13

the process was fragmented among several different U.S. agencies and lacked sufficient standardization, management, coordination, and transparency among U.S. agencies.⁶⁷ SIGIR reiterated that the “inability to obtain GOI concurrence and support for procedures to accept responsibility for completed U.S.-funded projects has been particularly problematic.”⁶⁸

Most SIGIR oversight of the IRRF over the past five years has been dedicated to assessing program effectiveness, sustainment processes, and project outcomes, entailing more than 73 audits and 95 inspections.

Thirty-nine SIGIR inspections to date have noted significant deficiencies that prevented

IRRF projects from meeting their intended objectives. The two main reasons for the shortfall were inadequate contractor construction, which occurred in one-third of all IRRF projects assessed and ineffective contractor or government oversight. 35% of the IRRF projects assessed had ineffective contractor quality control plans or government quality assurance programs. Deficient contractor design had a significant negative impact on 26 of the 95 projects assessed.

TOP TEN IRRF 2 CONTRACTORS

Many projects are executed by contractors. Table 2.13 provides a list of the top ten IRRF 2 contractors based on obligations.

IRAQ SECURITY FORCES FUND

On May 11, 2005, the Congress authorized the creation of the Iraq Security Forces Fund (ISFF) in P.L. 109-13. Administered by DoD, the ISFF is now the second-largest U.S. reconstruction fund created for Iraq.

Projects supported by this fund provide the Iraqi Security Forces (ISF) with equipment, supplies, services, and training, as well as repair, renovation, and construction of facilities.⁶⁹ The ISFF assists Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI), which jointly oversee the ISF.

FUNDING STATUS

The Congress has appropriated \$15.44 billion to the ISFF, amounting to 33% of all U.S. relief and reconstruction funds provided to Iraq:

- \$5.39 billion in P.L. 109-13 (2005)
- \$3.01 billion in P.L. 109-234 (2006)
- \$5.54 billion in P.L. 109-289 (2006) and P.L. 110-28 (2007)
- \$1.50 billion in P.L. 110-161 (December 2007)

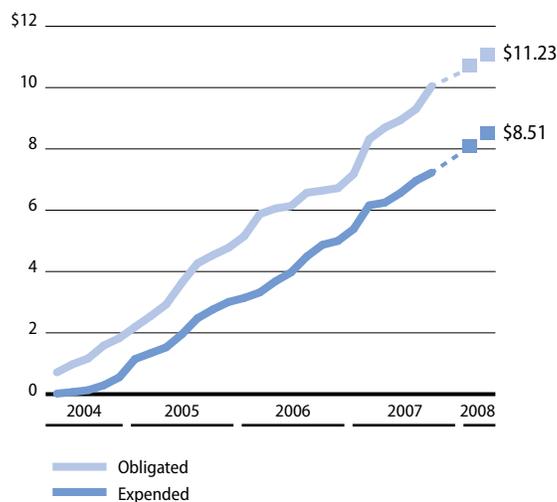
As of April 2008, approximately 73% of ISFF appropriations had been obligated, and 55% had been expended.⁷⁰ The ISFF has the largest amount of unexpended U.S. reconstruction funding. For the status of obligated and expended ISFF funds over time, see Figure 2.9.

Figure 2.9

TIMELINE OF ISFF OBLIGATIONS AND EXPENDITURES

\$ Billions

Sources: DoD, *Secretary of the Army Updates* (8/31/2005-9/30/2007); GRD, *2207 Finance Report* (6/3/2007); Corps of Engineers Financial Management System, *ISFF Funds Execution Report* (1/8/2008); MNSTC-I, Responses to SIGIR Data Call (4/12/2008) and (4/17/2008)



Note: Numbers are affected by rounding. Data for October–December 2007 and February–March 2008 was not available.

BUDGETING

The Multi-National Security Transition Command-Iraq (MNSTC-I) initial spend plan for FY 2007 totaled more than \$5.54 billion, allocating more than 65% to MOD, 28% to MOI, and 6.5% to the other activities.⁷¹ Obligations for FY 2007 now total \$3.19 billion. For a comparison of the ISFF's FY 2007 spending plans to actual obligations, see Table 2.14.

FY 2007 ISFF SPENDING (\$ BILLIONS)

	ORIGINAL SPEND PLAN	ACTUAL PLAN	CUMULATIVE OBLIGATIONS
MOD	\$3.61	\$3.56	\$2.21
MOI	\$1.57	\$1.57	\$0.80
Related Activities	\$0.36	\$0.41	\$.18
Total	\$5.54	\$5.54	\$3.19

Source: OMB, *Section 3303 Report*, March 19, 2008 and MNSTC-I, response to SIGIR data call, April 17, 2008.

Note: Numbers are affected by rounding.

TABLE 2.14

Between 2005 and 2007, approximately \$400 million of the ISFF was realigned among MOD, MOI, and related activities in two major reprogrammings. The FY 2005 ISFF reprogramming moved \$345 million into MOI activities, \$310 million from MOD activities, and \$35 million from related activities.⁷² In 2007, \$50 million was moved from MOD activities to related activities.⁷³ On April 3, 2008, DoD requested another \$610 million reallocation of funds within the FY 2007 ISFF.

MNSTC-I proposed realigning these funds to increase money for several MOD initiatives, including a regional and division training center, Iraqi air force training, logistics units, and for various infrastructure repairs at a flight training school, air bases, and a depot.⁷⁴ The MOI funding will be used for training base expansion, establishing a National Police sustainment brigade, and for the construction of police stations and border forts.⁷⁵

ISFF GOING FORWARD

The FY 2008 ISFF budget totals \$3 billion,⁷⁶ which is a decrease of 46%. ISFF funds for the MOI fell by 23.3%, while the MOD decreased more significantly—by more than 58%.⁷⁷ Pro-

jected training for related activities was reduced by 25.3%.⁷⁸

SUPPORTING MOD AND MOI

Projects supporting the MOD are funded by \$6.71 billion in ISFF obligations, and projects for the MOI receive \$4.09 billion in obligations. Related activities receive the remaining \$0.43 billion in obligations.⁷⁹ For the sector share of ISFF obligations, see Figure 2.10.

Approximately 96% of the ISFF funds four primary sub-activities within the MOD and MOI:⁸⁰

- Equipment and Transportation
- Training and Operations
- Infrastructure
- Sustainment

The remaining 4% of ISFF funding is divided among these programs:⁸¹

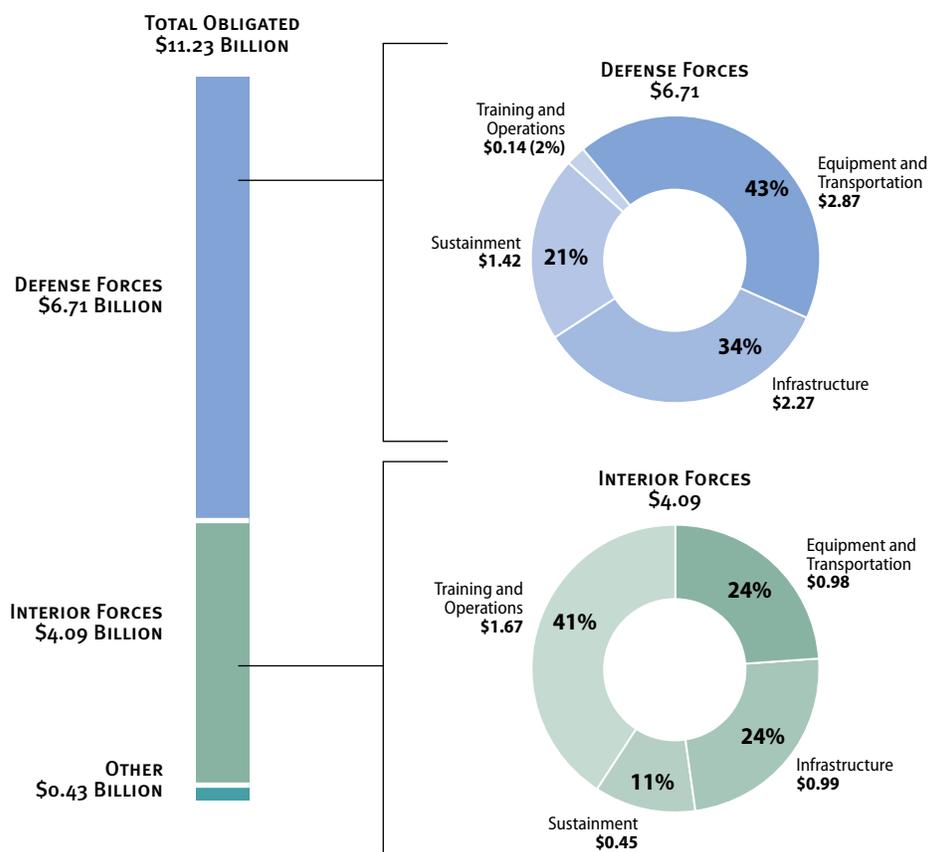
- Quick Response Fund⁸²
- Detainee Operations
- Lift and Sustain⁸³
- Disarmament, Demobilization, and Reintegration
- Prosthetics

Figure 2.10

SECTOR SHARE OF ISFF FUNDS

\$ Billions

Source: MNSTC-I, Response to SIGIR Data Call (4/17/2008)



Note: Numbers are affected by rounding. Allocation detail for ISFF funding is unavailable this quarter; therefore, the percentages in this graphic are calculated using dollars obligated.

MNSTC-I continues to adjust the ISFF in response to the changing operating environment in Iraq. As Iraqis assume more responsibility for ISF support programs, the U.S. focus shifts to providing facilities and equipment and to building sustainment and logistics capabilities.⁸⁴

MINISTRY OF DEFENSE (MOD)

The MOD oversees Iraq's military branches, including the Iraqi Army, Air Force, and Navy. Since 2005, 60% of the total ISFF has been obligated to the ministry. Of MOD's five largest obli-

gations, infrastructure accounts for \$952 million. Equipment and transportation follows closely, with nearly \$950 million, while sustainment projects received almost \$334 million.⁸⁵ For details, see Table 2.15.

From FY 2006 to FY 2007, ISFF obligations for MOD increased across three of the four sub-activity groups. In training and operations, the ISFF provided money for training centers and schools. This is a result of the rapid growth in military personnel and MNSTC-I's goal to improve the Iraqi military's professionalism,

FIVE LARGEST ISFF SPENDING CATEGORIES—MOD

FISCAL YEAR	SUB-ACTIVITY GROUP	CATEGORY	TOTAL OBLIGATIONS (\$ MILLIONS)
2005	Equipment and Transportation	Vehicles, Generators, and Repair Parts	\$949.50
2007	Infrastructure	Infrastructure Requirements	\$360.30
2007	Sustainment	Logistical Sustainment Concept	\$333.80
2005	Infrastructure	Iraqi Army	\$309.53
2006	Infrastructure	Infrastructure Requirements	\$282.86

Source: MNSTC-I, response to SIGIR data call, April 17, 2008.

TABLE 2.15

requiring a corresponding increase in training facilities. MNSTC-I expects this trend to continue throughout 2008, as the Iraqi Army grows to a force strength of 186,352 soldiers.⁸⁶

Between FY 2006 and FY 2007, MNSTC-I increased funding in equipment and transportation to offset delivery delays in the Foreign Military Sales program. However, the MOD is gradually assuming additional funding responsibilities for the ISF, and MNSTC-I expects this trend to continue.⁸⁷

Cumulative obligations for infrastructure fell between FY 2006 and FY 2007. However, since the SIGIR January 2008 Report, FY 2007 obligations for infrastructure have increased by \$130 million.⁸⁸ MNSTC-I reported rising obligations

from the creation of additional Iraqi Army units.⁸⁹

Increases in sustainment reflect a commitment to enabling Iraq's military to be "mostly self-sufficient"⁹⁰ by December 2008. To support this goal, the ISFF has been used to bolster logistics and sustainment capacity, including construction of base support units, supply and depot facilities, fixed logistics bases, and sustainment training.⁹¹ For a summary of the ISFF obligations for MOD since 2005, see Table 2.16.

MINISTRY OF INTERIOR (MOI)

The MOI, which oversees the Iraqi Police Service (IPS), the National Police, and the Department of Border Enforcement (DBE), receives nearly 36% of ISFF obligations. Nearly 36% of the ISFF has

ISFF OBLIGATIONS TO MOD (\$ MILLIONS)

SUB-ACTIVITY GROUP	FY 2005	FY 2006	FY 2007	TOTAL
Equipment & Transportation	\$1,315.28	\$599.17	\$960.00	\$2,874.45
Infrastructure	\$1,065.35	\$684.19	\$523.55	\$2,273.09
Sustainment	\$552.53	\$179.80	\$688.40	\$1,420.73
Training and Operations	\$85.65	\$19.65	\$37.50	\$142.80
Total	\$3,018.81	\$1,482.81	\$2,209.45	\$6,711.07

Source: MNSTC-I, response to SIGIR data call, April 17, 2008.

TABLE 2.16

FIVE LARGEST ISFF SPENDING CATEGORIES—MOI

FISCAL YEAR	SUB-ACTIVITY GROUP	CATEGORY	TOTAL OBLIGATIONS (\$ MILLIONS)
2005	Training and Operations	Contracted Instructor Support	\$766.41
2007	Training and Operations	International Narcotics and Law Enforcement	\$454.00
2006	Equipment and Transportation	Replenishment and Spare Stock Levels	\$332.43
2005	Infrastructure	Iraqi Police	\$220.70
2006	Infrastructure	Infrastructure Supporting IPS, NP and DBE	\$177.79

Source: MNSTC-I, response to SIGIR data call, April 17, 2008.

TABLE 2.17

been obligated for projects that support the MOI. The top five obligations for MOI projects mirror the ISFF's overall obligation priority. For details on the five largest obligations, see Table 2.17.

From FY 2006 to FY 2007, ISFF obligations for the MOI decreased in equipment and transportation, infrastructure, and sustainment. Delays by the Ministry of Finance in transferring \$252 million into the Foreign Military Sales account has weakened the MOI's ability to acquire equipment and vehicles. As a result, the ISFF has been used as a temporary measure to purchase basic equipment, including weapons, armored vehicles, radios, and body armor. However, MNSTC-I plans to decrease FY 2008 ISFF funding for the MOI.⁹²

Obligations in infrastructure declined between FY 2006 and FY 2007. MNSTC-I attributes this decrease to the complicated and lengthy process of acquiring land to house MOI facilities. Police force strength now exceeds the existing facility capacity provided under the former regime. Construction of police and other MOI buildings to house additional personnel has been slowed by

the transfer of land titles.⁹³ MNSTC-I expects that these hindrances will not continue and anticipates increasing infrastructure obligations in FY 2008.⁹⁴

Although obligations under the ISFF decreased significantly in three MOI sub-activity groups, funding for training and operations rose by nearly 150% between FY 2006 and FY 2007.⁹⁵ With the GOI expansion of force strength authorization, training has become a priority. The United States has shifted advisors from police training facilities to Police Transition Teams. To offset this reallocation of human capital, the ISFF was used to fund training programs at Anbar, Camp Dublin, and Numaniyah. MNSTC-I reports that the need for embedded advisors will continue, and obligations for training should remain at current levels during 2008.⁹⁶ For a summary of ISFF spending for the MOI, see Table 2.18.

TOP TEN ISFF CONTRACTORS

SIGIR has been reporting quarterly on the challenges of obtaining data for a comprehensive list of the top ten ISFF contractors. Each of the three

ISFF OBLIGATIONS TO MOI (\$ MILLIONS)

SUB-ACTIVITY GROUP	FY 2005	FY 2006	FY 2007	TOTAL
Equipment & Transportation	\$379.79	\$494.60	\$107.30	\$981.69
Infrastructure	\$405.50	\$475.75	\$107.34	\$988.59
Sustainment	\$242.64	\$149.52	\$62.40	\$454.56
Training and Operations	\$938.19	\$208.12	\$520.00	\$1,666.31
Total	\$1,966.12	\$1,327.99	\$797.04	\$4,091.15

Source: MNSTC-I, response to SIGIR data call, April 17, 2008.

TABLE 2.18

organizations with contracting authority over the ISFF—MNSTC-I, Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), and the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers—manages a portion of ISFF obligations, and in many cases, the lists overlap.

Last quarter, contract line-item data provided by GRD accounted for 98% of total ISFF obligations. SIGIR compiled a top ten list of contractors from these line items, which accounted for 34% of ISFF obligations. However, SIGIR noted that not all of the contractor names were listed. MNSTC-I accounted for 4% of total ISFF obligations, and JCC-I/A, for 7%.

This quarter, SIGIR again requested contractor data from the three organizations. Again, GRD provided the most comprehensive list. It covered 34.97% of obligations, or nearly \$4 billion of \$11.2 billion obligated.⁹⁷ MNSTC-I's list accounted for 27.92% (\$3.14 billion) and JCC-I/A's accounted for 8.16% (\$.92 billion) of obligations.⁹⁸

The actual contractor lists from GRD and MNSTC-I were similar, with seven of the ten contractors listed similarly. However, there were differences between the two data sets: GRD reported an additional \$723 million in obliga-

tions and \$1.03 billion in expenditures. SIGIR continues to use GRD's contractor list because it accounts for the highest percentage of obligations and expenditures. For the top ten list, see Table 2.19.

TRANSFERRING RESPONSIBILITY TO IRAQIS

In FY 2008, ISFF was allocated \$2.5 billion less than in FY 2007. As these funds decline, the GOI has been providing more funding for the security ministries. From FY 2006 to FY 2008, GOI allocations to the MOD increased by \$1.67 billion, and allocations to the MOI rose by \$2.03 billion. Total GOI security funds increased by 23% between 2007 and 2008.⁹⁹ For an overview of how the GOI funded these ministries over time, see Table 2.20.

Budget execution remains a persistent problem. Like many of Iraq's ministries, both the MOD and MOI successfully disburse operational budgets (e.g., salary), but executing capital budgets remains difficult. In 2007, the MOD spent only 11.8% of its capital budget, and the MOI spent only 11.1%.¹⁰⁰ Coalition transition teams at both the MOD and the MOI have identified a need for significant ongoing capacity develop-

ISFF TOP TEN CONTRACTORS (\$ MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED
Contract to DoS for INL Support	\$696	\$696
AECOM, Government Services, Inc.	\$693	\$411
Environmental Chemical Corporation	\$672	\$551
Contract to DoS for INL Support	\$386	\$386
Tetra International, LLC	\$264	\$209
Innovative Technical Solutions, Inc.	\$260	\$194
American Equipment Company	\$257	\$165
Iraqi Contractor	\$245	\$223
Toltest, Inc.	\$231	\$187
Contract to DoD for DSCA	\$224	\$224
Total	\$3,928	\$3,246

Source: Corps of Engineers Financial Management System, *ISFF Funds Report*, April 4, 2008.

TABLE 2.19

ment activities related to budget planning and execution.¹⁰¹

FUNDING LIFE SUPPORT AND OTHER SERVICES

As life-support and maintenance contracts expire, the United States is not renewing these ISFF-funded agreements and is instead pushing the MOD and MOI to assume responsibility of these services. In response, the MOD and MOI are using a combination of Foreign Military Sales (FMS), direct contracts, or other means to fund these items.¹⁰² MNSTC-I reported that the MOD and MOI acknowledge responsibility for service requirements,¹⁰³ but given GOI budget execution challenges, bridge funding for contract extension is under consideration.¹⁰⁴

MNSTC-I provided a list of 13 contracts for the MOD and 10 contracts for the MOI that will not be renewed. The MOD contracts will cost

\$107.6 million per year. The most expensive contract is for Humvee maintenance, which is priced at \$34 million. The combined seven life-support contracts are valued at \$25.6 million. The remaining contracts are for logistics (2 contracts at \$22 million), intelligence (\$4.8 million), depot maintenance (\$15 million), and transportation (\$6.2 million).¹⁰⁵

The ten expiring contracts being assumed by the MOI are more than twice as expensive as those for the MOD, valued currently at \$240.1 million per year. Nearly 32% of this cost comes from 4 life-support contracts, and more than 43% from 2 life-support and training contracts. The remaining costs are divided among two maintenance contracts (\$36.1 million), one first-responder network contract (\$12.3 million), and one command and control network contract (\$12 million).¹⁰⁶

COMPARISON OF GOI FUNDING TO MOD AND MOI

 (\$ BILLIONS)

	2006	2007	2008
MOD	\$3.40	\$4.14	\$5.07
MOI	\$1.90	\$3.18	\$3.93
Total	\$5.30	\$7.32	\$9.00

Source: MNSTC-I, responses to SIGIR data call, October 2007 and April 12, 2008.

Note: Numbers are affected by rounding.

TABLE 2.20

FOREIGN MILITARY SALES

The Foreign Military Sales (FMS) process allows countries to use their money to procure U.S. equipment, training, and services through “government-to-government” channels.¹⁰⁷ The program with Iraq was initiated in 2006,¹⁰⁸ and by April 2008, total FMS deliveries to Iraq were valued at more than \$1 billion.¹⁰⁹ However, the GOI has purchased more than \$2 billion in materiel through the FMS.¹¹⁰

The MOD’s FMS purchases began with the transfer of \$1.55 billion from the 2006 GOI budget and continued in 2007 with an additional \$1.1 billion. FMS is used for such purchases as 42,742 small weapons, 469 up-armored Humvees, and 12,324 radios for the MOD.¹¹¹

A primary concern regarding FMS is their

inherently complex process that results in lengthy delivery times.¹¹² Following an assessment of requirements, the Iraqis develop a letter of request,¹¹³ which must be approved. This process takes between 80-100 days in Iraq and an additional 80-100 days in the United States.¹¹⁴ Once a request has been accepted, the bidding, manufacturing, and transport processes also delay delivery. MNSTC-I reported that it is working with Iraq to develop sole-source contracting, when essential, and to address the availability of better shipping and transportation to storage facilities.¹¹⁵

The MOI’s ability to use the FMS has been limited because the Ministry of Finance has not transferred funds into the MOI’s FMS account.¹¹⁶

ECONOMIC SUPPORT FUND

Since 2003, the Congress has appropriated \$3.21 billion to the Economic Support Fund (ESF) for Iraq reconstruction. As of March 31, 2008, \$2.48 billion of the ESF had been obligated, and nearly \$1.15 billion had been expended—an increase of \$538 million from the total reported by SIGIR last quarter.¹¹⁷ For the status of the ESF, see Figure 2.11.

The Department of State (DoS), as the allocating authority for the ESF, rescinded \$76 million from the FY 2007 Supplemental funds for ESF activities in Iraq.¹¹⁸ Out of this rescission, \$10 million will come from the Infrastructure Security Protection program (ISP) and \$66 million from the PRT/Provincial Reconstruction Development Council (PRDC) program.¹¹⁹ For a list of ESF appropriations, see Table 2.21.

CONGRESSIONAL APPROPRIATIONS TO THE ECONOMIC SUPPORT FUND FOR IRAQ

U.S. FUND	PUBLIC LAW(S)	APPROPRIATED
ESF FY 2003	P.L. 108-7	\$0.04 billion
ESF FY 2003 Supplemental	P.L. 108-11	\$0.01 billion
ESF FY 2006 Appropriations for DoS	P.L. 109-102	\$0.06 billion
ESF FY 2006 Supplemental	P.L. 109-234	\$1.49 billion
ESF FY 2007 Supplemental	P.L. 110-28	\$1.48 billion
ESF FY 2007 Continuing Resolutions	P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149	\$0.12 billion
ESF FY 2008 Consolidated Appropriations Act	P.L. 110-161	\$0.02 billion
Total		\$3.21 billion

Source: Office of Management and Budget, April 2008.

Note: Numbers are affected by rounding. On April 18, 2008, OMB reported that the FY 2007 Supplemental Appropriation was rescinded by \$76 million.

TABLE 2.21

DoS uses interagency agreements with several U.S. government entities to execute ESF programs.¹²⁰

BACKGROUND

The ESF is a bilateral economic assistance account for use by U.S. allies and countries in democratic transition to promote U.S. foreign policy objectives. The fund assists Middle East peace negotiations and finances economic stabilization programs. These are the fund's primary objectives.¹²¹

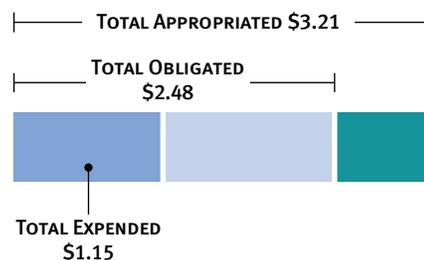
- Increase the role of the private sector in the economy, reduce government controls over markets, enhance job creation, and improve economic growth.

FIGURE 2.11

STATUS OF ESF FUNDS

\$ Billions

Sources: P.L. 108-7; P.L. 108-11; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; ITAO, *Essential Indicators Report* (3/27/2008); GRD, Response to SIGIR Data Call (4/3/2008); USAID, Response to SIGIR Data Call (4/14/2008); ITAO, Response to SIGIR Data Call (4/3/2008); USAID, Response to SIGIR Data Call (4/16/2008)



Note: Numbers are affected by rounding. Funding details were not available for approximately \$30 million in FY 2006 base allocations or \$15 million in FY 2008 allocations.

ESF ALLOCATIONS TO GRD AND USAID PROGRAMS (\$ MILLIONS)

USAID PROGRAMS	TOTAL ESF ALLOCATION
Community Stabilization Program	\$514
PRT Local Governance Program	\$245
Capacity Development Programs	\$200
Community Action Program	\$135
PRT Quick Response Fund	\$100
Inma – Private Sector Agribusiness Development	\$93
Democracy and Civil Society Programs	\$88
Economic Governance II – Policy & Regulatory Reforms	\$88
Provincial Economic Growth Program	\$60
Iraqi Refugees (Jordan)	\$38
Marla Ruzicka Iraqi War Victims Fund (transferred to IRRF)	\$25
Total for USAID	\$1,586
DoS PROGRAMS (IMPLEMENTED BY GRD)	
PRT/PRDC Projects ^a	\$700
O&M Sustainment Program	\$285
Infrastructure Security Protection Program ^{ab}	\$227
Plant-level Capacity Development & Technical Training	\$60
Total for GRD	\$1,272
Total for GRD and USAID Programs	\$2,858

Sources: GRD, response to SIGIR data call, April 5, 2008; ITAO, *Essential Indicators Report*, March 27, 2008; OMB, response to SIGIR data call, March 11, 2008.

Note: Numbers are affected by rounding.

^a ITAO was allocated \$475 million in FY 2007 Supplemental funds for the PRDC program; \$385 million was committed to GRD for execution of the program. On April 18, 2008, OMB reported that the \$76 million rescinded this quarter was taken from FY 2007 ESF funding. DoS will shift \$10 million of FY 2006 ESF money from GRD's ISP program to GRD's PRDC program and cut the entire \$76 million of the FY 2007 ESF for the PRT/PRDC program. This rescission is not accounted for in this table because GRD is awaiting a modification to an agreement to reduce its allocated amount.

^b On April 7, 2008, GRD noted that an additional \$20 million was reallocated from ISP to a program supporting Iraq refugees.

TABLE 2.22

TOP TEN ESF CONTRACTORS (\$ MILLIONS)

CONTRACTOR	PARTNERING AGENCY	OBLIGATED	EXPENDED
International Relief and Development	USAID	\$514	\$186
Research Triangle Institute	USAID	\$245	\$74
Management System International	USAID	\$204	\$53
Louis Berger Group	USAID	\$152	\$20
CHF International	USAID	\$145	\$55
Development Alternatives, Inc.	USAID	\$130	\$5
BearingPoint, Inc.	USAID	\$85	\$36
Wamar International	GRD	\$62	\$37
Parsons Brinckerhoff	GRD	\$58	\$39
Iraqi Contractor - 4767	GRD	\$53	\$30
Total		\$1,648	\$535

Sources: Corps of Engineers Financial Management System, April 4, 2008; USAID, *Activities Report*, April 14, 2008.

Note: Numbers are affected by rounding. This list is produced by compiling contract-level obligation data provided by GRD and USAID.

TABLE 2.23

- Develop and strengthen the institutions necessary for sustainable democracy.
- Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy and to help sustain the neediest sectors of the population during the transition.

DoS is responsible for managing project identification, priorities, requirements, and funding for ESF projects. Under policy guidance from DoS, the U.S. Agency for International Development (USAID) and the U.S. Army Corps of Engineers, Gulf Region Division (GRD) implement most ESF programs. As the primary executing agencies, GRD and USAID received approximately 89% of ESF allocations. For an overview of their programs as of March 31, 2008, see Table 2.22.

TOP TEN ESF CONTRACTORS

Obligations to the top ten ESF contractors total 51% of all appropriations to the fund. Table 2.23 shows the largest ESF contracts awarded by GRD and USAID.

CHALLENGES IN SPENDING ESF FUNDS

A SIGIR fact sheet published in July 2007 found that it takes much longer to move ESF funds from appropriation to field activities than for the Commander's Emergency Response Program (35 days) and Iraq Security Forces Fund (29 days) monies.¹²² The initial allotment of FY 2006 Supplemental funds took 85 calendar days to

be provided to USAID, and up to 167 calendar days to be provided for DoS field activities that were implemented in Iraq by the Department of Justice (DoJ), GRD, and the Iraq Transition Assistance Office (ITAO), formerly IRMO.¹²³

This quarter, GRD noted several challenges in executing ESF funds:¹²⁴

- **Involvement of multiple entities:** Examples of agencies include PRDCs, Provincial Councils (PCs), Director Generals, Ministries, ITAO, Office of Provincial Affairs (OPA), and GRD.
- **Personnel turnover:** There remain recurring coordination and changeover challenges.
- **Change of scope:** Multiple revisions frequently are made to projects before and after approval.
- **Funding allocation limits for provinces:** The rate of expenditure of allocated funds varies among the provinces. Some provinces have yet to award allocated amounts, and others have consumed more than or equal to their allocation.

This quarter, SIGIR announced an audit of ESF program expenditures, which will focus on determining the amounts allocated, obligated, and expended across the security, economic, and political tracks. Other objectives of the audit include determining the effectiveness of management information systems and how program management affects the timing and use of funds within each program areas and tracks.

TRANSFERRING ESF PROJECTS

This quarter, a SIGIR report found that the U.S. process for transferring completed projects to the

GOI did not include a mechanism for transferring ESF-funded projects. The draft interagency agreement between the U.S. agencies—as well as the draft memorandum of understanding between the agencies and the GOI—includes only IRRF-funded projects. The draft agreements do not address more than \$3.5 billion in projects supported by the ESF, CERP, and the ISFF.¹²⁵

ESF PROGRAMS

ESF program funding is aligned along security, economic, and political tracks:

- The **security track** receives the largest allocation of funds, about 63%, to strengthen the coordination between the GOI and local groups and assist in securing critical infrastructure to improve

the GOI’s ability to deliver essential services.

- The **economic track** receives 18% of ESF funding, promoting development through sustainment of assets, training programs, increased access to finance, and other economic and capacity-building activities.
- The **political track** receives 19% of total funding, assisting the GOI in strengthening core ministry functions and supporting governance-building initiatives.

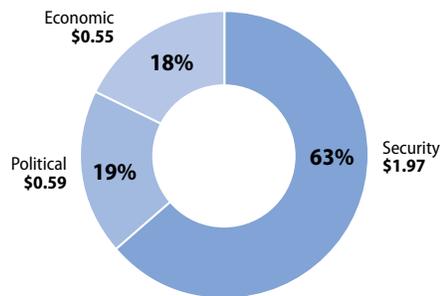
Figure 2.12 shows the allocations of ESF funds by track. For a list of ESF programs, their funding status, and an update on activities, as reported by the agencies executing the programs and other available reports, see Figure 2.13.

Figure 2.12

ALLOCATIONS OF ESF FUNDS BY TRACK

\$ Billions, % of \$3.11 Billion Allocated

Source: ITAO, Response to SIGIR Data Call (1/4/2008); ITAO, *Essential Indicators Report* (3/27/2008); ITAO, Response to SIGIR Data Call (4/3/2008), OMB, Response to SIGIR Data Call (4/18/2008); DoS, *Section 2207 Report*, January 2008



Note: Numbers are affected by rounding. The total amount represented is approximately 97% of all appropriated ESF funds for Iraq. Program and track-level details were not available for approximately \$96 million of ESF funds.

Figure 2.13

STATUS OF ESF PROGRAMS IN THE SECURITY TRACK (\$ MILLIONS)

ESF PROGRAM	STATUS OF PROGRAM ALLOCATIONS	ALLOCATION AS A % OF ESF APPROPRIATIONS	PROGRAM UPDATE SINCE LAST QUARTER
PRT/PRDC PROJECTS^a	<p>Total Allocated \$700.00 Total Obligated \$294.11 Total Expended \$98.36</p>	22%	<p>Description: Small projects intended to improve provincial government capacity to provide essential services. PRTs work with Iraqi-led PRDCs to compile a list of projects for approval by the U.S. Embassy.</p> <p>Status: As of March 30, 2008, GRD had awarded 188 contracts, valued at more than \$280 million, using FY 2006 Supplemental ESF funding. Also, 36 projects, valued at nearly \$55 million, were funded from the FY 2007 Supplemental ESF.</p>
LOCAL GOVERNANCE PROGRAM (LGP)	<p>Total Allocated \$245.00 Total Obligated \$245.00 Total Expended \$73.71</p>	8%	<p>Description: The LGP works closely with Iraqis in all 18 provinces, actively supporting and complementing PRT initiatives to promote diverse and representative citizen participation in provincial, municipal, and local councils.</p> <p>Status: This quarter, the LGP assisted in the expansion of the Amanat Training Center in Baghdad. The program supported the Kurdish Regional Government (KRG) to expand the economic planning segment of three provincial development strategies. As of December 31, 2007, the LGP trained 2,000 council members and key staff in 380 departments and all of the provincial councils. The LGP also assisted in the development of a draft Local Governance Code that was agreed to by all 18 provinces.</p>
PRT QUICK RESPONSE FUND	<p>Total Allocated \$125.00 Total Obligated \$120.62 Total Expended \$11.56</p>	4%	<p>Description: Mechanisms for PRTs and ePRTs to support local neighborhood and government officials or members of community-based organizations, as well as small project needs for the provinces.</p> <p>Status: As of February 2008, the ePRT QRF program has 55 active or completed projects, valued at \$1.5 million. The QRF program approved 79 grants, valued at nearly \$10 million.</p>
COMMUNITY STABILIZATION PROGRAM IN STRATEGIC CITIES	<p>Total Allocated \$514.00 Total Obligated \$514.00 Total Expended \$297.58</p>	16%	<p>Description: Short-term projects in neighborhoods and districts employing Iraqi youth in public works, employment generation, business development, and training.</p> <p>Status: A small subset of projects were halted in Baghdad because of an investigation into allegations of waste, fraud, and abuse. CSP is in the process of developing a network of employment service centers to help unemployed Iraqis find long-term jobs. As of March, 2008, the program was employing nearly 59,000 Iraqis.</p>
INFRASTRUCTURE SECURITY PROTECTION PROGRAM^b	<p>Total Allocated \$227.00 Total Obligated \$148.72 Total Expended \$73.38</p>	7%	<p>Description: Projects improving infrastructure in oil, water, and electricity sectors, such as security barrier protection, hardening of structures and plants, and implementation of controlled access facilities.</p> <p>Status: As of March 31, 2008, GRD programmed 60 projects, valued at more than \$127 million. 24 projects, valued at \$35 million, have been completed. 36 projects, valued at more than \$92 million, are ongoing. Five additional projects, valued at \$29 million, have yet to be started.</p>

Sources: GRD, response to SIGIR data call, April 5, 2008; DoS, Section 2207 Report, January 2008.

Sources: DoS, Section 2207 Report, January 2008; USAID, response to SIGIR data call, April 14, 2008.

Source: USAID, response to SIGIR data call, April 14, 2008.

Sources: USAID, response to SIGIR data call, April 14, 2008; DoS, Section 2207 Report, January 2008.

Sources: GRD, response to SIGIR data call, April 5, 2008.

Continued on next page

STATUS OF ESF PROGRAMS IN THE SECURITY TRACK (\$ MILLIONS)

ESF PROGRAM	STATUS OF PROGRAM ALLOCATIONS	ALLOCATION AS A % OF ESF APPROPRIATIONS	PROGRAM UPDATE SINCE LAST QUARTER
COMMUNITY ACTION PROGRAM	<p>Total Allocated \$135.00 Total Obligated \$135.00 Total Expended \$94.96</p>	4%	<p>Description: Projects strengthen links between the Iraqi government and local communities by facilitating community coordination with local and provincial governments and promoting transparency and local ownership of public goods.</p> <p>Status: USAID expanded the Community Action Program (CAP) by \$55 million, doubling the pace of community projects. Four new offices were established in the Anbar province. Almost 850 community projects were completed, with 425 new projects underway across all provinces. CAP restructured to better coordinate with the efforts of the PRTs, and the program developed a project database that is accessible online by the USAID PRT representatives. Protocols have been worked out for communication by the project with the PRTs. CAP also restructured to emphasize geographic segmentation to better respond to and coordinate with the PRTs. As of March 31, 2008, 609 CAP projects have been completed, and more than 7.9 million Iraqis benefited from the projects. CAP generated 22,255 short-term jobs and 3,814 long-term jobs. Since October 2007, 367 CAP projects have been initiated.</p>
MARLA RUZICKA IRAQI WAR VICTIMS FUND	<p>Total Allocated \$25.00 Total Obligated \$20.00 Total Expended \$15.00</p>	1%	<p>Description: Program aims to assist civilian victims of armed conflict; ensures that victims of conflict are specifically highlighted for funds to provide relief from severe suffering caused by conflict.</p> <p>Status: Under the CAP, the fund implemented 699 projects, directly benefiting almost 330,000 war victims and their families. USAID OIG conducted an audit and found difficulties in determining which side caused the harm during cross-fire exchange between U.S. or coalition forces and insurgents. This complicates payment to victims. Also, one implementing partner in one region focused resources on community infrastructure projects instead of family payments.</p>

Sources: USAID, response to SIGIR data call, April 14, 2008; DoS, Section 2207 Report, January 2008.

Source: USAID, response to SIGIR data call, April 14, 2008.
Note: All ESF allocations to this program are subsequently transferred to the IRRF.

Sources: Funding numbers are compiled from OMB, response to SIGIR data call, March 11, 2008; GRD, response to SIGIR data call, April 3, 2008; ITAO, *Essential Indicators Report*, March 27, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, response to SIGIR data call, January 4, 2008; OMB, response to SIGIR data call, January 2, 2008.

Note: Numbers are affected by rounding. SIGIR did not receive reporting on obligated and expended amounts for approximately \$30 million in FY 2006 base allocations. SIGIR received reporting on track-level allocations for 97% of ESF appropriations. Program and track-level details were not available for approximately \$96 million of ESF funds.

- ^a ITAO was provided \$475 million of which \$385 million was allocated to GRD for execution of the PRDC program. GRD reported that \$66 million of the rescission will come from that allocated amount.
- ^b GRD reported that the allocated amount to the ISP was reduced to \$227 million. The \$10 million rescission from this quarter is not reflected because the allocation will not be reduced until a modification to the agreement is signed. OMB, response to SIGIR data call, April 18, 2008, noted that the entire \$76 million rescission was from FY 2007 ESF funding. DoS will shift \$10 million of FY 2006 money from the ISP to the PRDC and cut \$76 million from FY 2007 ESF from the PRDC program.

STATUS OF ESF PROGRAMS IN THE ECONOMIC TRACK (\$ MILLIONS)

ESF PROGRAM	STATUS OF PROGRAM ALLOCATIONS	ALLOCATION AS A % OF ESF APPROPRIATIONS	PROGRAM UPDATE SINCE LAST QUARTER
OPERATIONS AND MAINTENANCE (O&M) SUSTAINMENT	<p>Total Allocated \$285.00 Total Obligated \$262.18 Total Expended \$169.64</p>	9%	<p>Description: Projects provide in-plant services, consumables, and spare parts at major power plants; water and wastewater plants; and health, transportation, and communication facilities to assist Iraqis with sustainment efforts.</p> <p>Status: Close-out processing of all completed Phase II WSSP projects was initiated this quarter and should be completed by June 2008. Close-out processing of all completed Phase III WSSP projects was initiated, and processing should be complete by August 2008. Close-out processing of all completed Electricity Sector O&M projects was initiated and processing should be complete by June 2008. The Generation sub-sector \$77.5M OMS contract (O&M at 6 generation power plants) is progressing and will be completed in early September 2008. All other O&M projects remaining to finish will be complete by July 2008 and moved to close-out processing.</p>
INMA – PRIVATE SECTOR AGRIBUSINESS DEVELOPMENT	<p>Total Allocated \$92.50 Total Obligated \$92.50 Total Expended \$11.48</p>	3%	<p>Description: Projects aim to improve agricultural quality and productivity, restore soil and water management systems, increase agribusiness competitiveness, and increase domestic and foreign partnerships.</p> <p>Status: Inma supported a maize-production project in Anbar province, introducing new varieties of maize to bolster the supply of feed for livestock. The program provided improved seed, fertilizer, and technical assistance.</p>
PLANT-LEVEL CAPACITY DEVELOPMENT & TECHNICAL TRAINING	<p>Total Allocated \$60.00 Total Obligated \$42.86 Total Expended \$33.47</p>	2%	<p>Description: O&M training programs for plant operators and technicians at major electricity power plants; water and wastewater plants; and health, transportation, and communication facilities.</p> <p>Status: The Capacity Development (CD) program is working the final phases of training and O&M/Sustainment efforts contracted under FY 2006 FAS for the Public Works & Water (WSSP) sector; the Electricity sector; the Building, Health & Education (BH&E) sector; and the Transportation & Communications (T&C) sector. Overall, less than 5% of the total \$345 million ESF O&M program is yet to be obligated.</p>
PROVINCIAL ECONOMIC GROWTH PROGRAM	<p>Total Allocated \$59.60 Total Obligated \$50.37 Total Expended \$8.6</p>	2%	<p>Description: Program designed to strengthen the Iraqi economy at the provincial level and assist Iraq in the transition from a centrally planned and controlled model to a transparent market-based system. There are three main components to the PEG program: private-sector agribusiness development, strengthening Iraqi businesses to grow selected sectors of the economy, and expanding commercial lending to increase access to finance.</p> <p>Status: The Izdihar contract ended on March 31, 2008. PEG was awarded on January 2008, but mobilization began in early April.</p>
TARGETED DEVELOPMENT PROGRAM	<p>Total Allocated \$57.40 Total Obligated \$5.46 Total Expended \$0.46</p>	2%	<p>Description: A funding tool for non-governmental organizations (NGOs) to support economic, social, and governance initiatives in areas of conflict in Iraq; programs focus on conflict mitigation, building national unity, and other developmental efforts.</p> <p>Status: The Targeted Development Program is in its second round of grant review; 46 grants are being considered for funding. The first round of grant review and approval resulted in approval for funding of 8 grants (\$8.4 million total) for these programs: Pilot Public Defender Program; Women's Employment Initiative; Specialty Physician Training; NGO Training; Community Multi-Use Facility; Youth Forums; Reconciliation; Youth Education Program.</p>

Sources: Funding numbers are compiled from OMB, response to SIGIR data call, March 11, 2008; GRD, response to SIGIR data call, April 3, 2008; ITAO, *Essential Indicators Report*, March 27, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, response to SIGIR data call, January 4, 2008; OMB, response to SIGIR data call, January 2, 2008.

Note: Numbers are affected by rounding. SIGIR did not receive reporting on obligated and expended amounts for approximately \$30 million in FY 2006 base allocations. SIGIR received reporting on track-level allocations for more than 97% of ESF appropriations. Program and track-level details were not available for approximately \$96 million of ESF funds.

STATUS OF ESF PROGRAMS IN THE POLITICAL TRACK (\$ MILLIONS)

ESF PROGRAM	STATUS OF PROGRAM ALLOCATIONS	ALLOCATION AS A % OF ESF APPROPRIATIONS	PROGRAM UPDATE SINCE LAST QUARTER
CAPACITY DEVELOPMENT	<p>Total Allocated \$245.00 Total Obligated \$244.26 Total Expended \$68.83</p>	8%	<p>Description: Projects strengthen leadership capacity of key government offices, assist with budget execution, improve delivery of essential services, and build capacity of the GOI to manage training programs to build key public administration functions.</p> <p>Status: As of March 31, 2008, the Tatweer project has trained more than 8,400 civil servants in public administration core areas, as well as procurement, statistical management, and contract and project management. USAID has been working on restarting the Iraqi Financial Management Information System (IFMIS). Reconditioning of the server and other hardware and training of the Ministry network engineers and functional specialists is almost complete.</p>
DEMOCRACY AND CIVIL SOCIETY	<p>Total Allocated \$175.50 Total Obligated \$102.05 Total Expended \$62.89</p>	5%	<p>Description: Projects support the Council of Representatives in democracy-building efforts—particularly to encourage women and minorities to participate in the political process.</p> <p>Status: There were 19 concept papers reviewed and one award made to Relief International, valued at approximately \$25 million. The remaining funds are being reprogrammed for the new Iraq legislative strengthening program, which is currently in the design phase.</p>
ECONOMIC GOVERNANCE II, POLICY & REGULATORY REFORMS	<p>Total Allocated \$88.20 Total Obligated \$85.00 Total Expended \$35.00</p>	3%	<p>Description: Projects assist the GOI in reforming tax, fiscal, monetary, and customs policies and build the capacity of the Central Bank of Iraq and assist the Ministry of Finance in modernizing the banking sector, complying with the SBA, and promoting private sector-led growth in Iraq.</p> <p>Status: A Memorandum of Understanding (MOU) has been signed by the Minister of Finance (MOF) and Action Mission Director of USAID to restart the Financial Management Information System (FMIS). As of March 31, the FMIS has been restored to working order. This quarter, six network engineers and functional specialists were trained by USAID advisors in maintenance and troubleshooting. The MOF is in the process of procuring a contractor for VSAT connection. Also, USAID advisors and the World Bank are working with GOI in implementing the new Unified Pension Law.</p>
REGIME CRIMES LIAISON OFFICE	<p>Total Allocated \$33.00 Total Obligated \$33.00 Total Expended \$21.94</p>	1%	<p>Description: Ensures the security and safety of witnesses and victims of crimes under investigation by the Iraqi High Tribunal (IHT).</p> <p>Status: Developed and began executing the plan for the drawdown of RCLO operations and staff in anticipation of transferring responsibility to the Iraqis. The Office assisted the IHT with preparation of the Kuwait Invasion, Halabja, Marsh Arabs, and Merchants cases. RCLO conducted training for IHT Appellate, Trial Chamber, and Investigative Judges. The transfer of Secure Evidence files from Khademiya to the IHT courthouse compound in the International Zone was completed. Structural preparations for consolidation of the witness security camps and their future turnover to the U.S. Marshals Service were concluded.</p>
IRAQI REFUGEES (JORDAN)	<p>Total Allocated \$38.00 Total Obligated \$38.00 Total Expended \$23.00</p>	1%	<p>Description: United Nations Education appeal aims to enroll an additional 150,000 Iraqi children in Jordanian and Syrian schools; total program funding is \$130 million, of which the U.S. contribution is \$30 million of ESF funds and \$9 million of Emergency Refugee and Migration Assistance funds.</p> <p>Status: Approximately 100,000 Iraqi refugee children enrolled in public and private schools in Jordan and Syria for the 2007-2008 academic school year. UNHCR provided approximately 35,000 uniforms and school stationery to school children from families who could not afford uniforms. Rehabilitation of more than 130 educational facilities. Scholarships to 300 Iraqi refugee students were provided to public and private universities in Syria.</p>

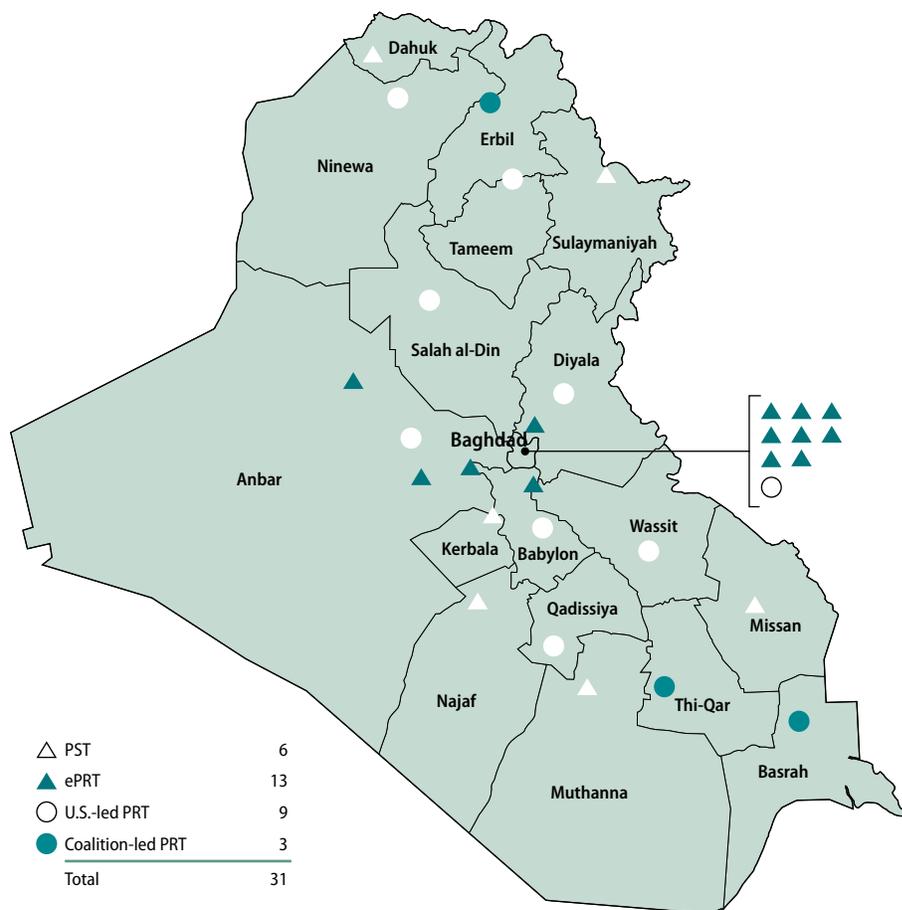
Sources: Funding numbers are compiled from OMB, response to SIGIR data call, March 11, 2008; GRD, response to SIGIR data call, April 3, 2008; ITAO, *Essential Indicators Report*, March 27, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, response to SIGIR data call, January 4, 2008; OMB, response to SIGIR data call, January 2, 2008.

Note: Numbers are affected by rounding. SIGIR did not receive reporting on obligated and expended amounts for approximately \$30 million in FY 2006 base allocations. SIGIR received reporting on track-level allocations for 97% of ESF appropriations. Program and track-level details were not available for approximately \$96 million of ESF funds.

Figure 2.14

PROVINCIAL RECONSTRUCTION TEAM PROGRAM IN IRAQ

Source: SIGIR Analysis of OPA Data (3/6/2008)



Note: Locations are approximate.

PROVINCIAL RECONSTRUCTION TEAMS

The ESF is the primary funding source for program activities that support the Provincial Reconstruction Teams (PRTs). As of March 31, 2008, more than 33% of the ESF has been allocated to PRT programs.

First established in Iraq in November 2005, the PRT initiative is a civilian and military interagency effort that serves as the primary interface between U.S. and Coalition partners, as well as provincial and local governments in Iraq’s 18 provinces.¹²⁶ As part of its core mission, the PRT program assists provincial governments in meet-

ing these goals:¹²⁷

- developing a transparent and sustained capability to govern
- promoting increased security and rule of law
- promoting political and economic development
- providing provincial administration necessary to meet the basic needs of the population

As of March 2008, nearly 800 people (425 under COM authority)¹²⁸ were staffing 25 PRTs,¹²⁹ including 12 permanent PRTs and 13 “embedded” PRTs (ePRTs).¹³⁰ Approximately 375 people are overseen by MNF-I and other military enti-

PRT PROGRAM FUNDING (\$ MILLIONS)

PRT FUNDING CATEGORY	FY 2006 SUPPLEMENTAL ENACTED	FY 2007 SUPPLEMENTAL ENACTED
Operational Funding	\$230^a	\$414
Program Funding from ESF		
PRT/PRDC Projects	\$315	\$385 ^b
PRT Local Governance Program	\$155	\$90
Quick Response Fund		\$125
Total ESF	\$470	\$600
Grand Total	\$700	\$1,014

Source: DoS, reported in SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," October 18, 2007; ITAO, response to SIGIR data call, October 18, 2007; GRD, response to SIGIR data call, April 7, 2008; ITAO, response to SIGIR data call, April 3, 2008.

Note: This quarter, ITAO reported that FY 2008 money has not been received.

^a None of the operating funds from FY 2006 were obligated or expended in FY 2006; they were carried forward into FY 2007.

^b GRD noted that ITAO received \$475 million in FY 2007 Supplemental funds for the PRT/PRDC program. ITAO allocated \$385 million of this amount to GRD for this program.

TABLE 2.24

ties.¹³¹ Provincial Support Teams (PSTs) are positioned in the north, at Dahuk and Sulaymaniyah, and in the south, at Kerbala, Najaf, Muthanna, and Missan.¹³² The PST in Qadissiya transitioned to a PRT in March 2008.¹³³ For the locations of PRT organizations across Iraq, see Figure 2.14.

Supported by the ESF, the PRT/PRDC program, Quick Response Fund (QRF), and Local Governance Program (LGP) directly support the activities of the PRTs in the provinces. For an overview of funding for the PRT program, including operational spending, see Table 2.24.

EMBEDDED PRTS

In January 2007, the President announced that the United States would double the number of PRTs in Iraq as part of the *New Way Forward*. The number of PRTs more than doubled—from 10 to 25.¹³⁴ The new organizations were embedded ePRTs within Brigade (Army) and Regimental (Marine) Combat Teams (B/RCTs) participating in the surge of U.S. forces into the Baghdad,

Anbar, and Diyala provinces.¹³⁵ These BCTs are expected to be withdrawn by August 2008; however, the future of the ePRTs is not certain.¹³⁶

The ePRTs began as four-person interagency teams, but expanded to include civilian experts in a broad range of specialties.¹³⁷ They were staffed with DoD civilians and members of the National Guard and Army Reserve until funds became available to DoS for the hire of civilian contractors. As of March 2008, the process of deploying civilian experts continued.

PRT/PRDC PROGRAM GOALS

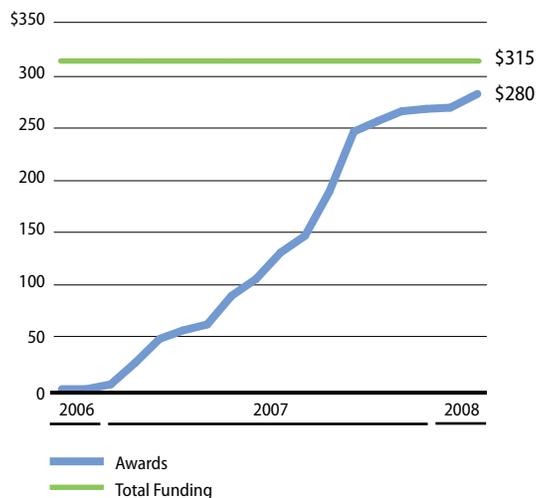
The PRT/PRDC program was allocated \$315 million in FY 2006 Supplemental funds and \$385 million in FY 2007 Supplemental funds¹³⁸ made available through the ESF.¹³⁹ The program operates under these main objectives:¹⁴⁰

- Strengthen the links between the GOI and local communities.
- Improve the capacity of provincial governments to deliver essential services.

Figure 2.15

PRT/PRDC PROJECTS FY 2006 PROGRAM AWARDS, AS OF 3/31/2008

\$ Millions
Source: ITAO, Response to SIGIR Data Call (4/3/2008)

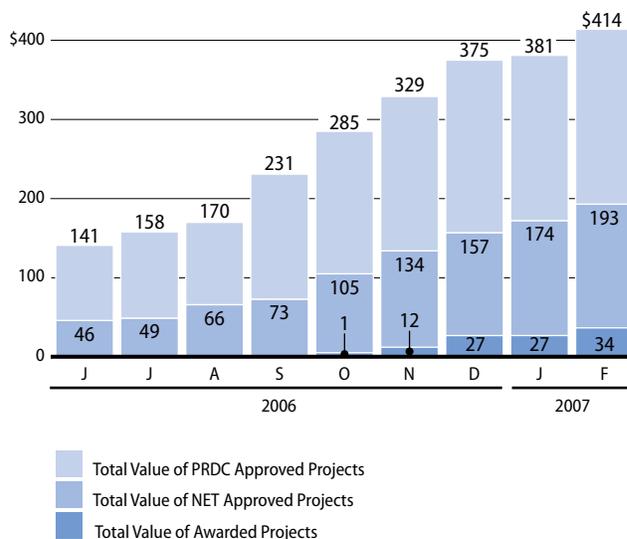


Note: Numbers are affected by rounding.

Figure 2.16

PRT/PRDC PROJECTS FY 2007—APPROVED AND AWARDED AMOUNTS

\$ Millions
Source: ITAO, Response to SIGIR Data Call (4/3/2008)



Note: Numbers are affected by rounding.

- Ensure that reconstruction efforts are meeting basic needs and essential services for the Iraqi people.

PRT/PRDC projects are generally small (averaging approximately \$1.5 million) and must benefit at least 100 people.¹⁴¹ Examples include projects to improve utilities, schools, roads, and water supply. The program has evolved from assisting with basic services to supporting economic development.

The PRT/PRDC Process

Choosing and scheduling projects involves several stages of coordination between PRT staff and local Iraqi government members. First, Iraqis at the provincial level identify potential projects that will best serve the local population. After a public forum, these projects are presented to

the Provincial Council (PC), which makes final approval and sets prioritization.¹⁴² The Provincial Program Manager, who is part of the PRT, acts as the liaison to the PC and helps to initiate development of the project package.¹⁴³

The PRDC, PRT, and GRD work collectively to develop the full project package and nominate the project to the U.S. Embassy for approval. As of March 31, 2008, GRD had awarded contracts for 188 projects, valued at more than \$280 million, using FY 2006 Supplemental ESF funding. Also, nearly \$55 million in FY 2007 Supplemental funding was awarded for 36 projects.¹⁴⁴ For the status of PRT/PRDC projects funded by these appropriations, see Figure 2.15 and Figure 2.16.

The PRT/PRDC program is continuing to evolve, transitioning from a construction-centered approach toward a focus on sustainment and planning, including:¹⁴⁵

- strategic planning for future infrastructure projects
- planning for life-cycle maintenance
- establishment of infrastructure O&M services

This transition aims to strengthen the capacity of provincial government staffs. GRD expects to implement this approach once 2008 Iraqi provincial budgets contain O&M services and provincial/municipal planning projects.¹⁴⁶ Given the integration between the Iraqi-led PRDCs and the U.S./Coalition-led PRTs, this program aims to build the capacity to execute funding.

QUICK RESPONSE FUND

The PRT Quick Response Fund (QRF) is a newer ESF program begun in mid-2007.¹⁴⁷ The program provides PRTs with a rapid-response funding source to execute quick-turnaround, high-value projects. DoS has allocated \$125 million for QRF in FY 2008.¹⁴⁸

As of March 11, 2008, the QRF program had 690 active or completed projects, valued at \$13 million.¹⁴⁹ The projects span the spectrum from agricultural equipment to school supplies.

The QRF program has approved 79 grants, valued at nearly \$10 million as of March 31, 2008.¹⁵⁰ These grants cover a wide range of activities, including school and hospital rehabilitation and equipment, court enhancement, agriculture, media, journalism, and vocational training. USAID works mainly with Iraqi local non-governmental organizations (NGOs), local associations, and civil society organizations for conflict mitigation.¹⁵¹ For a snapshot of the largest grants, see Table 2.25.

As of March 31, 2008, USAID had received and activated 95 projects, valued at more than \$12 million. Of these, 84 projects—valued at nearly \$10.7 million—are active, and 4 projects valued at \$5.6 million are pending.¹⁵² USAID reported that the Iraq Rapid Assistance Program expended \$1.8 million, as of March 31, 2008.¹⁵³ Grants, direct procurements, and micro-purchases provide funding to PRT projects. For a summary of tools available to organizations that seek funding from the QRF, see Table 2.26.

In December 2007, DoS signed 60 grant agreements, valued at nearly \$5 million, and executed micro-purchases and direct procurements, valued at nearly \$4 million. Seven grant proposals totaling \$1.181 million are at the final stages of award.¹⁵⁴ These awards will support a woman-owned small catering business, independent media, and a variety of small agricultural projects.

In February 2008, a one-month advanced computer training began for judges in Najaf, using QRF funding. If this training is successful, it will be extended to Kerbala.¹⁵⁵

LOCAL GOVERNANCE PROGRAM

USAID's Local Governance Program (LGP) supports Iraq's efforts to establish local governments that are transparent, accountable, and responsive to their constituents. LGP, which began in April 2003, is implemented by Research Triangle International (RTI). The program was renamed LGP II when it expanded in 2005 to include a new phase of support for local governance programs in Iraq. Under terms of its contract, the LGP is conducting activities to accomplish these

SNAPSHOT OF LARGEST QRF GRANTS

GRANT TITLE	LOCATION	AMOUNT	DATE APPROVED
Iraq Microfinance Initiative – Iskandariya	North Babylon	\$500,000	3/13/2008
Education and Advice Center (Program Equipment, Training, and Evaluation)	Baghdad	\$355,415	3/20/2008
Baghdad PRT: Independent Newspaper Support – Albilad Ayom	Baghdad	\$244,350	10/30/2007
Tisa Nisan Market Renovation	Baghdad 2/Loyalty/ePRT	\$205,940	2/13/2008
Ministry of Municipalities: Creating Citizen-friendly Government Services	Erbil	\$200,000	2/17/2008
Adhamiyah Community Social Sector Funding Program	Baghdad 3/Taji/ePRT	\$200,000	1/31/2008
Siphon #1 from the Euphrates River: Irrigate farm land – Euphrates #1	Anbar	\$200,000	1/29/2008
Iraqi Al-Aman Center – Kirkuk Operational Capital Program	Tameem	\$200,000	1/29/2008
Total		\$2,105,705	

Source: USAID, response to SIGIR data call, April 14, 2008.

TABLE 2.25

SUMMARY OF QUICK RESPONSE FUND TOOLS

TOOL	DESCRIPTION	AMOUNT DEPLOYABLE
Micro-purchase	Similar to the CERP process, micro-purchases would allow PRTs/ePRTs to procure items or services that PRT team leaders deem vital to their engagement with local and provincial communities. No Embassy approval is required. "Not withstanding" memo will allow for purchases up to \$25,000 and FAR flexibility.	< \$25,000
Small Grant	One-time payment is made to an NGO/GOI to carry out activity. Grants are tracked at the Embassy and implemented by the PRT/ePRT. Grants are subject to post-review and authorization. Grants of more than \$25,000 are reviewed in Washington, D.C.	< \$50,000
Grant	One-time payment is made to an NGO/GOI to carry out activity. Grants are tracked at the Embassy and implemented and monitored by USAID. OPA reviews and hands off to USAID.	\$50,000 - \$200,000
Direct Procurement	Used when activity is complex enough to require a contract/lengthy statement of work; PRT team leaders approve purchase request. Procurement order plausibility and implementation means made by USAID, JCC-I/A, or GSO—depending on core competency. USAID implementer, DoD's Regional Contract Command (RCC), is responsible for monitoring.	< \$200,000

Source: OPA, Provincial Reconstruction Team Portal, "Guidelines for Administration of the PRT/ePRT Quick Response Fund Program," August 12, 2007, p. 2.

TABLE 2.26

Iraqi priorities:¹⁵⁶

- Improve the management and administration of local, municipal, and provincial governments.
- Provide technical assistance and training to local elected officials on the roles and functions of local government officials and agencies.
- Establish a legal framework for a democratic, representative, and participatory form of decentralized government in Iraq.

Since the launch of the LGP, the program has organized 22,000 discussions to educate more than 750,000 Iraqis on democracy and political transitions. Additionally, the LGP has trained 2,000 council members (15% women), 28 governors, 42 deputy governors, 420 director generals, and key staff in 380 departments and all of the provincial councils elected in January 2005.¹⁵⁷ The LGP has also assisted in the development of a draft Local Governance Code, which was agreed to by all 18 provinces. On February 13, 2008, the Iraq Council of Representatives (CoR) passed the Provincial Powers Law, with negotiations and suggestions provided by the Local Governance Association.¹⁵⁸

LGP Activities

The LGP supported the Kurdistan Regional Government (KRG) in expanding the economic planning segment of three provincial development strategies, including clarification of the role of public institutions in creating an enabling environment for private enterprise employment.¹⁵⁹ The Economic Development

Assessment is limited to development of data and options for competitive economic activities in the region, covering these five sectors:¹⁶⁰

- construction
- mining
- agriculture
- petroleum support enterprises
- tourism

The planning effort involved direct contact between industry representatives and KRG leadership, facilitated by Iraqi and foreign advisors from the LGP.

In February 2008, a two-day conference was held in Najaf to examine intergovernmental relationships in Iraq. The conference was hosted by the Najaf Provincial Council in cooperation with the LGP II. The primary goal of the conference was to create a mechanism for intergovernmental fiscal relations in Iraq.

Conference participants from eight provinces unanimously produced and approved eight recommendations in support of a more decentralized financial system in Iraq.¹⁶¹ One of the recommendations was to lobby the CoR to pass Article 106 of the Constitution, which calls for the establishment of a public commission to ensure fair distribution of federal financial transfers to provincial governments.¹⁶²

This quarter, the LGP assisted in the expansion of the Amanat Training Center in Baghdad. The Amanat facility trains approximately 600–900 staff each month and has about 23,000 employees.¹⁶³ The newly expanded facilities will allow training of more people every day, increas-

ing capacity to as many as 1,200 trainees monthly. LGP provided furniture, equipment, and 20 computers.¹⁶⁴ Training offered includes technical and administrative courses and programs relating to water treatment and water production.

NEW ESF PROGRAMS FOR FY 2007 AND FY 2008

The Private Sector Agribusiness Development Program (Inma) and the Targeted Development Program (TDP) are more recent initiatives to encourage economic development.

INMA: PRIVATE SECTOR AGRIBUSINESS DEVELOPMENT PROGRAM

USAID's Inma agribusiness program, which has obligated \$92.5 million of the ESF, "targets the formation and growth of agribusiness firms to stimulate and expand agriculture production, increase productivity, and achieve higher levels of employment."¹⁶⁵

The project aims to develop new businesses and to expand operations of privately owned establishments. This effort will complement enhancements to the supply chain that help Iraq meet its domestic food needs and revitalize a sector that employs more than a quarter of Iraq's population.¹⁶⁶

USAID will also use \$2.4 million of the ESF to help implement national policy that promotes and supports commodity-focused agribusinesses, complementing the activities of the U.S. Department of Agriculture.¹⁶⁷ These efforts are aimed at increasing the competitiveness of agribusiness enterprises by, among other things, upgrading

national food policies and regulations to meet international standards.¹⁶⁸

For example, Inma supported maize production through the Al-Anbar Feed Grains promotion project. It introduced new varieties of maize to bolster the supply of feed for the livestock sector. Inma provided improved seed, fertilizer, and technical assistance for harvest, sale, and distribution of maize.¹⁶⁹ For more information on Iraq's agricultural sector, see the section on *Iraq's Economy* in this Report.

The Anbar wheat planting and Diyala wheat and barley planting projects are being implemented, and harvests are expected in May and June 2008. Inma imported and distributed certified seed and fertilizers and provided technical assistance to farmers. Inma will buy 40% of the harvested produce for further distribution to farmers in the Anbar, Diyala, Babylon, and Taji areas to increase the supply of quality seed.¹⁷⁰

TARGETED DEVELOPMENT PROGRAM

The Targeted Development Program (TDP) is an economic initiative managed by ITAO and is available to non-governmental organizations (NGOs) in Iraq. The TDP was allocated \$57.4 million from the FY 2007 Supplemental, of which more than \$450,000 has been expended.¹⁷¹ These funds are awarded to NGOs in Iraq for economic and social development programs in areas of conflict to meet these priorities:¹⁷²

- conflict mitigation, reconciliation, alternate dispute settlement, and political transformation
- building Iraqi national unity across geographic

or sectarian boundaries

- development efforts, including in the private sector, not addressed in other programs

The program develops initiatives for specific community social and economic challenges, including education, health care needs, emergency response, economic development, and job creation.

The TDP is in its second round of grant reviews, considering 46 grants. The first round of grant review resulted in funding approval for 8 grants, valued at \$8.4 million.¹⁷³ The following programs have been approved, as of March 31, 2008:¹⁷⁴

- Pilot Public Defender Program
- Women's Employment Initiative
- Specialty Physician Training
- NGO Training
- Community Multi-use Facility
- Youth Forums
- Reconciliation
- Youth Education Program

KEY ONGOING ESF PROGRAMS

Several ESF programs are continuing work that was started with funding from the IRRF. They address work to stabilize communities, provide support to the victims of violence, and fund critical sustainment work to protect the U.S. investment allocated to infrastructure construction.

COMMUNITY STABILIZATION PROGRAM

In May 2006, USAID awarded the International Relief and Development grant to implement the Community Stabilization Program (CSP), a public works and economic development project in Iraq. The CSP is funded by \$514 million of the ESF—\$135 million from the FY 2006 Supplemental, and \$379 million from FY 2007 Supplemental and FY 2007 Continuing Resolution appropriations.¹⁷⁵ As of March 31, 2008, nearly \$298 million had been expended.¹⁷⁶

These primary objectives guide the 28-month program:¹⁷⁷

- Create jobs and develop employable skills, with a focus on unemployed youth.
- Revitalize community infrastructure and essential services.
- Support established businesses and develop new sustainable businesses.
- Mitigate conflict in selected communities.

CSP activities aim to reduce insurgency, sectarian violence, and crime by employing disenfranchised young Iraqi men who have suffered from violence or have been threatened by insurgent or militia activity. The program currently operates in 14 cities within 8 provinces: Ninewa, Tameem, Salah Al-Din, Diyala, Anbar, Baghdad, Babylon, and Basrah.¹⁷⁸ The program is developing a network of employment service centers to research market demand and help place unemployed Iraqis in long-term jobs, which CSP considers to be longer than three months. As of March 2008, USAID reports that there are nearly

59,000 people employed through the CSP.¹⁷⁹

The CSP program provides vocational training in Baghdad, Ninewa, Tameem, Basrah, North Babylon, and Anbar. As of March 31, 2008, more than 16,500 people have graduated from this training. Also, the program awarded more than 5,000 apprenticeships in the Baghdad, Ninewa, Tameem, and Anbar provinces.¹⁸⁰

USAID Office of Inspector General Audit of the CSP

This quarter, USAID OIG published an audit that found evidence of potential fraud in the CSP, which is funded by U.S. allocations of \$514 million. The finding of potential fraud—estimated to range from \$6.7 million to \$8.4 million—resulted in the suspension of projects in one district in Baghdad. These are the factors contributing to the program's vulnerability to fraud:¹⁸¹

- lack of regular, independent site monitoring
- inadequate vetting of CSP contractors

The potential fraud included possible diversion of funds to militia activities through overpriced trash collection contracts, timesheets with irregularities, and possible phantom Iraqi workers for the community cleanup campaigns funded by the program.¹⁸²

MARLA RUZICKA IRAQI WAR VICTIMS FUND

USAID has been helping Iraqi civilians injured by U.S. and Coalition forces since May 2003. Un-

der the CAP, the Marla Ruzicka Fund¹⁸³ implemented 699 projects, which directly benefited 329,857 war victims and their family members.¹⁸⁴ The projects cover a number of costs for civilian victims of the war in Iraq, including health care, income generation, and the rehabilitation of destroyed homes, schools, and clinics.

As of April 3, 2008, USAID received nearly \$40 million in U.S. appropriations for assisting Iraqi war victims, of which USAID has obligated \$20 million under the Marla Ruzicka Fund.¹⁸⁵

This quarter, USAID OIG conducted an audit to determine if USAID was in compliance with provisions of U.S. public law that guides how money from the Marla Ruzicka Fund is to be used. The audit reported these challenges for expenditure of funds:¹⁸⁶

- Although three Marla Ruzicka Fund implementing partners provided assistance in accordance with the directive of focusing on families of Iraqi civilians harmed during military operations, one partner concentrated its funding solely on community infrastructure projects in one region.
- Despite an emphasis on capacity building and sustainability, USAID has not developed a plan to help transfer the knowledge necessary for Iraqis to provide assistance to war victims once the Marla Ruzicka Fund has been exhausted. Erratic funding has led to a lack of planning for future sustainability. After U.S. assistance ends, Iraq may be ill-prepared to deal with harm suffered by Iraqi civilians as a result of the war.

O&M SUSTAINMENT PROGRAM

As of March 31, 2008, nearly \$170 million of the Operations and Maintenance (O&M) program had been expended—an increase of nearly 58% since last quarter.¹⁸⁷ This \$285 million program, managed by ITAO, assists Iraqis with sustainment efforts within the Iraqi ministries by providing in-plant services, consumables, and spare parts at major power plants, water and wastewater plants, and health, transportation, and communication.

A portion of this program's ESF funding is allocated to the electricity sector, which received more than 20% of programmed amounts. Nearly \$58 million of the IRRF has also supported the sector's O&M program, which works to develop, implement, and sustain an effective O&M plan

for the Ministry of Electricity (MOE) across all Iraqi power plants. The objective of the program is to coordinate and mentor the MOE O&M organization into an entirely functional and effective foundation of daily plant operations while simultaneously performing effective O&M services at six U.S. government-supported thermal and gas turbine power plants. The MOE's O&M program is now 74% complete, and it has been extended until September 2008, when formal transfer of responsibility to the MOE is expected.¹⁸⁸

The U.S. investment is vulnerable to additional waste if construction projects are not properly maintained.¹⁸⁹ SIGIR notes that comprehensive O&M programs and effective training are critical to improving sustainability of U.S. assets.¹⁹⁰

COMMANDER'S EMERGENCY RESPONSE PROGRAM

Since May 2003, the Commander's Emergency Response Program (CERP) has been used to produce targeted local relief and reconstruction efforts throughout Iraq. The Coalition Provisional Authority (CPA) initially created the fund using seized Iraqi assets and oil revenue from the Development Fund for Iraq (DFI). By late 2003, the Congress began to appropriate U.S. funds to these projects, and to date, more than \$2.66 billion has been made available to the CERP.¹⁹¹

As of March 31, 2008, nearly 96% of total CERP funds had been obligated, and 68% had been expended. For the status of CERP funding, see Figure 2.17.

This quarter, more than 940 projects have been completed, funded by \$169 million in obligations of the CERP.¹⁹² Generally, CERP funding supports independent projects as well as ongoing projects that have been started with other U.S. appropriations.

TRENDS IN CERP USES

Unlike the large-scale infrastructure work funded by the IRRF 2, CERP projects were intended to be smaller and more responsive to the immediate priorities of maneuver commanders.¹⁹³ The Multi-National Corps-Iraq (MNC-I), which coordinates use of the CERP, issues guidance for the selection and use of the funds in its publication, *Money as a Weapon System* (MAAWS). Included in MAAWS, MNC-I publishes the CERP Standard Operating Procedures (SOP)

for proposing projects, awarding contracts, and managing projects.¹⁹⁴ The SOP indicates that key elements for project selection are speed of execution, ability to employ Iraqis, benefit to the Iraqi people, and visibility to the community.¹⁹⁵ Overall funding trends are consistent with these priorities; however, the use of CERP funds has evolved both numerically and categorically.

CERP PROJECT VALUES

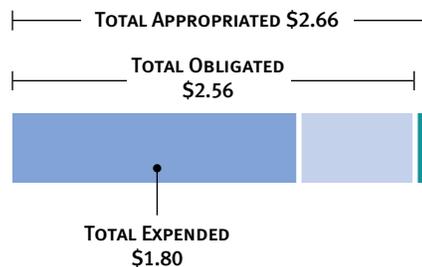
The CERP was initially intended primarily for small-scale projects that would benefit the local population.¹⁹⁶ These projects often supplement the long-term benefits produced by large infrastructure projects and reinforce economic efforts on a local level.¹⁹⁷

Figure 2.17

STATUS OF CERP FUNDS

\$ Billions

Sources: P.L. 108-287; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-28; P.L. 110-161; MNC-I, Response to SIGIR Data Call (4/9/2008)



Note: Numbers are affected by rounding.

AVERAGE OBLIGATIONS OF CERP PROJECTS, BY FISCAL YEAR

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Average Construction Value	\$69,121	\$138,962	\$170,151	\$160,452	\$306,193
Average Non-construction Value	\$42,159	\$70,993	\$72,466	\$75,280	\$85,266

Source: IRMS, *MNC-I Quarterly Report*, March 30, 2008.

Note: Figures are from the Iraq Reconstruction Management System (IRMS), a program management tool. IRMS is an unaudited source.

TABLE 2.27

Since 2004, CERP uses have shifted to match the needs of the operational environment. Figure 2.18 illustrates trends in CERP funding and project values, including:

- the steady growth of CERP appropriations and obligations
- total monthly CERP obligations
- the increase in the average project value
- fluctuating project completions

In early 2008, average obligations per project rose sharply. These trends are heavily influenced by increased funding for security programs and for large-scale infrastructure projects. The trend in both total obligations and total projects shows a distinct increase in the summer of 2007, which corresponds with the beginning of the **Sons of Iraq** program¹⁹⁸ (formerly known as Concerned Local Citizens). This program provides an additional layer of counterinsurgency protection at the neighborhood and community level.¹⁹⁹ Currently, the Sons of Iraq program is almost wholly funded through the CERP.²⁰⁰

In 2004, the average CERP non-construction project was valued at \$42,159. Currently, the average non-construction CERP project is valued at between \$70,000 and \$80,000.²⁰¹ The average obligation of a CERP construction project rose from \$69,121 in 2004 to \$170,151 in 2006. This figure dropped slightly in 2007; however, through the first three months of 2008, average value for construction projects reached more than \$306,000—an increase of nearly 91% from last year.²⁰² Table 2.27 shows the increase in average obligations per project in each year since 2004.²⁰³

As of March 30, 2008, of all CERP projects, those valued at \$500,000 or more made up only 2.6% of the total number of projects.²⁰⁴ However, projects valued at \$500,000 or greater have accounted for more than 37% of total CERP obligations.²⁰⁵ In contrast, for projects started in 2004, these high-cost projects were funded by only 13.7% of CERP obligations.²⁰⁶

CERP PROJECTS BY SECTOR

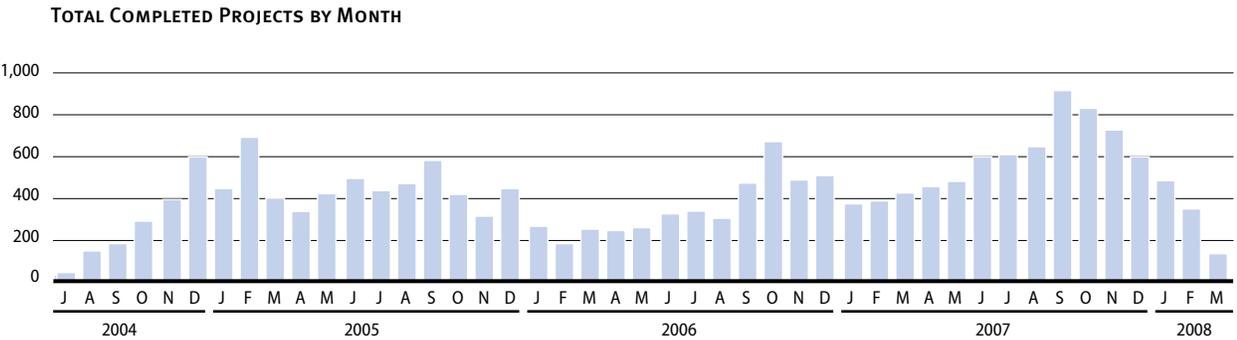
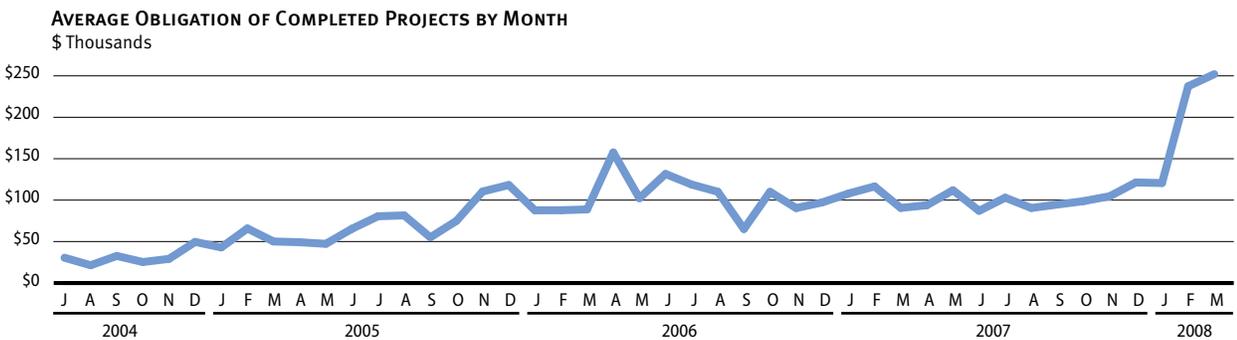
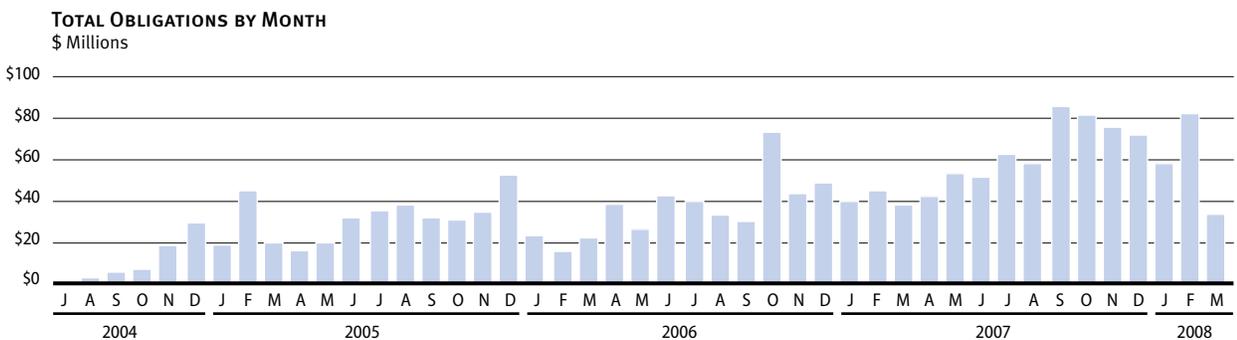
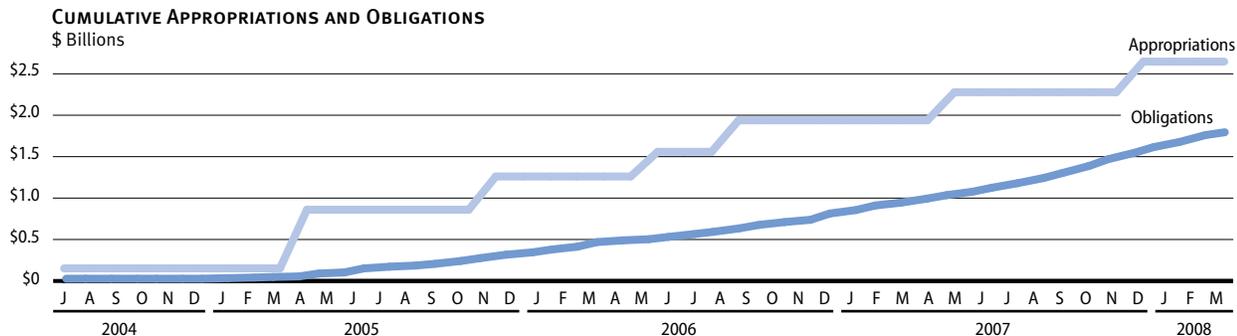
CERP projects span a range of reconstruction activities. MNC-I maintains oversight of the CERP and specifies that the uses of funds comply with authorized categories, shown in Figure 2.19. As part of its oversight, MNC-I also issued guidance to ensure that strategic efforts are met without duplication of work by other organizations and initiatives.²⁰⁷ However, SIGIR Audit 07-015 “documented frequent instances of CERP projects that conflicted with the capacity-development mission of PRTs by performing tasks that properly belong to local and provincial governments.”²⁰⁸

Figure 2.19 presents an overview of CERP obligations since FY 2004 and the change in the obligations for each permissible use from FY 2007 to FY 2008, which underscores the new trends in usage. Initially, most obligations of the CERP were focused on water, electricity, and related infrastructure projects.²⁰⁹ Although a significant portion of funding is still being spent in these areas, funding for security measures has been rising. This quarter, there was a notable spike in obligations for “Protective Measures”—a 95% increase over FY 2007. Although cumula-

Figure 2.18

TRENDS IN CERP APPROPRIATIONS AND OBLIGATIONS

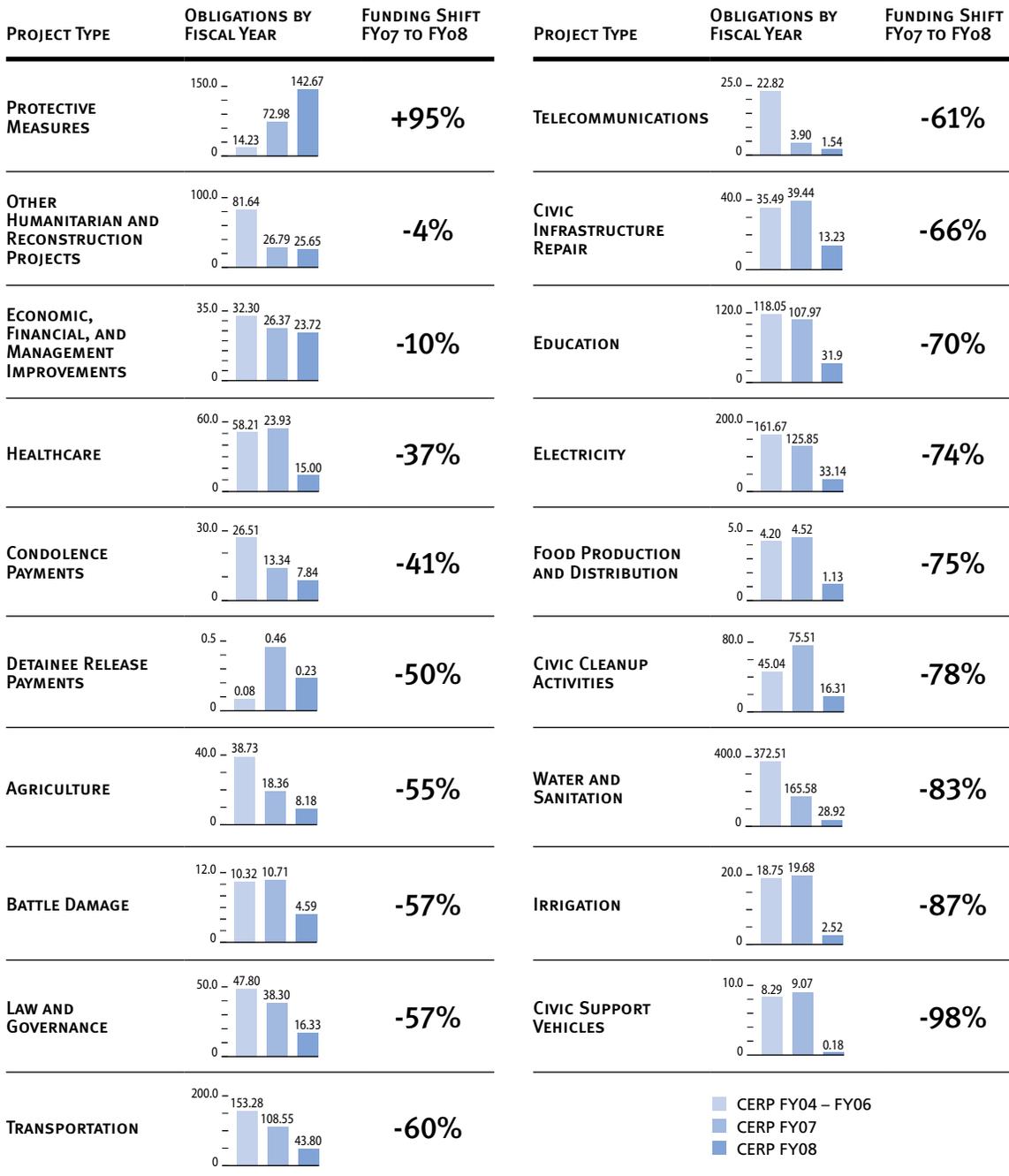
Source: IRMS, MNC-I Quarterly Report (3/30/2008)



Note: Date shown reflects the actual completion date of projects. CERP projects were started prior to CERP receiving direct appropriations because it was created with seized Iraqi assets and oil revenue from the Development Fund for Iraq (DFI).

Figure 2.19

CERP OBLIGATIONS BY PROJECT TYPE AND FISCAL YEAR (\$ MILLIONS)



Source: MNC-I, response to SIGIR data call, April 9, 2008.

Note: In May 2007, CERP guidance was amended to classify Micro-grants under the “Economic, Financial, and Management Improvements” category.

tively, only 8.9% of the total CERP obligations have been obligated to this category, nearly 35% of CERP obligations in FY 2008 funded Protective Measures, which includes fences, lights, barrier materials, the Sons of Iraq program, and other security measures.²¹⁰

CERP PROJECTS BY PROVINCE

As of March 30, 2008, more than \$2.56 billion of the CERP has been obligated for projects in all 18 provinces. By design, CERP projects differ widely based on the priorities requested by commanders as they adapt to the evolving needs of the communities they support. For this reason, the type of projects and the level of funding vary from province to province. In FY 2008, the top four provinces with the largest CERP obligations were:²¹¹

- Anbar—\$278 million
- Baghdad—\$802 million
- Basrah—\$236 million
- Ninewa—\$163 million

Since the beginning of 2007, Baghdad province has received the largest budget for CERP projects. In total, more than 5,400 CERP-funded projects have been started in Baghdad, with obligations of more than \$800 million.²¹² A frontage road park in the Al-Resafa district of Baghdad was completed this quarter. This project, valued at \$174,200, was funded by FY 2008 CERP funds. Ongoing large projects nearing completion include sewer projects in Al-Resafa, funded by \$4.8 million of the FY 2006 CERP,²¹³ and an electrical

distribution project, funded by \$4.9 million of FY 2007 CERP.²¹⁴

For a more detailed comparison of variations in major uses of CERP funds in the top four CERP provinces by FY 2008 obligations, see Figure 2.20.

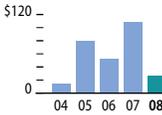
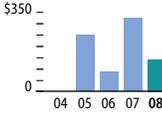
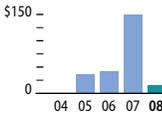
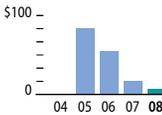
TRANSFERRING AND SUSTAINING CERP PROJECTS

Recent increases in large-scale project costs are significant because they present a management challenge for CERP coordinators.²¹⁵ Some officers have indicated difficulty in finding qualified project employees and providing adequate supplies to support the operations and maintenance of facilities.²¹⁶ SIGIR reported on key management control issues in its January audit of large-scale CERP infrastructure projects last quarter, including lack of adequate planning for transferring project control to Iraqi officials.²¹⁷ Since the release of that report, MNC-I has taken several steps to address this issue.²¹⁸

There is evidence that sustainment planning is being incorporated at the Multi-National Division (MND) level.²¹⁹ MNC-I first issued guidance in June 2007, when MAAWS was revised to include more direct language about how projects are identified and coordinated with local Iraqi officials.²²⁰ However, these revisions stopped short of giving direct guidance for transition and maintenance—particularly for large or more complex projects.²²¹ A few MNDs reported that they have addressed planning for long-term maintenance of large projects and increased their coordination

Figure 2.20

CERP OBLIGATIONS BY PROVINCE

PROVINCE	MAP	MAJOR USES	2004–2008 CERP OBLIGATIONS BY PROVINCE (\$ MILLIONS)	PROTECTIVE MEASURES
ANBAR		Since 2004, the two sectors that received the most CERP funds are the Electricity and Water and Sanitation sectors; also, 17% of total CERP funds were obligated for Transportation and 13% for Education.		In Anbar, FY 2008 obligations for protective measures represents 12% of Anbar's total FY 2008 CERP obligations. This is an increase from 1% of FY 2007 CERP obligations.
BAGHDAD		Since 2004, the two sectors that received the most CERP funds are the Electricity and Sanitation sectors; 29% of total CERP funds were obligated for Water and Sanitation and 13% for Electricity.		Baghdad has received the largest obligation for protective measures in FY 2008 — 43% of the total CERP obligations in this category.
BASRAH		Since 2004, the two sectors that received the most CERP funds are the Electricity and Water and Sanitation sectors; 31% of total CERP funds were obligated for Water and Sanitation and 21% for Electricity.		In FY 2008, there are no reported obligations for protective measures compared to \$46,000 in FY 2007.
NINEWA		Since 2004, the two sectors that received the most CERP funds are the Transportation and Education sectors; 21% of total CERP funds were obligated for Transportation and 19% for Education.		Ninewa has received less than \$1.2 million in FY 2008 obligations for protective measures, and in FY 2007, only just more than \$112,000 was obligated to meet these needs in FY 2007.

Source: IRMS, *MNC-I Quarterly Report*, March 30, 2008.

Note: FY 2008 is not completely obligated. Data is based on first two quarters.

with local officials.²²² However, these efforts are still met with several challenges:²²³

- The Iraqi budgeting cycle is not structured to be changed once the budget has been set for the year. Therefore, if a CERP project finishes mid-year without prior funding in the Iraqi budget, there is no system in place to accommodate the addition of the new project.
- Provinces may not have the necessary supplies or labor pool to maintain the projects.
- There is an inherent tension between responding to imminent security situations and planning for long-term sustainment. In these cases, the use of funds is driven by operational security needs.

A SIGIR audit published this quarter reiterated these planning challenges and noted that the U.S. agencies' proposal for standardizing the process for transferring assets to the GOI excluded a mechanism for CERP projects. Draft documentation between the U.S. agencies, and between the U.S. government and the GOI, only includes a process for IRRF-funded projects.²²⁴ The draft agreements potentially do not address more than \$3.5 billion in projects supported by the ESF, CERP, and ISFF.²²⁵

Moreover, a longstanding concern involves the unilateral transfer of projects at the local or provincial level without assurance that ministry officials with budget authority are prepared to sustain the transferred assets.²²⁶ Even at the national level, the GOI budget structure is a hindrance to maintaining CERP projects, which tend to be expedient in nature.²²⁷ CERP projects

are often completed and ready to begin functioning faster than the GOI is ready to receive them. Also, there is no contingency funding within the budget structure, which may limit the GOI's ability to support the maintenance of CERP projects after they are transferred.²²⁸

MNC-I commented on some of the processes that are in place at the division level to ensure that completed and transferred CERP projects are maintained. MNC-I noted that a new order required a Project Coordination and Transition GOI memorandum of agreement for all reconstruction projects greater than \$50,000.²²⁹ Moreover, due to a shift in planning to emphasize the "emergency and humanitarian assistance intent of the program as opposed to large-scale project development," it is reported that few CERP projects going forward will require long-term investment from the GOI.²³⁰

OPERATIONS AND MAINTENANCE OF CERP PROJECTS

The **Phase II Falluja Wastewater System** is an example of a substantial public works project that required funding from multiple sources to complete and sustain. The wastewater collection and treatment system is a \$78 million project,²³¹ with \$9.4 million of that amount funded by the CERP.²³² Although CERP funds only account for 12% of the total project cost, the size of the contribution is significant given that projects greater than \$1 million are only about 1% of CERP-funded projects to date—and 28% of total CERP obligations.²³³ Phase II of the project is scheduled to be completed in September 2008.²³⁴ It is esti-

mated that this project will service 228,000 Iraqis in Falluja.²³⁵ In addition to the services that will be supplied by the wastewater treatment plant, the construction project currently employs 450 Iraqis and is expected to employ more as construction continues.²³⁶

In addition to independent projects, CERP funds have been used to supplement larger infrastructure projects. For example, with the **Basrah Children's Hospital** project—now 85% complete—GRD reported that \$400,000 of the CERP was used to finalize a tie-in of a water line to the hospital.²³⁷

As the number of projects transferred to Iraqi control increases, maintenance and sustainment are critical to the long-term success of both CERP projects as well as other large-scale projects.²³⁸ Sustainability planning has become an important consideration when examining project success.

This quarter, SIGIR published four inspections of CERP projects: **Sarwaran Primary School construction, Binaslawwa Middle School construction, Al-Ghazaliyah G-6 Sewage Lift Station, and Kurdistan Regional Government's Ministry of Interior Complex**. These inspections assessed the design prior to construction, construction standards, quality control, and sustainment planning for project transfer.

The **Sarwaran Primary School** and **Binaslawwa Middle School**, both located in Erbil, were funded under the CERP to meet the demand of a new village of 600 families that were relocated from the city's old citadel area. The design of both projects was adequate. Both projects were pro-

posed and managed by Multi-National Division-Northeast (MND-NE).

SIGIR's inspection of Erbil's **Sarwaran Primary School**—a \$693,630 project started on June 1, 2007—identified construction deficiencies that were later corrected. The inspection concluded that although design prior to construction and QC had been adequate, the management of construction had been suboptimal, and planning for sustainment was lacking.²³⁹

On February 4, 2008, SIGIR inspected the **Binaslawwa Middle School**, a \$601,611 contract performed since June 2007. The construction work inspected was adequate; however, without appropriate records, SIGIR could not attest to the quality of the completed work. SIGIR also found that sustainment planning was not apparent, which leaves the burden of sustainment on the KRG.²⁴⁰

SIGIR also conducted an inspection of the repair of the **Al-Ghazaliyah G-6 Sewage Lift Station**, in Baghdad, Iraq. At the time the project was terminated due to security concerns, the contractor had completed work valued at just more than \$253,000.²⁴¹

In addition, CERP funds are being used to repair the **Kurdistan Regional Government's Ministry of Interior complex**, which was badly damaged by a vehicle bomb in May 2007. SIGIR inspected the facility this quarter and issued no negative findings with this project.²⁴² For more details on SIGIR inspections released this quarter, see Section 3 of this Report.

MICRO-GRANT FUNDING BY THE CERP

Micro-grants are given to disadvantaged Iraqi small-business owners²⁴³ to stimulate economic growth and to reinforce the efforts being made through large-scale infrastructure projects. The program is also used to combat Iraqi unemployment and to prevent or reverse business disruption. Although CERP regulations and the MAAWS provide no specific guidance on micro-grant uses, customary disbursement practices flow either directly from military officers or through the coordinated efforts of attendant civilian activities, such as PRTs.²⁴⁴ CERP users

are directed to coordinate and determine project needs “to gain the greatest effect and ensure effect synchronization”²⁴⁵ with local Iraqi government agencies, civil affairs elements, including PRDCs, PRTs, and USAID.

Payments of up to \$2,500 may be made under the same approval conditions that regulate condolence payments. Micro-grants above \$10,000 require the approval of the Corps Commander.²⁴⁶ In Salah Al-Din, CERP funds were used to meet more than \$300,000 of the annual operating costs for one PRT’s \$1.2 million micro-grant program.²⁴⁷ For a breakdown of micro-grant funding by MND (regions of Iraq) to date, see Table 2.28.

MICRO-GRANTS BY REGION

MULTI-NATIONAL DIVISION (MND)	AVERAGE COST PER MICRO-GRANT	TOTAL COST OF MICRO-GRANTS	TOTAL NUMBER OF MICRO-GRANTS ISSUED
MND-Central	\$1,715	\$1,139,053	664
MND-South East	\$2,445	\$24,449	10
MND-Central South	\$5,323	\$601,449	113
MND-Baghdad	\$2,264	\$2,613,198	1154
MND-North	\$2,057	\$606,860	295

Source: MNF-I, response to SIGIR data call, April 10, 2008.

Note: MNF-West and MND-North East did not participate in the Micro-Grant Program.

TABLE 2.28

BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS FUNDING

The Congress has made funds available through the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) to address needs in Iraq's criminal justice system. Since the early days of the U.S. reconstruction effort, INL has focused on reestablishing, reforming, and modernizing the criminal justice sector,²⁴⁸ administering policies and programs that develop corrections capacity, as well as the rule of law in Iraq by supporting Multi-National Force-Iraq (MNF-I) programs to develop the police force. INL administers its programs in conjunction with other agencies, contractors, and nongovernmental organizations.

Funding for these activities comprises direct appropriations to INL's International Narcotics Control and Law Enforcement fund (INCLE)—specifically allocated for work in Iraq—and transfers from the Iraq Security Forces Fund (ISFF) and Iraq Relief and Reconstruction Fund (IRRF). Between FY 2003 and FY 2008, INL received nearly \$2.88 billion²⁴⁹ from these sources:

- \$1.26 billion from the IRRF and DoD funds that were transferred to INL
- \$1.35 billion from ISFF funds that were transferred to INL
- \$261 million from INCLE

For an overview of funding for INL, see Figure 2.21.

STATUS OF INL FUNDING

Of the total INL appropriation and fund transfers, \$2.6 billion has been obligated and \$2.2 billion has been expended.²⁵⁰ For a summary of total INL funds status, see Figure 2.22.

The Office of Management and Budget (OMB) reports that INL received total appropriations of \$281 million to the INCLE. However, INL records indicate \$261 million in direct appropriations, which do not include \$20 million appropriated under the Emergency Wartime Supplemental Appropriations Act, 2003 (P.L. 108-11). As of March 31, 2008, of the total appropriated directly to the INCLE, \$162.19 million has been obligated, and \$39.43 million has been expended.²⁵¹

For the status of INCLE funds appropriated in P.L. 108-11, see Figure 2.23.

FUNDING USES

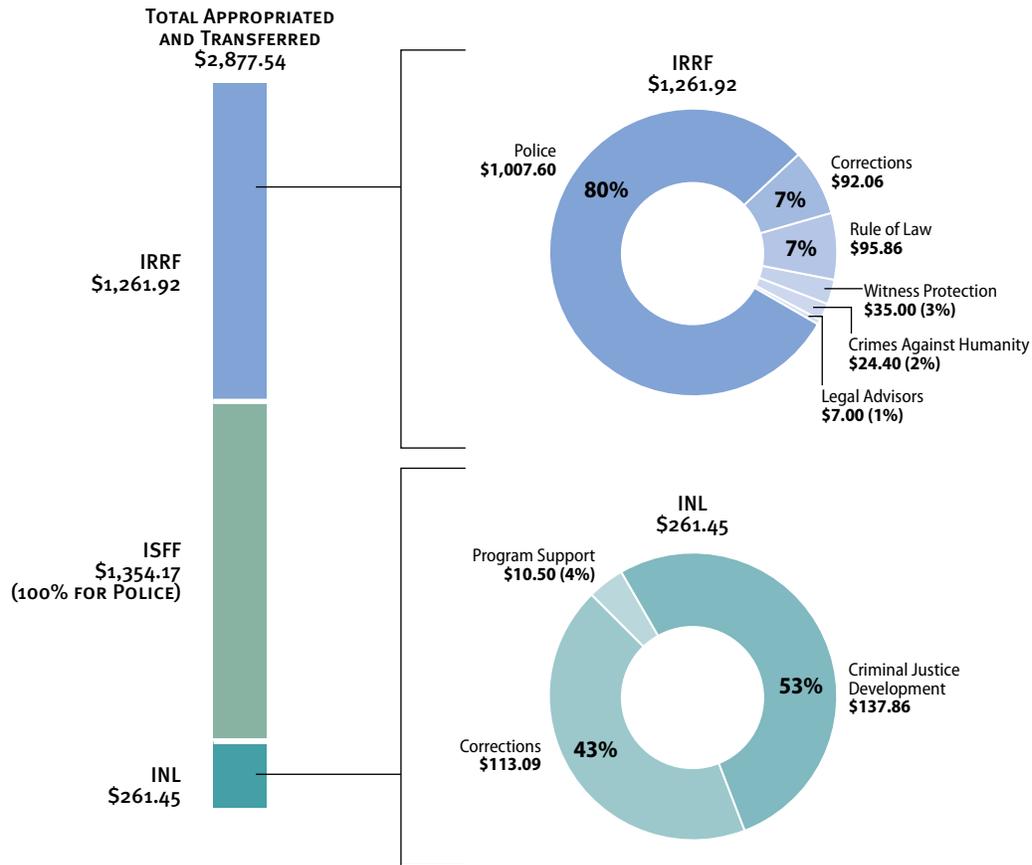
In Iraq, INL projects have focused on police training, rule-of-law programs, and training and development of the Iraqi Corrections Service to increase the capacity in each of these areas.²⁵² INL programs also include the construction and upgrade of corrections facilities. INL's mission is focused on hiring and training of criminal justice personnel, and advisory assistance on a range of criminal justice and court administration issues.²⁵³

Figure 2.21

INL APPROPRIATIONS AND TRANSFERS

\$ Millions

Source: INL, Response to SIGIR Data Call (4/8/2008)



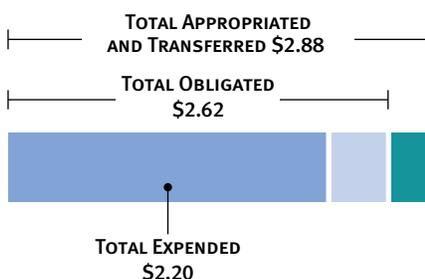
Note: Numbers are affected by rounding.

Figure 2.22

STATUS OF INL FUNDS

\$ Billions

Sources: INL, Response to SIGIR Data Call (4/8/2008)



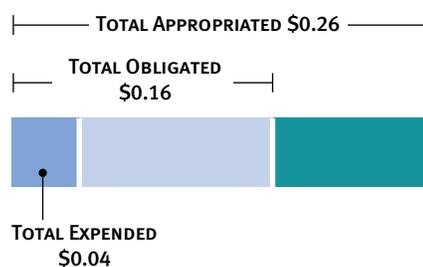
Note: Numbers are affected by rounding.

Figure 2.23

STATUS OF INCLE FUNDS

\$ Billions

Source: INL, Response to SIGIR Data Call (4/8/2008)



Note: Numbers are affected by rounding.

In addition to programs administered from INCLE, many programs are delivered in conjunction with other justice and law enforcement agencies, such as the United States Marshals service, Multi-National Security Transition Command-Iraq (MNSTC-I), and the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers (USACE).²⁵⁴ For the status of funds appropriated to INCLE by programs, as of March 31, 2008, see Table 2.29.

INL uses contractors to carry out most of its Iraq reconstruction work. The Department of Justice International Criminal Investigative Training Assistance Program (ICITAP) and USACE programs are executed almost exclusively by contractors.²⁵⁵ Since 2004, approximately 55% has been obligated directly to these firms. DynCorp International has received the most INL funding—more than \$1 billion in total obligations.²⁵⁶ Currently, the portion of the contract

covering DynCorp's work in Iraq expires on April 30, 2008, and a new award is pending. For a listing of the top INL contractors by award amount, see Table 2.30.

POLICE

Most of INL's work in Iraq focuses on supporting MNF-I's program to train and assist Iraq's police; just more than 84% of total INL obligations have funded these types of projects.²⁵⁷ INL supports police training indirectly by providing International Police Advisors (IPAs) and other capacity-building expertise.²⁵⁸

INL continues to support the military's efforts to train and equip Iraqi police by contributing IPAs. INL assists the GOI and U.S. Central Command's Civilian Police Assistance Training Team (CPATT) in professionalizing civil law enforcement institutions and the Iraqi Police Service (IPS) to maintain order in a manner

INCLE FUNDING BY PROGRAM (\$ MILLIONS)

PROGRAM	ALLOCATIONS	OBLIGATIONS	EXPENDITURES
Corrections	\$113.09	\$111.03	\$23.71
Courts ^a	59.17	8.29	0.00
Justice Integration	26.74	1.92	–
Public Integrity	23.45	16.84	11.91
Rule-of-law Advisors	13.81	8.97	0.28
Major Crimes Task Force	12.17	9.02	0.22
Other (PD&S)	10.50	6.11	3.31
Legal Framework	2.52	0.02	0.00
Total	\$261.45	\$162.20	\$39.43

Source: INL, response to SIGIR data call, April 3, 2008.

Note: Numbers are affected by rounding.

^a Total expenditures for the Courts program category cannot be shown; they total only \$4,000.

TABLE 2.29

TOP INL CONTRACTORS (\$ MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED
DynCorp	\$1,423.97	\$1,255.28
BearingPoint	\$16.29	\$13.04
PAE	\$1.26	\$0.41

Source: INL, response to SIGIR data call, April 3, 2008.

Note: Numbers are affected by rounding.

TABLE 2.30

consistent with international policing and human rights standards.²⁵⁹ This quarter, INL continued to support DoD law enforcement with these resources:²⁶⁰

- 690 IPAs assessed, trained, advised, and mentored IPS personnel members of Police Transition Teams (PTTs) through the DynCorp International contract.
- 191 IPAs, in partnership with the DoJ ICITAP, provided guidance to Iraqi trainers at the academies, through ICITAP’s contract with Military Professional Resources Inc.
- 70 IPAs delivered training and mentoring to

Iraq’s Department of Border Enforcement in conjunction with military Border Transition Teams (BTs).

This quarter, SIGIR published a report on INL’s DynCorp contract for the task orders that apply to work in Iraq. The report is a follow-up on recommendations made in an audit in October 2007 on the administration of the contract for the Iraqi Police Training Program and in a joint report with DoS Office of Inspector General in January 2007.²⁶¹

SIGIR initially identified several contract management issues and recommended that INL develop a plan for corrective action and provide the resources to implement it.²⁶² This quarter, SIGIR reported that INL has taken steps to respond to issues raised in both audits.²⁶³ For a more detailed discussion of SIGIR findings, see Section 3 of this Report.

RULE-OF-LAW PROGRAMS

INL has played a role in advising central government and provincial officials and developing the rule of law in Iraq. As of March 2008, rule-of-law programs have received INL funds to support and deliver programs that strengthen the justice system by assisting Iraq's judiciary to draft legislation, providing rule-of-law advisors, training judges and judicial investigators, and improving judicial witness security.²⁶⁴

This quarter, INL reports that an important step in judicial training was accomplished when the Higher Juridical Council (HJC) approved the plan for the Judicial Education and Development Institute (JEDI). The JEDI will be located on the Central Criminal Court-Iraq campus in Baghdad to provide continuing education of justices already in the criminal justice system and possibly some new judges.²⁶⁵ For more details on other rule-of-law programs, see the *Governance and Capacity Development* section of this Report.

Facilities

INL currently partners with the U.S. Marshals Service to upgrade Iraqi courthouses. Efforts include assessing the security of courthouses

and providing assistance and education to Iraqi personnel. INL reported that progress has been made this quarter in security upgrades for some courts in Iraq. To date, INL has completed site assessments on 10 courts in Hilla, Mosul, Baquba, Kirkuk, Basrah, Ramadi, Abu Ghraib area, Falluja, Al-Ka'im, and Heet. The last assessment was completed in late 2007. Last quarter, courthouses in Baquba, Hilla, Kirkuk, and Mosul were reportedly scheduled for upgrades. This quarter, INL anticipates that Kirkuk upgrades will begin on June 29, 2008, with an expected completion date of July 22, 2008.²⁶⁶

Judicial Security

In previous quarters, SIGIR reported on the security challenges to justice personnel and witnesses and its threat to the advancement of the justice system. This quarter, the Justice Attaché reported that one of the most significant challenges to the rule of law in Iraq is "continued use of violence and intimidation against the judiciary..."²⁶⁷ Since 2003, 35 judges and 67 judicial security personnel have been killed.²⁶⁸ This quarter, two judges and one judicial employee lost their lives.²⁶⁹ Accordingly, this threat of violence has made judicial security a priority for INL.

Since 2006, INL has worked with the GOI to implement the Judicial Protection Service (JPS), to be modeled after the U.S. Marshals Service, but they have not yet been successful.²⁷⁰ INL reported that the implementation of JPS continues to face these challenges:²⁷¹

- There is a lack of adequate funding for personnel salaries.

CONSTRUCTION OF WITNESS PROTECTION FACILITIES

CITY	ESTIMATED COMPLETION	% COMPLETED	CHANGE SINCE LAST QUARTER
Mosul	Terminated ^a	55%	N/A
Rusafa	5/31/2008	64%	Up 16%
Basrah	4/15/2008	96%	Up 30%
Al Karkh	Completed	100%	No Change

Source: U.S. Embassy, response to SIGIR data call, April 3, 2008.

^a The Mosul Courthouse and *Witness Protection* projects were terminated in January 2008.

TABLE 2.31

- The GOI has not issued weapons permits for JPS employees.
- No authorization has been given to hire the security force as regular GOI employees.

SIGIR has reported on these challenges in previous quarters. INL reports that it is working with the HJC to resolve these issues and to encourage the GOI legislature to formally and fully establish JPS.

INL has also worked to create secure housing for judges and their families. This quarter, INL is providing safe residency to 37 judges and their families. This is a slight decrease from 40 families served last quarter; however, the secure housing complex is used for judges on assignment in Baghdad and residency is not static.²⁷²

Improving and expanding witness protection facilities have also been a priority for INL. As of March 2008, one witness protection facility has been completed, and two facilities are in progress. The projects at the Mosul Courthouse and Witness Protection facilities were terminated after they sustained significant damage from a bombing.²⁷³ For an overview of these projects, see Table 2.31.

Capacity Development

In March 2008, INL hired a new subject matter expert to advise the Iraq Justice Integration Project (IJIP), following the loss of its original implementer.²⁷⁴ IJIP works to strengthen the coordination of the police, courts, and prisons, providing information systems technology that will allow officials to process and track criminals through every stage of the justice system. The previous contractor completed its original Delivery Order prior to departure, and INL is currently planning for the expansion of the project. To date, IJIP has tested and implemented a prototype defendant-tracking system in eight sites in Baghdad, provided user training for Iraqi and INL personnel, and produced software and procedural guides.²⁷⁵

INL works to enhance the capacity of both new and existing justice personnel by providing criminal justice advisors and training assistance. Through the Major Crimes Task Force (MCTF), U.S. federal agents mentor and advise Iraqi law enforcement personnel assigned to the task force. In addition, 3 training sessions were provided to Iraqi law enforcement personnel.²⁷⁶

- 17 Iraqi MCTF personnel were trained in defensive tactics, cell phone exploitation, in-

interviewing techniques, undercover operations, and firearms.

- 10 Iraqi MCTF personnel were trained on the Iraqi Automated Fingerprint Identification System.
- 16 Iraqi Investigators and Interpreters were trained on crime scene and advanced forensic techniques procedures.

Also, in partnership with ICITAP, INL supported the GOI Commission on Integrity (CoI) by administering training to 115 students on basic investigations techniques, tactical skills, and witness security.²⁷⁷ In addition to personnel-specific training, INL provides advisory support to enhance rule-of-law policies and procedures. ICITAP advisors also provided guidance to CoI investigators on 209 new cases in addition to 253 ongoing cases.²⁷⁸

INL funds 15 rule-of-law personnel in Iraq, which includes both DoJ Resident Legal Advisors (RLAs) as well INL Rule of Law Advisors. This quarter, INL reports that the agency also funded two new DoJ RLAs for the Provincial Recon-

struction Teams (PRTs). INL-funded advisors currently support PRTs in Anbar, Baghdad, Diyala, Erbil, Kerbala, Kirkuk (Tameem), Ninewa, Najaf, and Salah al-Din.²⁷⁹

CORRECTIONS

The Iraqi Corrections Services (ICS) continues to deal with significant growth in the prison system. INL funds programs to enhance ICS capacity by assisting the development of personnel and improving physical facilities in partnership with other agencies. Projects include the construction and refurbishment of prison facilities.

Between FY 2003 and FY 2008, obligated funds for INL's corrections programs have totaled more than \$111 million. These programs will make an impact on the prison system by increasing capacity by more than 4,000 beds.²⁸⁰

To date, \$82 million have been obligated for five corrections projects in an inter-agency agreement with GRD.²⁸¹ For the status of prison construction projects funded by INL, see Table 2.32.²⁸²

INL-FUNDED PRISON CONSTRUCTION PROJECTS

PRISON	VALUE (\$ MILLIONS)	STATUS ^a	ESTIMATED DATE OF COMPLETION
Basrah Central	\$9.86	0%	TBD
Chamchamal	\$32.16	7% complete	January 2009
Fort Suse: Phase I	\$6.03	7% complete	January 2009
Fort Suse: Phase II	\$11.48	Contract bid planned	Not Available
Nassriya: Phase II	\$7.32	20% complete	December 2008 ^b

Source: U.S. Embassy, response to SIGIR data call, April 3, 2008.

^a Percentages as of March 18, 2008. The completion dates for Basrah Central and Nassriya Phase II have been delayed, primarily because of bad weather and poor contractor performance.

^b The contractor has pulled the work crews from Phase II to help with finishing Phase I in time for an April 2008 opening.

TABLE 2.32

Nassriya Phase II is a continuation of the Phase I project, which was funded by the IRRF. Phase I is scheduled to be completed in April 2008. This quarter, INL deployed advisors to Nassriya to train ICS personnel in preparation for the opening of the new prison facility.²⁸³

This quarter, SIGIR published two inspections of the Nassriya Prison—an assessment of the construction of the initial 800-inmate Nassriya prison facility that began under the IRRF program and an assessment of Phase II construction of a 400-inmate expansion of the facility, which is funded by the INL. A review of the design and construction work revealed that the construction design and quality-control plan were sufficient. Also, the issue of sustainability was directly addressed in the contract, which included provision

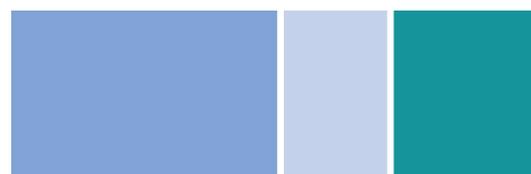
for personnel training, operating manuals, and warranties for a period of one year. The project is currently in compliance with its contract, and no negative findings were reported.²⁸⁴

As of March 2008, INL correction programs have also met these reconstruction priorities:

- Work began on the Chamchamal prison, to convert an old security fort into a 3,000-bed medium- and high-security facility.²⁸⁵
- INL worked with MNF-I, ICS, and the Ministry of Interior to reconstitute security operations at the Baddush Prison, near Mosul, and continued training programs for ICS personnel.²⁸⁶

Two new corrections projects are slated to begin in the coming months.

DEVELOPMENTS IN IRAQ



section

2b

SECURITY

Five years after the March 2003 invasion, security within Iraq continues to be a primary focus of U.S. relief and reconstruction efforts. All of the major U.S. reconstruction funds have contributed to bolstering security across the country, and obligated funds to this sector total more than \$20.39 billion:

- **Iraq Security Forces Fund (ISFF):** \$11.23 billion²⁸⁷ has been obligated for security.
- **Commander's Emergency Response Program (CERP):** \$0.49 billion has been obligated for security projects.²⁸⁸
- **Economic Support Fund (ESF):** \$1.48 billion has been obligated for security projects.²⁸⁹
- **Iraq Relief and Reconstruction Fund 2 (IRRF 2):** more than \$7.19 billion has been obligated for security projects.²⁹⁰

STATUS OF THE SURGE

In January 2007, President Bush ordered 30,000 additional troops into Iraq as part of a tactical and operational shift intended to suppress the rising violence in Iraq. This troop “surge” was carried out through the deployment of five U.S. Brigade Combat Teams (BCTs),²⁹¹ focused initially on the Baghdad and Anbar provinces. Iraq also surged its forces to augment U.S. troops as part of the Baghdad Security Plan.

In early March 2008, DoD reported that the security environment had “improved significantly over the past six months,” but that progress in some areas was fragile.²⁹² DoD attributed the

decline in violence to a number of factors, including the surge,²⁹³ the Mahdi Militia's ceasefire,²⁹⁴ the Anbar Awakening,²⁹⁵ and the Sons of Iraq initiative.²⁹⁶ However, on March 23, 2008, violence flared again in Basrah and Baghdad.

The Joint Campaign Plan envisioned a return of all 5 surge BCTs, reducing the total in Iraq from 20 to 15.²⁹⁷ However, the President,²⁹⁸ the Secretary of Defense, and the Commanding General, MNF-I, qualified the drawdown as being conditions-based. Notwithstanding the reported success of the surge, the Commander, MNF-I, noted that while improved, “the Iraqi Security Forces are not yet ready to defend Iraq or maintain security throughout the country on their own.”²⁹⁹

Although recommending the drawdown of the 5 surge BCTs by the end of July 2008, the MNF-I Commander has planned a 45-day “period of consolidation and evaluation” before further withdrawals are executed.³⁰⁰ This suspension of the scheduled withdrawal of additional U.S. troops³⁰¹ is intended to provide military commanders the “flexibility...to preserve the still fragile security gains...achieved.”³⁰²

The United States continues extensive training programs for the Iraqi Security Forces (ISF). Military Transition Teams gather information on ISF personnel and operations in an Operational Readiness Assessment,³⁰³ which measures a unit's potential to advance to the next level, the effectiveness and quality of the leadership, a unit's



New members of the Sons of Iraq are greeted by U.S. military personnel.

capability and reliability, and how much the Coalition needs to provide oversight.³⁰⁴ MNSTC-I also conducts a quarterly training assessment.

To address security issues in vulnerable areas (particularly in Salah al-Din, Baghdad, Diyala, and Ninewa), MNSTC-I is working with both the Ministry of Defense (MOD) and Ministry of Interior (MOI) to focus efforts in these provinces. MNSTC-I notes challenges in all four areas are systemic, and is utilizing Police Transition Teams to help the MOI strengthen leadership, manning, equipment management, and communications capacities. MNSTC-I reported that two Army brigades and two battalions have been deployed among Baghdad, Diyala, and Salah al-Din this quarter.³⁰⁵

STATUS OF THE ISF

Two months after the U.S. invasion of Iraq, the Coalition Provisional Authority began rebuilding Iraq’s security apparatus. The United States has since worked to create a new force capable of providing internal security and protecting territorial integrity. For an overview of the major services that form the ISF and their managing authorities, see Table 2.33.

ISF personnel data is reported in three categories:³⁰⁶

- *Trained*: total trained figures, but does not account for personnel listed as AWOL, as casualties, or outside of assigned categories
- *Assigned*: payroll data, which does not reflect “present-for-duty” totals

MINISTERIAL OVERSIGHT OF THE ISF

MINISTRY OF INTERIOR	MINISTRY OF DEFENSE
Iraqi Police Service (IPS)	Iraqi Army
National Police (NP)	Air Force
Department of Border Enforcement (DBE)	Navy
Facilities Protection Service	

TABLE 2.33

- *Authorized:* GOI end-state goal for a counter-insurgency force

MNSTC-I identified different methods used by the MOI, MOD, and Iraqi National Counter-Terrorism Force (INCTF) to determine authorized figures. The MOI established an end-strength ceiling, which is used by provincial police directors and other hiring entities. MOD's Joint Headquarters provide the military force goal, which is achieved by combining the Prime

Minister's (PM's) directive to increase manning by 35% and the Modified Table of Organization and Equipment (MTOE).³⁰⁷ The INCTF uses the MTOE, which is approved by the Prime Minister for Special Operations units.³⁰⁸ For a review of GOI authorization, see Table 2.34.³⁰⁹

The GOI continues to expand force-generation plans and has authorized a final force size of 572,720.³¹⁰ For a total of personnel trained, see Figure 2.24.

IRAQI SECURITY FORCES AS OF FEBRUARY 29, 2008^a

COMPONENT	CURRENT AUTHORIZED PERSONNEL ^b
Ministry of Interior (MOI) Forces^c	
Iraqi Police Service (IPS) ^d	288,001
National Police (NP) ^e	33,670
Department of Border Enforcement (DBE)	38,205
Total MOI	359,876
Ministry of Defense (MOD) Forces^f	
Army	186,352
Support Forces ^g	17,369
Air Force	2,907
Navy	1,483
Total MOD	208,111
Counter-Terrorism Bureau	
Special Operations ^h	4,733
Total Iraqi Security Forces	572,720

Source: MNSTC-I, response to SIGIR data call, April 12, 2008.

Notes

- a. Numbers do not include ministry staffs.
- b. Numbers reflect Government of Iraq (GOI) authorizations.
- c. MOI strength excludes other services within the MOI, including MOI headquarters personnel, forensics, Facilities Protection Service, and contracted guards.
- d. The Iraqi Police Service consists of all provincial police forces (station, patrol, traffic, and special units) assigned to all 18 Iraqi provinces.
- e. Includes the National Emergency Response Unit.
- f. The MOD authorized numbers are derived from Modified Table of Organization and Equipment (MTOEs), and reflect the 20% manning increase based on the Prime Minister's initiative.
- g. Support forces includes logistics units and training centers, all of which are assigned to the Iraqi Army.
- h. Does not include personnel assigned to the Counter-Terrorism Bureau (CTB) or Counter-Terrorism Command (CTC) headquarters.

TABLE 2.34

WEAKNESS IN REPORTING

Between November 2007 and January 2008, the reported MOI trained total was revised downward from 241,960 to 224,606 after duplications in data entry were corrected.³¹¹ This quarter, a SIGIR audit on ISF accounting processes found a number of continuing limitations to the data published quarterly on authorized, assigned, and trained personnel.³¹² SIGIR found that a primary reason for the variances in numbers reported over time appears to be the result of changing methodologies from report to report.

In March 2008, DoD noted that both MOD and MOI currently focus more on the numbers of authorized, assigned, and present-for-duty personnel than on the number trained.³¹³ In April 2007, the Government Accountability Office (GAO) reported that published numbers are inaccurate because the MOD excludes absentees, and the MOI releases questionable data that includes AWOL personnel.³¹⁴

MNSTC-I reported that the MOI initiated a review of personnel accounting in December 2007.³¹⁵ The evaluation, which is expected to take several months, focuses on MOI offices and other entities and will “reconcile approved hiring orders against those personnel whom the MOI actually reports as assigned.” The goal is to minimize the number of ghost employees and to identify personnel without hiring orders. The MOI also plans to establish a database to connect human resources, payroll, and training management to address personnel accounting.³¹⁶

MINISTRY OF DEFENSE TRAINING PROGRAMS

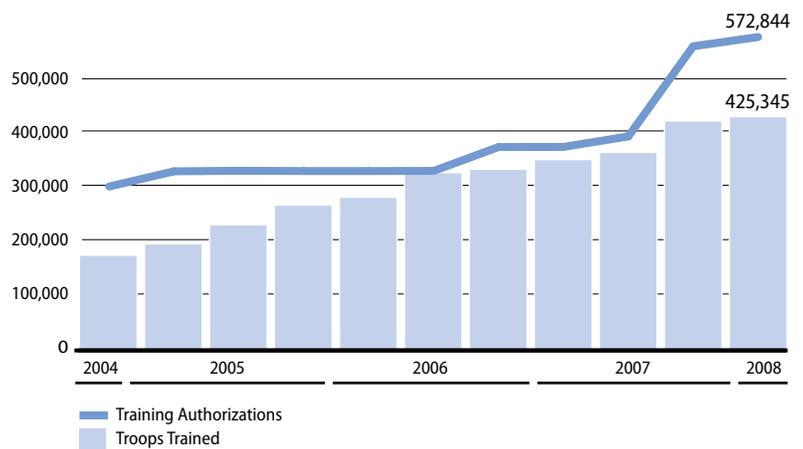
As of April 9, 2008, the reported number of trained MOD personnel is 202,577,³¹⁷ which is an increase of 8,344 since January 2008. The determined force strength authorization is 208,111.³¹⁸

To accompany an increase in authorized force goals, the MOD is expanding the military training system³¹⁹ by addressing gaps in leadership training, building training centers, and providing specialty training to enhance the capacity of the Iraqi Army.³²⁰ Annually, there are seven cycles for basic combat, non-commissioned officer (NCO), and Military Occupation Specialty Qualifica-

Figure 2.24

IRAQI TROOP TRAINING AND AUTHORIZATIONS

Sources: DoD, *Measuring Security and Stability in Iraq*, July 2005, October 2005, February 2006, May 2006, August 2006, November 2006, March 2007, June 2007, September 2007, December 2007, and March 2008; Testimony of General David H. Petraeus (4/8/2008)



tion trainings, which are conducted across two division training centers and six regional training centers.³²¹ MNSTC-I has increased capacity at these locations by more than 26,860 trainees per cycle (188,020 per year).³²² Basic combat training capacity has grown significantly, by 21,800 per cycle (152,600 annually).³²³

New courses continue to be added across the branches and across ranks as part of the expansion.³²⁴ Over the last five quarters, training totals have increased overall from 16,927 in the first quarter of 2007 to this quarter's total of 29,061.³²⁵ However, double counting of trainees continues to complicate reporting of these totals. In the fourth quarter of 2007, for example, an accounting error led to a duplication of 22,000 reported MOI personnel.³²⁶

One of the major impediments to obtaining an accurate training count is that attrition rates for the Iraqi Army are estimated to be 3.6% per month.³²⁷ DoD also noted that MOD AWOL reporting rates lag by more than a month, and, therefore, 27,000 personnel are expected to be removed from the payrolls based on 2007 personnel accounting.³²⁸

Of particular note, in a recent audit, SIGIR identified the relative shortfall in the size of the officer and NCO corps. The shortage of officers in the Iraqi defense forces remains a significant concern, one that could take a decade to address.³²⁹ DoD recently reported that the Iraqi Army has 30% more NCOs and almost as many commissioned officer positions to fill. This shortage is particularly acute because of increases in the recruitment of enlisted personnel, all of whom require officer supervision.³³⁰

Advisory Support

As part of the emphasis on training, the United States continues to supply advisors to the MOD. As of April 2008, there were approximately 391 American advisors—78.8% are U.S. military and the remaining are U.S. contractors.³³¹ The MOD-Advisory Team (AT) and Joint Headquarter-Advisory Team (JHQ-AT) have a combined total of 48 advisors, who work with senior Iraqi officials to strengthen ministerial capacity.³³²

Other subordinate commands under MNSTC-I also provide advisors to the GOI. The Coalition Air Force Transition Team has advisory teams at the operational, strategic, and tactical levels for the Iraqi Air Force. The Naval Transition Team is embedded at the Umm Qasr Naval Base.³³³

MINISTRY OF INTERIOR TRAINING PROGRAMS

As of April 9, 2008, the reported number of MOI trainees totaled 238,216.³³⁴ The GOI has authorized an end-strength of 359,876, which is an increase of 121,660 personnel from the current training total. Also, the MOI has assumed responsibility for all but one training center.³³⁵ Since early May 2007, more than 38,000 recruits graduated from 261 training programs; more than 22,000 completed training this quarter. The Civilian Police Assistance Training Team (CPATT) anticipates that an additional 22,548 recruits will graduate by June 2008.³³⁶

The GOI continues to expand force-generation plans and has authorized a final force size of 572,720, which is reinforced by the rising rate of MOI training graduation.³³⁷ In 2007, 47,934

enlisted recruits and 1,817 officers completed training. By the end of March 2008, more than 20,400 police recruits and 953 officers had already graduated from training courses.³³⁸

The MOI has increased officer training capacity by 27% (1,720 seats) at the Baghdad Police College. Capacity for enlisted police grew by 1,800 seats with the creation of a new Baghdad training center.³³⁹ For a comparison of total graduation rates in 2007 to the first quarter of 2008, see Table 2.35.

U.S. Efforts

As police personnel and authorizations continue to expand, the United States is working with the MOI to reduce a training backlog of 72,000³⁴⁰ (resulting from an influx of new trainees) and to develop a base expansion plan. The goals are to address the issues associated with the rapid growth of the police forces, to standardize training, and to increase training.³⁴¹ MSNTC-I and the MOI have also established a joint assessment team to evaluate the standards at training centers.³⁴²

The United States continues to supply advisors to programs for the ISF and MOI. As of April 2008, CPATT had filled 212 of the allotted 240 advisory positions, and all but 2 positions are staffed by either U.S. military personnel or U.S. contractors.³⁴³

The rising number of police recruits has affected some advisory efforts. Local police academies have been unable to keep pace with the demand for basic training. They have reduced higher-level training activities (conducted by

International Police Advisors) to provide more basic training courses. However, DoS anticipates that the senior advisors to these classes will be needed again once the wave of recruits advances in training.³⁴⁴

The MOI and United States are also working to mitigate sectarian influences by conducting a re-bluing program³⁴⁵ for the National Police (NP). Currently in the third of four phases, the program retrains eight NP brigades to improve overall operational effectiveness. The final goal is for the NP to establish permanent bases outside of Baghdad.³⁴⁶

MOI TRAINING

SERVICE	2007	FIRST QUARTER 2008
Iraqi Police Service Shurta	30,773	14,304
Iraqi Police Service Officer	1,572	373
IPS Total	32,345	14,677
National Police Shurta	12,343	3,620
National Police Officer	206	191
NP Total	12,549	3,811
Department of Border Enforcement Shurta	1,580	1,071
Department of Border Enforcement Officer	0	82
DBE Total	1,580	1,153
Facilities Protection Service Shurta	3,238	1,436
Facilities Protection Service Officer	39	307
FPS Total	3,277	1,743
Total Shurta	47,934	20,431
Total Officer	1,817	953

Source: MNSTC-I, response to SIGIR data call, April 12, 2008.

Note: Shurtas are police personnel who do not have arrest authority.

TABLE 2.35

This aim of the current phase, which began in October 2007, is to “incorporate transitional policing skills that are not currently available.”³⁴⁷ Two brigades (824 police) have already completed the seven-week course.³⁴⁸ Although this phase is expected to end in March 2009, the MOI and NATO are considering a program extension to train an additional four brigades.³⁴⁹

The United States is also working to address logistical and technological challenges. MSNTC-I has provided personnel and ISFF funding to address warehouse and maintenance limitations, to improve equipment reporting accountability, and to leverage commercial sites for vehicle repair parts. As part of this assistance, the United States has encouraged the use of technology. There has been some success with logistics and human resources directors, but MNSTC-I reports that, as a whole, the MOI remains reluctant to use information systems. They cite these challenges:³⁵⁰

- There is limited access to electricity and the Internet.
- Increased transparency could reveal malfeasance.
- There is an “innate aversion of the workforce” to change from manual methods.
- Iraqis have been hesitant to implement an unproven system.

LOGISTICS

Building Iraqi logistics capacity has become a focus of U.S. efforts, which includes embedded advisory support, training courses, and planning for fixed-base support facilities. To provide for the transition to a self-sustained logistics function

in support for the ISF, significant advisory and training support is ongoing. Current plans are to transition all logistics components to self-sufficient GOI institutions by the end of 2008.³⁵¹ This delayed goal of an indigenous force logistics capability, however, appears to face additional challenges posed by rapid planned force generation.³⁵²

Transition to Iraqi Control

The original goal was to transfer all logistics capabilities by January 1, 2008.³⁵³ However, this date has shifted as a result of the requirements of supply and replenishment of combat forces—at the expense of developing combat support, combat servicing, and training.³⁵⁴ December 2008 is now identified as the anticipated transition to the GOI being “mostly” self-sufficient.³⁵⁵

Current plans provide for an ambitious schedule of force generation, training, infrastructure development activities, and the cessation of Coalition funding support to meet this objective. Significant challenges remain,³⁵⁶ but a baseline level of support for all Iraqi Army divisions is anticipated by July 31, 2008.³⁵⁷

These are the top challenges to be overcome in the next year:

- meeting the needs imposed by increased force generation goals on training, basing, supplying, and equipping the ISF³⁵⁸
- synchronizing planned force generation requirements with GOI budget execution and Foreign Military Sales delivery schedules³⁵⁹
- inadequate ministerial capacity for processing requirements³⁶⁰

Training and Advisory Support

In 2007, more than 10,700 MOD personnel underwent training in logistics support. More than 49% of those trained received instruction to support the formation, replenishment, and sustainment of combat/security forces. Nearly 35% of Iraqi Army trainees underwent formal training for combat services support. The remaining personnel were trained to support training schools, and national depots and garrison support units.³⁶¹

Ongoing activities include:

- 13 Logistic Military Advisory Teams, each staffed by 9 advisors who focus on mentoring senior leaders, warehouse operations, ammunition management, petroleum operations, and life support.
- 11 advisors at the Taji National Supply and Maintenance Depots provide mentorship in depot-level maintenance and supply operations, including a range of warehouse, inventory, and shipping and receiving management skills.
- With the assistance of JHQ-AT and Coalition Army Advisory Training Team (CAATT) advisors, Iraqi JHQ staff oversaw the logistics process for FMS equipment at multiple location commands and the Besmaya Combat Training Center.
- CAATT train-the-trainer programs on a wide range of logistics courses.
- Humvee refurbishment program for Iraqi Army mechanics in an on-the-job training program. In April 2008, the first 120 mechanics began this 4-week program.

MNSTC-I also works with the MOD on improving the “capacity to perform the functions of a security institution.”³⁶² Ministerial capacity development occurs simultaneously with strengthening the ability to replenish, generate, and sustain forces.³⁶³

Although the MOI, unlike the MOD, does not have a formalized logistics system, the NP does have a logistics unit as part of its organization. There are 34 advisors operating within the MOI-Transition Team Administration/Logistics Directorate as well.³⁶⁴

PROVINCIAL IRAQI CONTROL

The United States, other Coalition nations, and Iraq are all involved in determining whether a province should be handed back to Iraqi control. This transition process, known as Provincial Iraqi Control (PIC), is an indicator of Iraq’s ability to manage the security situation within a given area.

Coalition commanders, GOI provincial government officials, and other provincial security leaders send assessments of area conditions to the Commanding General of the MNC-I. Each month, the Commanding General of MNF-I reviews these assessments.³⁶⁵ The Iraqi-chartered³⁶⁶ Joint Committee to Transfer Security Responsibilities also conducts weekly meetings on provincial status and security progress. This meeting is co-chaired by Iraqis and MNF-I³⁶⁷ to coordinate actions that must be met before transition.³⁶⁸

No new provinces achieved PIC status this quarter. To date, nine provinces have been transferred, including Basrah, Thi-Qar, Missan, Najaf, Muthanna, and Kerbala. The three provinces

in the Kurdistan region—Dahuk, Erbil, and Sulaymaniyah—have been transferred to official Regional Iraqi Control. For PIC status and transition dates, see Figure 2.25.

DoD has emphasized that the PIC process depends largely on the security and governance environment in each province. MNF-I has also noted that the timeline for this process is affected by changing events on the ground.³⁶⁹ As a result, projected transition dates for completion of the PIC process have shifted significantly since the original target date of June 2006. Between December 2006 and December 2007, the date for transition shifted five times. The latest projection pushes the date of PIC process completion back from 2008³⁷⁰ to early 2009 or later.³⁷¹

This quarter, MNC-I and MNF-I reported that Provisional Security Transition Assessments—which forecast PIC transition—are now classified.³⁷² Also, for the first time since December 2006, DoD did not report a final date by which handover of all provinces is expected.³⁷³ However, in a subsequent presentation to the Congress, the Commander, MNF-I, provided a projected transfer date for eight of the remaining nine provinces.³⁷⁴

MNF-I identified the main issues affecting the pace of PIC transfer:

- Iraqi Police capabilities and corruption
- need for PIC provinces “to maintain the security gains achieved and to improve ISF operational, training, and equipping.”³⁷⁵

For the status of PIC transfer, see Figure 2.26.

TRANSITION OF FORWARD OPERATING BASES

The closure or handover of Forward Operating Bases (FOBs) is another indication of an area’s security preparedness. Handover does not occur until the ISF is considered to be capable of handling security in a given area, at which point Coalition troops begin to draw down. For a comparison of the FOBs between October 2006 and March 2008, see Table 2.36.

POST-TRANSITION STRATEGY

Coalition assistance does not end once a province has been transferred. To offset a lack of trained security forces and other security vulnerabilities, the Coalition remains engaged in logistics support, providing advisors, medical services, and movement security and when necessary, serving as a quick-reaction force.³⁷⁶ MNF-I reported that PIC metrics are measured against the Joint Campaign Plan, which is a classified document. However, the U.S. Ambassador and the Commanding General, MNF-I, review these assessments quarterly.³⁷⁷

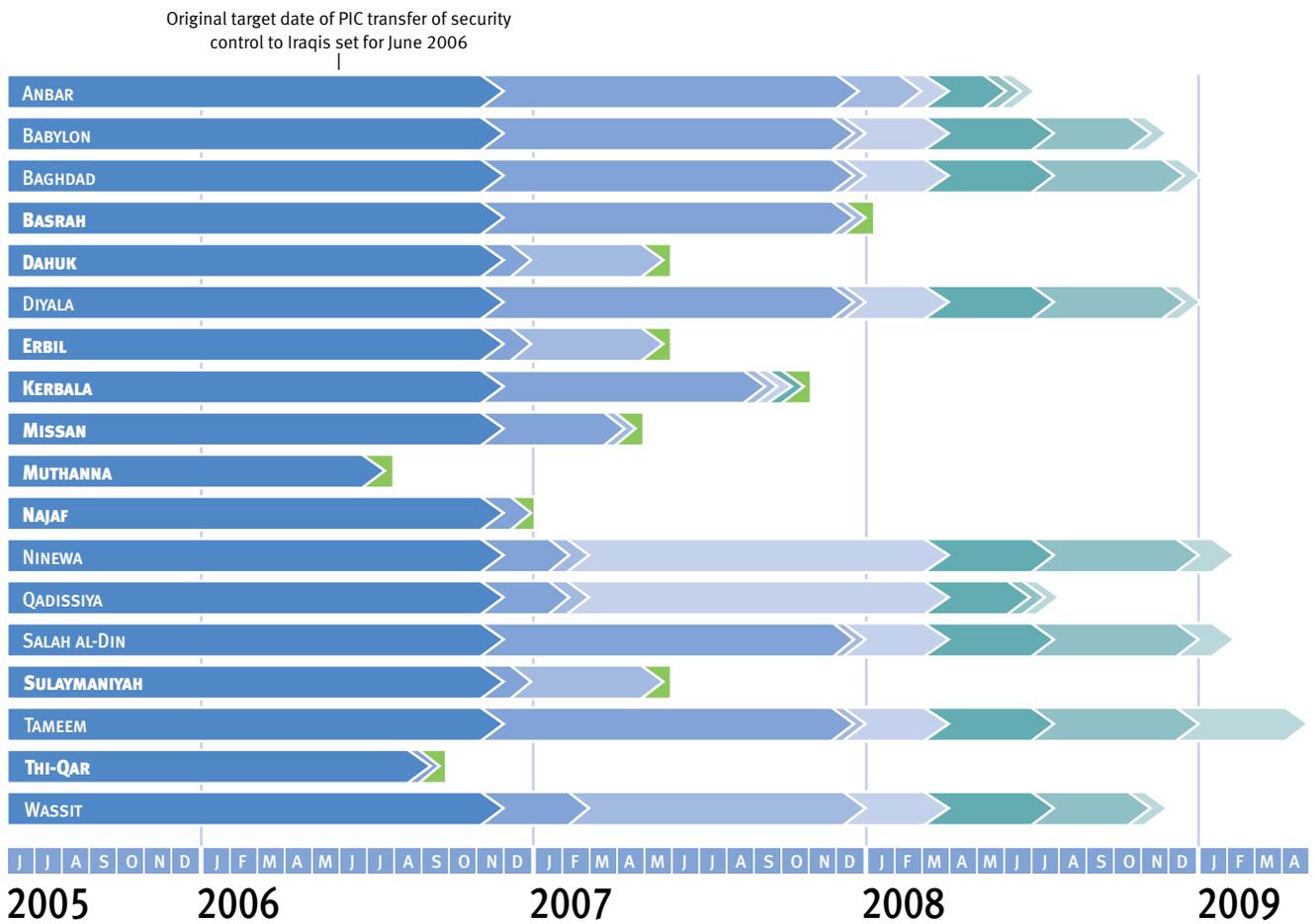
Provisional Reconstruction Teams (PRTs), which rely on Coalition-provided life support services and protection, are also affected by the withdrawal of troops. MNF-I will work closely with military and civilian (Embassy) groups to coordinate PRT/ePRT activities and adjust basing requirements,³⁷⁸ including these ongoing efforts:³⁷⁹

- MNF-West will continue to operate in Anbar, but will have fewer FOBs and evolve into an overwatch role after PIC. Support to PRTs/

Figure 2.25

EXTENSION OF TIMELINE FOR PROVINCIAL IRAQI CONTROL OF SECURITY

Sources: DoD; *Measuring Security and Stability in Iraq*; December 2006, March 2007, June 2007, September 2007, December 2007



ANTICIPATED PIC DATE

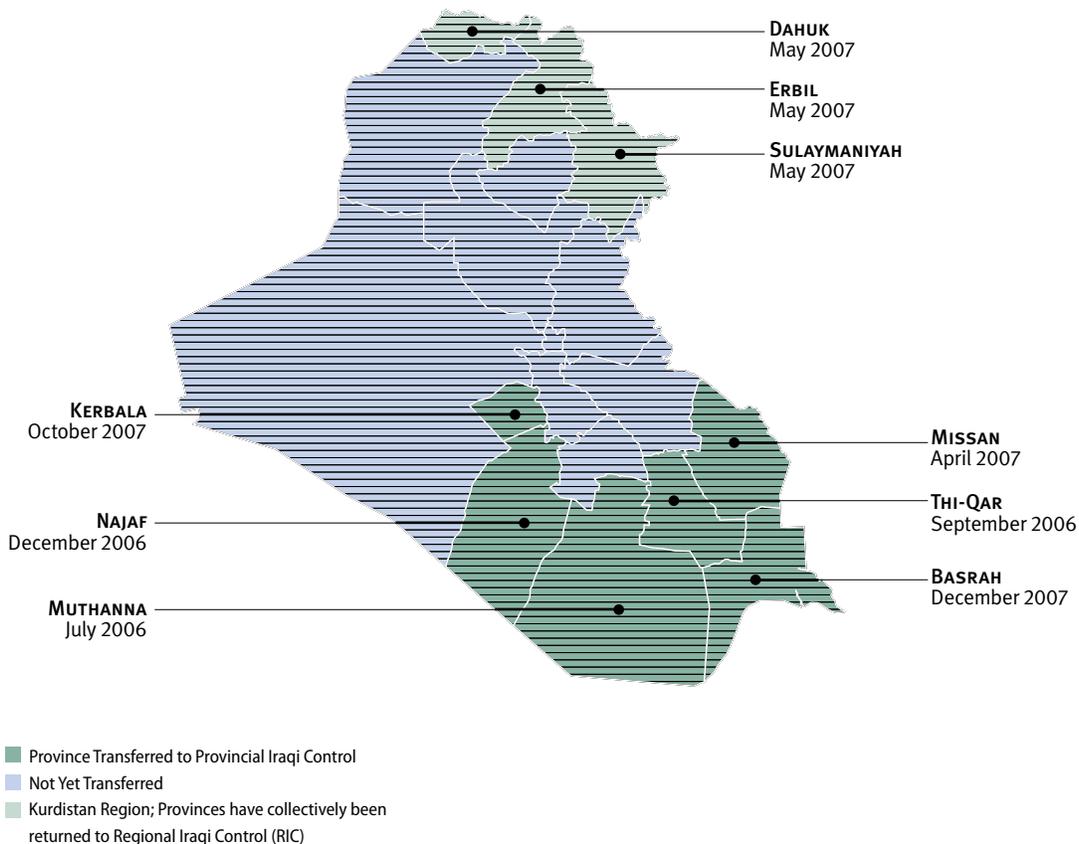
- Original target date of PIC transfer of security control to Iraqis set for June 2006
- Extended per December 2006 9010 Report
- Extended per March 2007 9010 Report
- Extended per June 2007 9010 Report
- Extended per September 2007 9010 Report
- Extended per December 2007 9010 Report
- Extended per General Petraeus April 8, 2008 Testimony before the Senate Armed Services Committee
- Achieved PIC Status

Note: Provinces that have achieved PIC status are shown in bold.

Figure 2.26

PROVINCES TRANSFERRED TO PROVINCIAL IRAQI CONTROL

Source: Multi-National Force-Iraq, Provincial Iraqi Control, www.mnf-iraq.com (1/17/2008)



TRANSFER OF FORWARD OPERATING BASES

DATE	FOBs	# TRANSFERRED	% TRANSFERRED
October 2006	110	52	47.3%
June 2007	122	61	50.0%
September 2007	125	61	48.8%
November 2007	125	61	48.8%
January 2008	125	63	50.4%

Source: DoD, *Measuring Stability and Security in Iraq*, November 2006, June 2007, September 2007, December 2007, and March 2008.

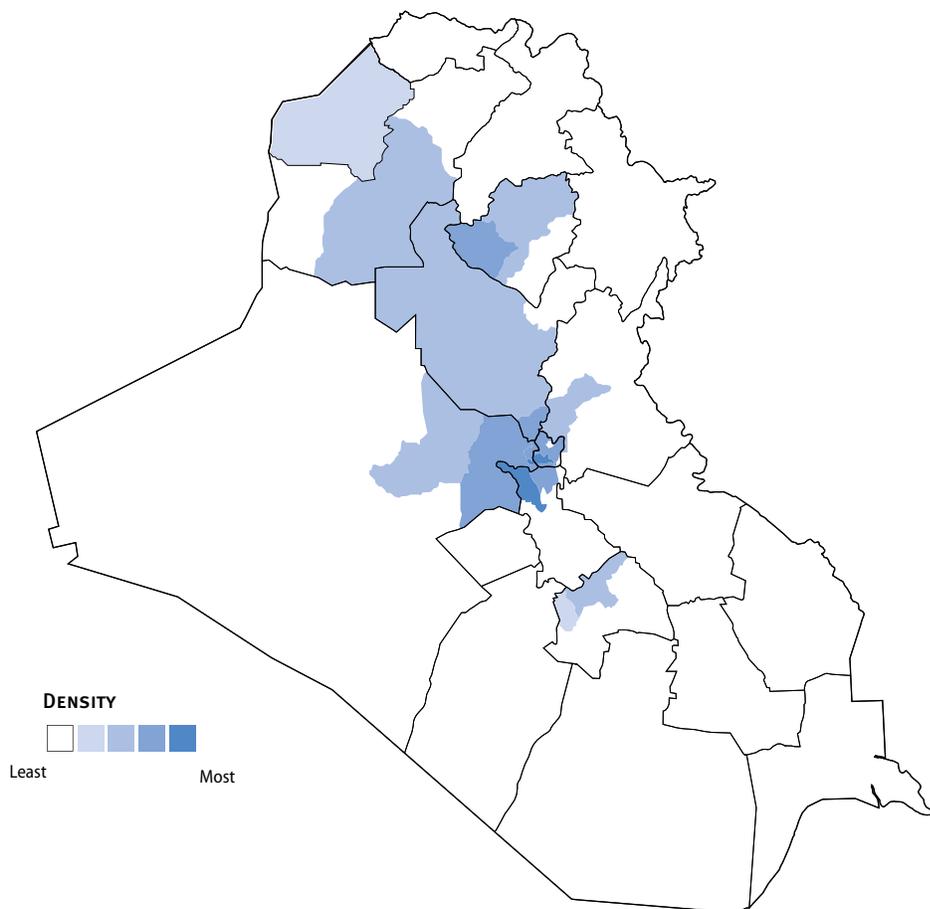
Note: DoD did not report on FOBs in March 2007.

TABLE 2.36

Figure 2.27

DISTRIBUTION OF SONS OF IRAQ

Source: Testimony of General David H. Petraeus (4/8/2008)



ePRTs will come from remaining FOBs.

- MNF-Southeast provides medical services, transportation, logistics, and life support in three provinces that have already transitioned security control: Missan, Thi-Qar, and Muthanna.

SONS OF IRAQ

Created in 2007, the Sons of Iraq—previously known as Concerned Local Citizens—are part of the surge policy.³⁸⁰ These largely CERP-funded contractor groups are intended to serve as an additional layer of counterinsurgency protection at the neighborhood and community level. MNC-I reported that the goal is to have sufficient ISF on hand to phase out the Sons of Iraq.³⁸¹

In January 2008, MNC-I reported that the Sons of Iraq had 80,000 members,³⁸² and by April 2008, their ranks had reportedly grown to 91,641 contracted members.³⁸³ For the distribution of the Sons of Iraq, see Figure 2.27.

Sons of Iraq members are contracted for 90 days,³⁸⁴ and the rate of renewal ranges from approximately 50% to 98%.³⁸⁵ There is also no predetermined limit for contract payments. However, DoD reported that termination of payments will take place as members transition into vocational programs or when the GOI assumes control over these contracts.³⁸⁶

The CERP is the primary funding source for the program, although the GOI pays for some portion through security contracts.³⁸⁷ MNF-I

projects that FY 2008 funding for programs that support the Sons of Iraq will cost approximately \$370 million and that FY 2009 funding should decrease as members transition to serve in the ISF or into civilian employment.³⁸⁸

Recent trends in obligations suggest that the activities of the Sons of Iraq are increasingly the focus of CERP outlays under the Protective Measures category. FY 2008 obligations have increased 95.5% in this category.³⁸⁹

MNC-I reported the per-citizen monthly pay-out at no more than \$350 per citizen,³⁹⁰ with an average monthly CERP cost of approximately \$16 million.³⁹¹ Budgeting is conducted internally in four of the five Coalition Divisions (MND-N, MNF-W, MND-C and MND-B). MNC-I oversees budgeting for MND-CS and uses the number of highway kilometers patrolled by the Sons of Iraq to plan funding.³⁹²

Last quarter, MNC-I noted that program measurements included the rate of reduced violence in a specific area and “subjective assessments, such as relationships with ISF in sector, acceptance in the community, standards of personal behavior, etc.”³⁹³

TRANSITIONING THE SONS OF IRAQ

Although currently limited in scope, transitioning group members into the ISF has already begun. However, the GOI continues to

debate the future of the program and the extent to which members should be integrated into the wider ISF apparatus.³⁹⁴ MNF-I reported that the Sons of Iraq have contributed to a decrease in violence—including a 65% increase in the number of weapons caches found—and reductions in ISF, civilian, and vehicle losses.³⁹⁵

As of April 2008, more than 21,100 members of the Sons of Iraq have transitioned—8,206 in Anbar province alone.³⁹⁶ MNF-I reported that, as of March 23, 2008, 8,241 members of the Sons of Iraq were currently in the ISF transition pipeline.³⁹⁷

Some members are also moving to civilian employment. Of the more than 4,500 currently transitioning to civilian programs, 95% are funded by the Coalition, and the remaining 5% are GOI-sponsored.³⁹⁸ MNF-I and MNC-I have oversight of transition planning, and MNF-I expects a significant rise in GOI-funded transitions once the Civil Service Corps and Joint Technical Education and Reintegration programs are fully operational. The GOI has budgeted \$70 million in disarmament, demobilization, and reintegration funds, and an additional \$126 million in FY 2007 for a vocational training program for former Sons of Iraq members.³⁹⁹ As of March 31, 2008, MNF-I plans to transition 30,000 to 40,000 members by the end of 2008.⁴⁰⁰



IRAQ'S ECONOMY

Iraq's economy is benefiting from higher oil prices.⁴⁰¹ The Department of State (DoS) estimates that the Government of Iraq (GOI) earned \$41 billion in oil revenue during 2007.⁴⁰² This quarter, Iraqi oil revenue is estimated at \$18.2 billion; annualized, oil revenue could yield an income of \$70 billion.⁴⁰³ The GOI projected \$35.5 billion in the 2008 budget, based on \$57 per barrel at 1.7 million barrels per day (MBPD).⁴⁰⁴

The International Monetary Fund (IMF) stated that economic activity outside the oil sector should pick up as well, "provided that further security improvements allow execution of the public investment program and a return to a more normal functioning of the economy."⁴⁰⁵ Nonetheless, a number of other improvements continue to be needed to facilitate the overall delivery of services and to foster greater economic growth.⁴⁰⁶

The GOI has committed to passing laws that strengthen its economy, taking steps to speed economic development projects that could not be undertaken in previous years. Rebuilding infrastructure and improving the provision of electricity, water and sanitation, education, and health care are critical priorities in promoting

economic activity.⁴⁰⁷ U.S. projects continue to support the GOI in rebuilding its infrastructure and strengthening Iraq's economy.

On April 8, 2008, the U.S. Ambassador to Iraq testified on the overall status of Iraq's economy. He noted some gains, but described Iraq's economy as "fragile." These are the needs he identified as key to ensuring that the gains are not reversed:⁴⁰⁸

- continue to improve governmental capacity
- pass national hydrocarbon legislation
- improve electrical production and distribution
- improve the climate for foreign and domestic investment
- create more short- and long-term jobs
- tackle the structural and economic problems of the vital agricultural sector

IRAQ'S ECONOMY AND THE INTERNATIONAL COMPACT

The establishment of the *International Compact with Iraq* (Compact) in May 2007 was a significant beginning for the transition of reconstruction responsibilities from the United States and the international community to the GOI.

The Compact outlines, among many other things, the Iraqi commitment to action for

ECONOMIC BENCHMARKS ESTABLISHED BY THE GOI IN THE INTERNATIONAL COMPACT

SECTOR	SAMPLE OF RELATED INTERNATIONAL COMPACT BENCHMARKS
Oil and Gas	Establish and implement a petroleum revenue sharing framework. Pass and implement a Hydrocarbon Law and Fiscal Regime. Establish and implement mechanisms to ensure transparency of petroleum sector flows.
Electricity	Pass and implement legislation and undertake measures to align the sector's institutional and legal framework with good practice. Implement an adequately funded sector rehabilitation strategy.
Water	Undertake specific measures to ensure universal access to water and sanitation services. Negotiate trans-boundary water agreements with neighboring countries.
Agriculture	Undertake specific measures to liberalize the agricultural market. Increase access to agricultural credit through financial market reforms.
Manufacturing	Design and implement policies regarding legislation and institutions from the restructuring of state-owned enterprises (SOEs). Remove key private sector development constraints.
Banking and Finance	Undertake specific measures to restructure state-owned banks. Undertake specific measures to promote private banking.
Health Care	Undertake specific measures to improve access to the primary health care system and focus on prevention and healthy life style. Improve administration and emergency management in the health care system.
Education	Achieve universal access to basic education. Carry out specific activities to promote adult literacy and skills training, early childhood development, and life-skills training.

Source: *International Compact with Iraq, Annex IV—Joint Monitoring Matrix, May 2007.*

TABLE 2.37

reconstruction. Table 2.37 lists a sample of the benchmarks established by the GOI that affect Iraq's economic development and its integration into the regional and global economy. The IMF Stand-By Arrangements (SBAs) set an additional framework for GOI actions to demonstrate a basis for continued support. For additional information on the IMF's efforts, see Appendix M, *International Relief and Support for Iraq*.

ECONOMIC INDICATORS

Iraq's gross domestic product (GDP) was estimated at \$55.44 billion for 2007,⁴⁰⁹ and economic growth is projected to exceed 7% in 2008.⁴¹⁰ Other economic indicators point to Iraq's slow economic recovery.

INFLATION

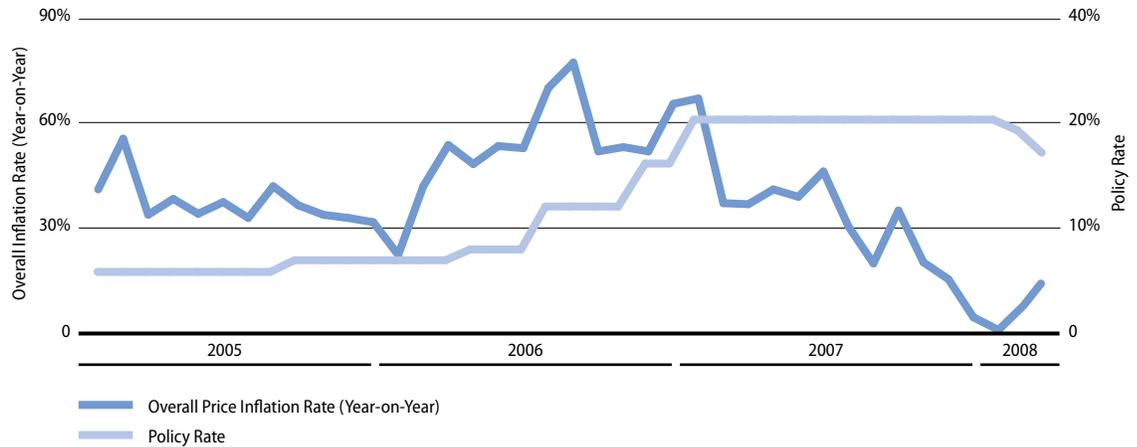
Inflation in Iraq is down sharply from last year—5.6% in March 2008, compared to 36.6% in March 2007.⁴¹¹ Price inflation was controlled in 2007 through exchange rate appreciation, tightening of monetary policy, fiscal discipline, and measures to reduce fuel shortages.⁴¹²

In 2007, the Central Bank of Iraq (CBI) sought to curb rising inflation by raising the interest rate for use of its standing facilities, which is similar to the overnight lending rate in the United States. The CBI's policy rate remained at 20% from January 2007 until February 2008.⁴¹³ The CBI cut interest rates twice this quarter, signaling confidence that inflation has stabilized.⁴¹⁴ In February 2008, rates were lowered to 19%, and in March, to 17%. For Iraq's year-on-year inflation rate shown against the CBI policy rate, see Figure 2.28. December 2007 (4.7%), January 2008

Figure 2.28

OVERALL PRICE INFLATION RATE (YEAR-ON-YEAR)

Source: Central Bank of Iraq, *Key Financial Indicators* (4/2/2008); U.S. Treasury, Response to SIGIR Data Call (4/15/2008)



(1.3%), and February 2008 (8.1%) were the first three months of single-digit, year-on-year overall inflation since the fall of Saddam Hussein.⁴¹⁵

The dinar continued to strengthen relative to the U.S. dollar, and the exchange rate was 1,205 dinars to one U.S. dollar, as of April 3, 2008.⁴¹⁶ The dinar has appreciated by 5% since April 2007; for the most part, the appreciation has been a response to the high inflation of last year.⁴¹⁷

UNEMPLOYMENT RATE

As part of the Compact agreement, the GOI set goals of reducing unemployment by half and doubling non-agricultural labor force participation for women.⁴¹⁸ Although official GOI estimates for unemployment remain at 17.6%, and underemployment at 38.1%, other unemployment estimates range as high as 50% in some areas.⁴¹⁹ In an effort to provide more consistent reporting, Iraq's Central Organization of Statistics and Information Technology is conducting a new employment survey to update the country's unemployment statistics.⁴²⁰

U.S. Employment of Iraqis

The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) oversees the **Iraqi First Program**, which aims to increase the number of U.S. reconstruction contracts awarded to local Iraqi firms. These are the statistics for the program for December 1, 2007, through March 16, 2008:⁴²¹

- awarded nearly \$427 million in contracts to Iraqi businesses
- awarded nearly 27% of total contracting dollars to Iraqi vendors
- awarded more than 61% of total contracting actions to Iraqi businesses

As of March 17, 2008, more than 4,300 Iraqi companies were registered under the program; this represents a 17% increase over last quarter. The United States has awarded over \$2.8 billion in contracts to Iraqi First vendors since October 2006,⁴²² and MNF-I estimates that the Iraqi First Program has created more than 80,000 sustained jobs.⁴²³

In addition to this JCC-I/A program, other U.S.-funded initiatives managed by USAID, GRD, and MNSTC-I aim to provide both short-term and long-term employment to local Iraqis. Through its **Plant-level Capacity Development**



and Technical Training Program, GRD aims to hire and integrate local Iraqis and Iraqi businesses into the reconstruction process. For example, the GRD Iraqi Women's Initiative has led to the training of more than 6,000 Iraqi women and the award of over 1,600 contracts by GRD and JCC-I/A under the reconstruction program.⁴²⁴

Employment generation has been a predominant focus of ESF's **Community Stabilization Program (CSP)**.⁴²⁵ However, an audit released this quarter by USAID OIG found that the results reported for the measurement of employment generation through the program were inadequately substantiated. The audit stated that "even though employment targets were claimed to have been exceeded, the lack of adequate substantiation diminishes the credibility of these claims."⁴²⁶ For more information on this program, see the discussion of the *Economic Support Fund* earlier in this section.

OIL AND GAS

This quarter, Iraq matched the records in average daily oil production and export that it reached last quarter. Production averaged 2.384 MBPD, and exports averaged 1.970 MBPD for the quarter.⁴²⁷ These levels were reached despite fighting and pipeline attacks in Basrah that resulted in the first disruption of oil exports from southern Iraq since 2004.⁴²⁸ Two southern oil fields—which historically pump 100,000 barrels per day—experienced a week of shutdown following an attack during the week of March 27, 2008.⁴²⁹ Iraq used stored oil to minimize the effect on oil exports.⁴³⁰

These monthly highs were also reached.⁴³¹

- Exports for the month of March 2008 averaged 2.049 MBPD—the highest monthly average since the war started.
- Production for February 2008 averaged 2.506 MBPD—the highest monthly average since September 2004.

Daily oil production averaged 2.58 MBPD from 1998 to 2002.⁴³² For the monthly average production and exports since mid-2003, see Figure 2.29.

The oil sector provides about 95% of Iraq's foreign exchange earnings.⁴³³ Price increases for Iraqi crude oil over the last five years—from an annual average price of \$25.91 per barrel in 2003 to an average price of \$91.66 per barrel in the first quarter of 2008—have driven increases in the size of the GOI's budget. Although both crude production and crude exports are above target levels, Iraq is not taking full advantage of higher oil prices. Inadequate investment in the infrastructure hindered production and export gains.⁴³⁴

The United States has obligated more than \$1.93 billion and expended \$1.83 billion in the oil and gas sector.⁴³⁵ For a sample of some of the largest completed U.S. oil projects since 2003, see Table 2.38.

PRODUCTION AND EXPORTS

Iraq's recent SBA with the IMF includes an average production goal of 2.2 MBPD and an average export goal of 1.7 MBPD for 2008. Iraq exceeded both of these targets for the first three months of 2008. Exports through the Ceyhan pipeline to Turkey accounted for most of the increase in this



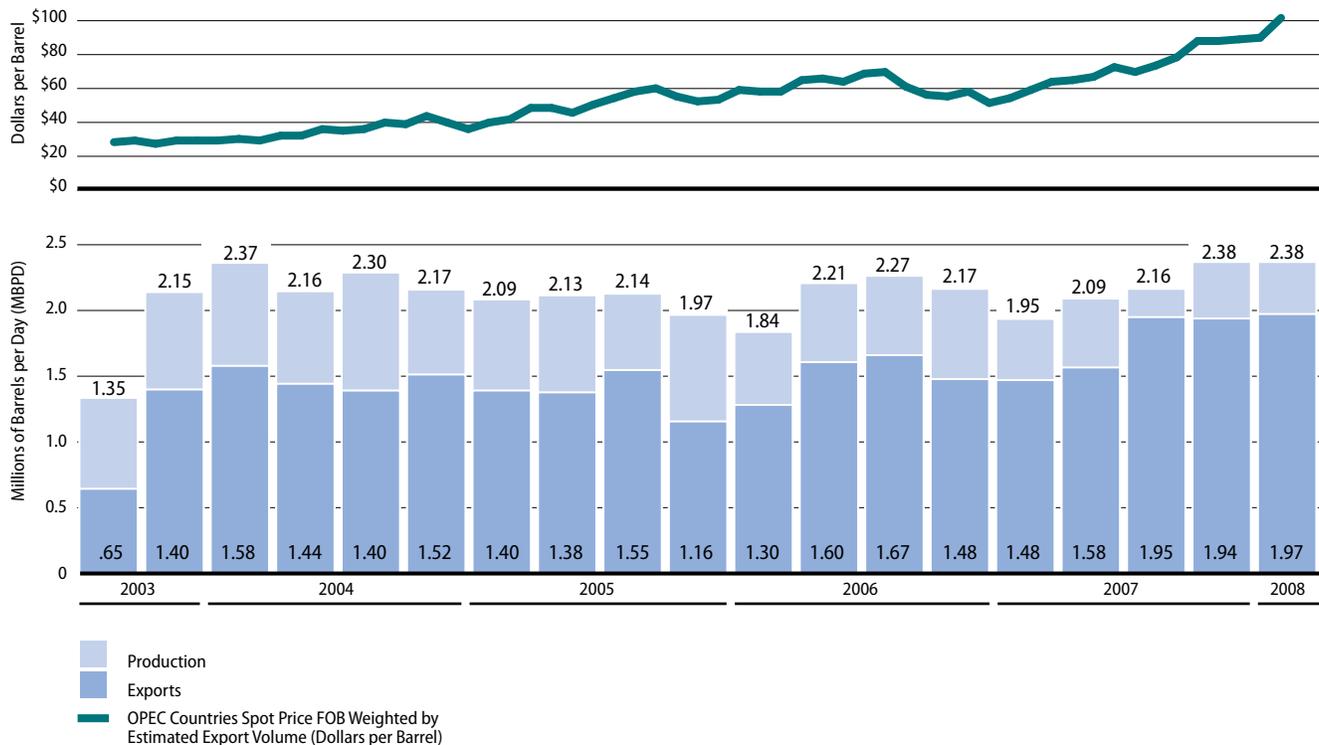
Figure 2.29

IRAQ'S PRODUCTION AND EXPORT OF CRUDE OIL VS. MARKET PRICE FOR OIL

Millions of Barrels per Day (MBPD), Dollars per Barrel

Source: ITAO, *Monthly Import, Production, and Export Spreadsheet* (April 2008);

U.S. Energy Information Administration, "World Crude Oil Prices: OPEC Average" (4/11/2008)



Note: NEA-I, response to SIGIR data call, April 16, 2008, noted that ITAO's oil data for Iraq differs from NEA-I data for production, exports, and refined fuels.

^a Iraq does not receive the OPEC average for its oil. Average price for Iraqi crude oil in 2003 was \$25.91 per barrel and \$91.66 per barrel in the first quarter of 2008. Source: NEA-I, response to SIGIR data call, April 16, 2008.

LARGEST COMPLETED U.S. OIL PROJECTS

PROJECT	LOCATION	FUND	TOTAL COST (\$ MILLIONS)	DATE COMPLETED
Well Workover	Basrah	IRRF	\$150.00	5/12/2007
Al Fatah Pipe Crossing	Tameem	IRRF	\$73.00	4/11/2006
Al Basrah Oil Terminal	Basrah	IRRF	\$65.40	Not Available
North Rumaila NGL	Basrah	IRRF	\$37.53	5/29/2007
LPG Storage at Umm Qasr	Basrah	IRRF	\$32.13	5/29/2007

Source: GRD, response to SIGIR data call for top five projects by sector, March 17, 2008; IRMS, *ITAO Rollup*, March 28, 2008; DoS, response to SIGIR data call, April 16, 2008.

Note: Heavy equipment and vehicles for the Ministry of Oil totaled \$263.22 million in the *ITAO Rollup*. Oil Sector overheads totaled \$251.18 million, and management and administration accounted for \$114.22 million. Because these are not projects, they are not listed in the above table. This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

TABLE 2.38

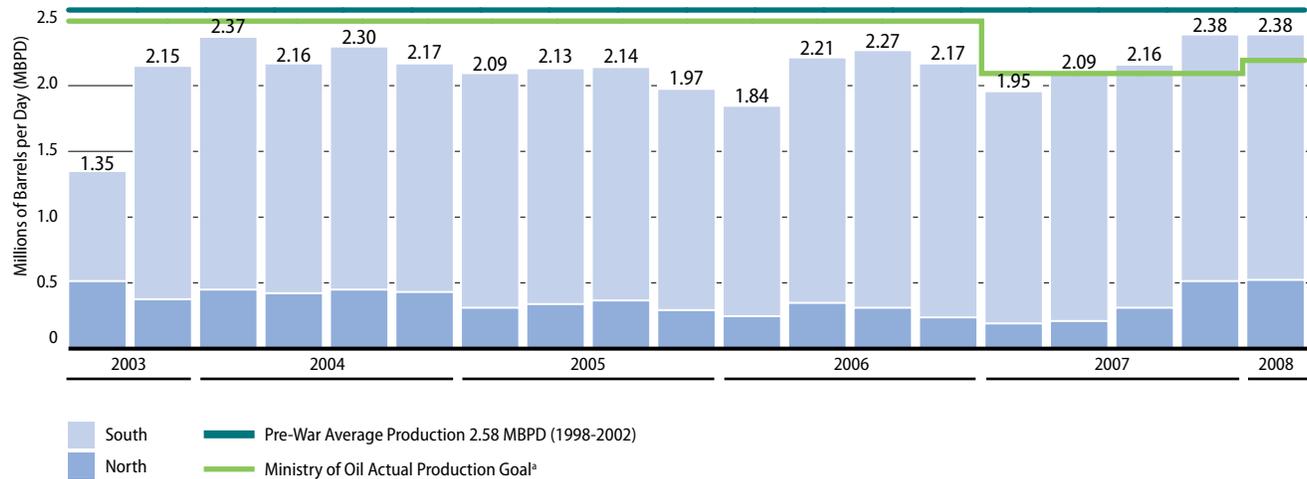


Figure 2.30

CRUDE OIL PRODUCTION BY REGION

Millions of Barrels per Day (MBPD)

Source: ITAO, *Monthly Import, Production and Export Spreadsheet* (April 2008)



Note: Numbers are affected by rounding. NEA-I, response to SIGIR data call, April 16, 2008, noted that ITAO's oil data for Iraq differs from NEA-I data for production, exports, and refined fuels.

^a In January 2007, the Ministry of Oil changed its goal from 2.5 MBPD to 2.1 MBPD because the Al Basrah Oil Terminal was shut down for upgrade of the meters and maintenance. The 2.1 MBPD was the GOI's 2007 annual average worked out with the IMF. The 2.5 MBPD was established in 2004 after conversations between GRD and Ministry of Oil. (NEA-I, responses to SIGIR, October 22, 2007, and January 7, 2008.) Iraq's recent SBA with the IMF raised the average production goal of 2.2 MBPD for 2008.

quarter's export average. Pipeline flow increased by more than 8%, or a quarterly average increase of 30,000 barrels per day.⁴³⁶

Crude oil production declined in January 2008 to 2.242 MBPD from the 2.440 MBPD level reached in December 2007.⁴³⁷ ITAO attributed the decline to rougher seas, caused by winter weather that prevents ships from continuously loading oil. Moreover, disruptions to pipelines from one of the southern fields temporarily reduced output.⁴³⁸ For an overview of Iraq's crude oil production by region since June 2003, see Figure 2.30.

DEVELOPING IRAQ'S OIL FIELDS

Raising oil production remains critical to providing Iraq with the resources needed for its reconstruction and economic recovery.⁴³⁹ Iraq's

new SBA with the IMF focuses on increased investment and output in the oil sector. The GOI established a goal in the Compact to increase crude oil output to 3.5 MBPD by 2010.⁴⁴⁰

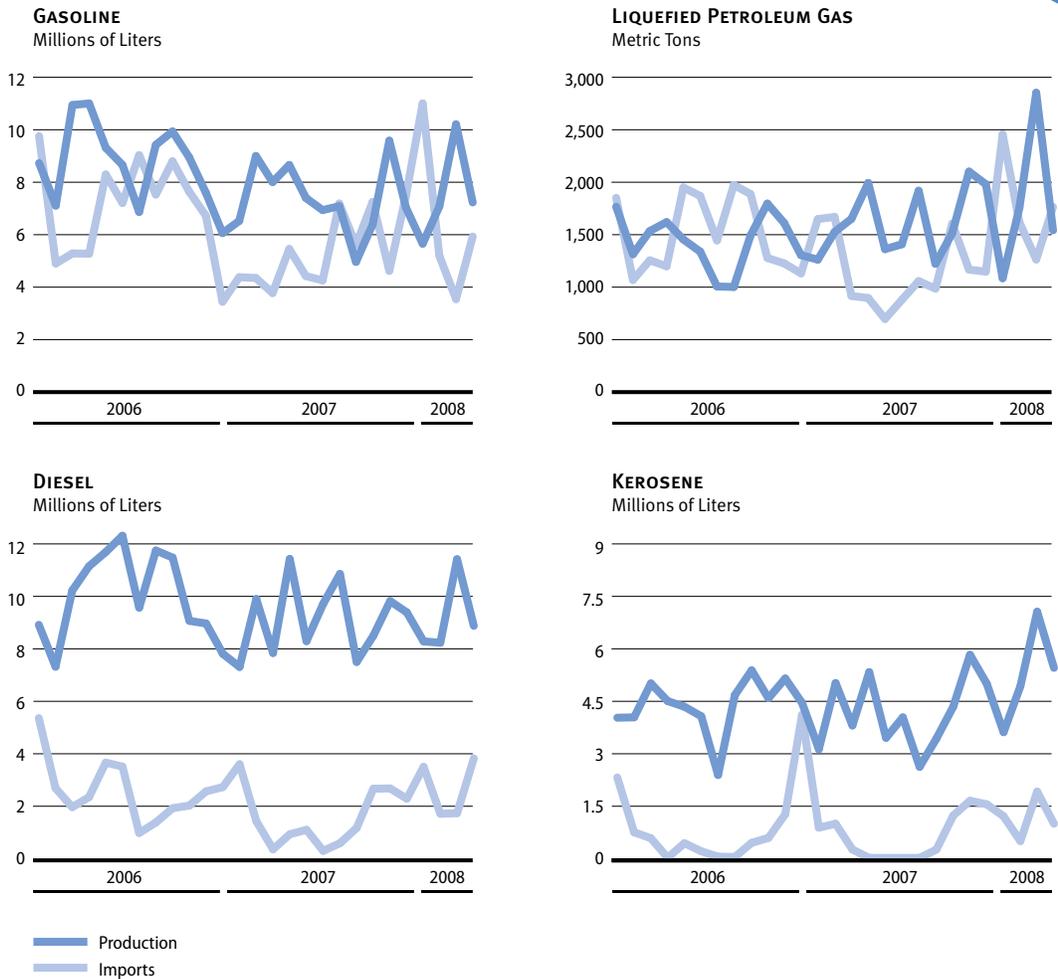
To that end, the GOI is seeking to develop relationships with foreign oil companies to develop Iraq's oil fields. The Ministry of Oil has announced plans to conclude technical service agreements with several major international oil companies to improve operations at oil fields in Kirkuk and South Rumaila. The Ministry of Oil has said that its plans could increase production by 500,000 barrels per day.⁴⁴¹

Major international oil companies have expressed interest in supporting this development. Although negotiations have started with several companies, the Ministry of Oil has not yet completed any contracts.⁴⁴² Long-term

Figure 2.31

REFINED FUEL—PRODUCTION AND IMPORTS

Source: ITAO, *Monthly Import, Production and Export Spreadsheet* (April 2008)



Note: NEA-I, response to SIGIR data call, April 16, 2008, noted that ITAO's oil data for Iraq differs from NEA-I data for production, exports, and refined fuels.

development contracts are hindered by the lack of hydrocarbon legislation and concerns about continuing security issues. Until national hydrocarbon legislation passes, the GOI may be able to sign only ancillary service contracts to boost oil production.⁴⁴³ This, combined with the GOI's unwillingness to offer favorable contract terms, has also led to delays in completing contracts.⁴⁴⁴

Simultaneously, the Kurdistan Regional Government (KRG) is negotiating with a number of major international oil companies to develop and tap oil fields within its region. Although the KRG passed its own hydrocarbon legislation in August 2007, the GOI stated last quarter that compa-

nies signing agreements with the KRG before passage of national hydrocarbon legislation may be excluded from future cooperation with the Ministry of Oil.⁴⁴⁵

REFINED FUELS

Notwithstanding the improvements in crude oil production, Iraq continues to struggle to provide refined fuels (gasoline, diesel, kerosene, and liquefied petroleum gas). Iraq imports almost as much refined fuel as it produces domestically. For a summary of refined fuel supplies since the beginning of 2006, see Figure 2.31.

Several recent production disruptions at Iraq's



SIGIR Inspection team examining the oil pipeline at Al Fatah.

refineries exacerbated the shortfall in refined fuels. In December 2007, a fire at the Doura refinery stopped production for a week.⁴⁴⁶ On January 7, 2008, Iraq's largest refinery, in Baiji, experienced a fire. In the south, the Basrah refinery also reported a fire in one of its facilities.⁴⁴⁷

The Ministry of Oil plans to build a large oil refinery in Nassriya to increase Iraq's refining capacity by 300,000 BPD.⁴⁴⁸ As of March 31, 2008, the Ministry of Oil was attempting to finalize negotiations for a contract covering a study, front-end engineering, and design. However, negotiations were in a stalemate over the commercial terms required by the current procurement regulations.⁴⁴⁹

The Ministry of Oil and the North Oil Company are working to restore four processing units at the New Kirkuk Stabilization Plant, where only one tower has been operational since the plant was attacked early in 2006. Each unit has a capacity of 250,000 BPD. Two additional towers at the plant are 85% complete. This phase of the facility project is expected to be complete by April 2008, when work on the third inactive tower will begin.⁴⁵⁰

PIPELINE SECURITY

Iraq's oil pipelines have been the focus of targeted attacks since the beginning of the war. To address this issue, a number of U.S.-funded projects have been implemented to protect Iraq's oil pipelines through the creation of pipeline exclusion zones (PEZ). Four PEZ projects are currently underway to protect pipelines in central Iraq.⁴⁵¹

- Kirkuk to Baiji: Completion is scheduled for April 30, 2008.
- Doura to Hilla: Completion is scheduled for October 8, 2008.
- Baiji to Baghdad: Completion is scheduled for November 21, 2008.
- Baghdad to Kerbala: Completion is scheduled for July 9, 2009.

The United States also provided rapid-repair kits through a project worth \$20 million. Both PEZ and rapid-repair efforts are supported by the Infrastructure Security Protection Program, which is funded by \$227 million of the ESF. Nearly 48% of the program's funds have been allocated to PEZ projects.⁴⁵²

The multi-phase PEZ program has been credited with a rise in consistent exports and reduc-



Iraq continues to burn off natural gas from its oil fields because it lacks capacity to store and transport it.

tion of oil pipeline interdictions. Notable development this quarter included the restoration of crude flow to Ceyhan, Turkey, due to the repair of the northern pipelines; ongoing construction of the exclusion zones for the Kirkuk to Baiji pipeline corridor; and the GOI's work to restore the northern New Stabilization Plant.⁴⁵³

These PEZ projects and follow-on pipeline repairs have helped to significantly improve Iraq's export capabilities to the north. The GOI was able to increase the production amount from 159,000 BPD in March 2007 to 520,000 BPD in November 2007.⁴⁵⁴

METERING

Oil smuggling continues to be an issue, despite government efforts to combat the problem. A metering system is one step to curtail oil smuggling. Annex IV of the Compact noted that by the end of 2007, Iraq would install, fix, and/or regulate oil-flow meters at all oil production and distribution facilities. The Ministry of Oil has a three-year program to install the required metering systems. For 2007 and 2008, the ministry has

been working to identify and procure the equipment, and during 2009, each operating company will install the equipment.⁴⁵⁵

U.S. funds supported the installation and renovation of the meters at the Al Basrah Oil Terminal Offshore Terminal.⁴⁵⁶ However, according to GRD, "the new meters are still not being used for custody transfer."⁴⁵⁷ The South Oil Company (SOC) is contracting with a measurements surveyor to assist with establishing operations so that the meters can record the custody transfer/billing amount on invoices—a step that is necessary before the Iraqi State Oil Marketing Organization and SOC can gain customer acceptance.

GRD installed the meters in accordance with the international standards; however, the SOC must operate and maintain the meters according to those same standards before customers will agree to use them for custody transfer. The meters are being used to check the ship's ullage readings, which determine the custody transfer amount.⁴⁵⁸



OVERSIGHT

Plans are underway to transition all oversight responsibilities of Iraq's oil revenue account to an Iraqi committee by the end of the 2008. The Committee of Financial Experts (all Iraqi)—chaired by the President of the Board of Supreme Audit—will prepare to take over the audit oversight role of the Development Fund for Iraq (DFI), through which all oil revenues are channeled.⁴⁵⁹

The International Advisory and Monitoring Board (IAMB) has performed oversight of Iraq's oil revenue since December 2003.⁴⁶⁰ Since May 2003, more than \$100 billion has been channeled through the DFI, and most finances the GOI.⁴⁶¹ The IAMB has been working with the Committee of Financial Experts to ensure a smooth transition of oversight responsibilities.

IRAQI CAPITAL INVESTMENT PROGRAM

Iraq's oil infrastructure has had very few capital improvements outside of U.S.-funded efforts over the past few years. According to GRD, there are no more resources within the U.S. reconstruction program for oil projects.⁴⁶²

The GOI capital investment budget for 2008 allocates \$2 billion to the Ministry of Oil. However, this quarter, ITAO reported a conservative forecast that only about 50% of that would be committed during the year. Challenges in executing the GOI's investment program include:⁴⁶³

- restrictions imposed by a poor administrative system within the GOI
- poor procurement regulations
- lack of proper commercial laws

Iraq's oil sector remains in very poor condition. ITAO noted that, "within a functioning environment, a Capital Investment Program of approximately \$100 billion or more would be expected" to rebuild Iraq's oil infrastructure.⁴⁶⁴

NATIONAL ENERGY PLAN

The lack of coordination between the Ministries of Electricity and Oil continues to impede both electricity and oil production in Iraq. At the U.S.-Iraq Dialogue on Economic Cooperation in February 2008, GOI officials indicated an interest in pursuing a national energy strategy; no concrete plan has yet emerged.⁴⁶⁵

The KRG, through the Erbil Regional Reconstruction Team, requested assistance from USAID's Local Governance Program (LGP) to develop an electricity master plan for the Kurdistan region. The plan has been drafted, and the Regional Reconstruction Team and KRG authorities are currently reviewing the draft. Publication of the document is scheduled in April 2008; a conference to discuss the plan and outline its implementation will be held in May 2008. The LGP will not be involved in the implementation of the plan.⁴⁶⁶

ELECTRICITY

Average electricity production for the quarter dropped below pre-war levels.⁴⁶⁷ This quarter, both the average capacity and output declined because of planned winter generation plant maintenance.⁴⁶⁸ The average daily production was 3,985 megawatts (MW) per day (including an average of 225 MW imported).⁴⁶⁹ Demand continued to



exceed supply, averaging 7,883 MW per day for the quarter.⁴⁷⁰

The operating capacity of Iraq's electrical system increased from 4,300 MW, from the end of the war in 2003, to nearly 10,000 MW, as of March 2008.⁴⁷¹ However, climbing demand and uneven distribution among the provinces continue to impede Iraq's progress in extending this essential service to its citizens.

The United States has obligated approximately \$4.91 billion and expended \$4.46 billion in Iraq's electricity sector.⁴⁷² For a sample of the largest U.S. projects in this sector, see Table 2.39. Approximately 2,200 MW in new and rehabilitated

power has been added as result of U.S.-funded projects.⁴⁷³

PRODUCTION

Despite record levels of electricity production at the end of 2007, electricity output declined in the early months of 2008. Electricity production declined in January 2008,⁴⁷⁴ dropping to an average of 3,718 MW per day from the December 2007 daily average of 4,431 MW (including imports).⁴⁷⁵ Production rebounded in February (3,966 MW) and March (4,271 MW), bumping the quarterly average to 3,985 MW per day, which includes an average of 225 MW imported.⁴⁷⁶

TOP FIVE U.S. PROJECTS IN THE ELECTRICITY SECTOR

PROJECT	LOCATION	FUND	TOTAL COST (\$ MILLIONS)	OUTCOMES	% COMPLETE
Kirkuk Substation Combustion Turbines	Tameem	IRRF 1	\$205.16	Installation of two new gas combustion turbines, a 65-MW unit and a 260-MW unit; completed 11/29/2005	100%
Qudas Expansion	Qudas	IRRF 2	\$162.73	Will add enough power to serve between 180,000 and 235,000 homes	73%
Khor Zubair New Generation	Basrah	IRRF 2	\$111.38	Essentially doubled the output of the plant; increased Iraq's national grid capacity by approximately 5%; completed 1/6/2006	100%
Doura Power Plant Rehabilitation	Baghdad	IRRF 2	\$90.80	Contractor completed SOW requirements to rehabilitate Units 5 and 6; however, neither was operational as of June 10, 2007	100%
Baiji-Haditha-Qaim Overhead Line Salah Al-Din & Anbar Provinces	Salah Al-Din & Anbar	IRRF 2	\$84.77	Will transmit additional power to serve industrial, commercial, and residential demands	88%

Sources: GRD, response to SIGIR data call, March 17, 2008; SIGIR Assessment PA-07-103, "Doura Power Station, Units 5 and 6," July 18, 2007; USAID, *Activities Report*, April 14, 2008; USAID OIG Report No. E-267-05-003-P, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

TABLE 2.39



Megawatt-hours (MWh), which is the measure of electricity output over time, was 95,372 MWh this quarter—a decrease of 9% since last quarter, yet an increase of 11% from the same quarter last year.⁴⁷⁷

Reductions in recent quarters are attributed to planned outages,⁴⁷⁸ and this quarter, Iraqi production recorded an increase of nearly 12% from the level reported last year at this time. For a review of Iraq’s electricity production since 2006, see Figure 2.32.

GENERATION CAPACITY

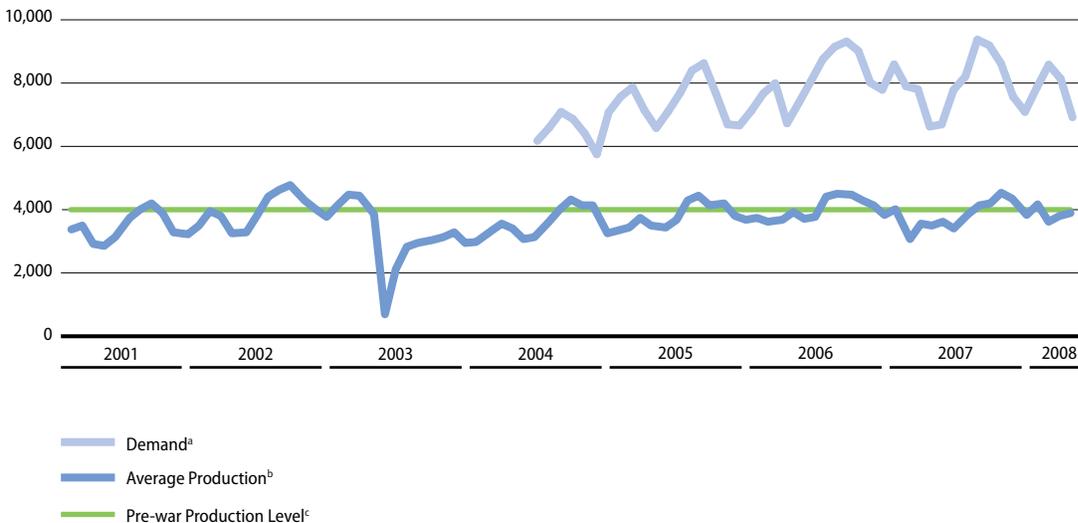
ITAO noted this quarter that an increase in capacity of 2,600 MW in the last four years and higher outputs have been achieved by the rehabilitation, rebuilding, and construction of generation assets, as well as productivity improvements provided through U.S.-funded O&M and sustainment programs.⁴⁷⁹ Total capacity this quarter averaged 9,600 MW per day, nearly a 13% increase from the quarterly average for station-feasible capacity from the same quarter last year.⁴⁸⁰

Figure 2.32

IRAQ ELECTRICITY—AVERAGE MONTHLY PRODUCTION

Megawatts (MW)

Sources: IMF, “Iraq: Statistical Appendix,” August 2007; 2007–2008 Average Electricity: ITAO, *IRMO Electric Daily Units Performance Report* (1/1/2007–3/27/2008); ITAO, Response to SIGIR Data Call (4/12/2008); IRMO, *Weekly Status Reports* (7/4/2006–12/26/2006)



Note: Numbers are affected by rounding. Data in this graphic excludes imports. Demand numbers for July 2006 to December 2006 were compiled using IRMO *Weekly Status Reports*.

^a 2007–2008 demand based on ITAO, *IRMO Electric Daily Units Performance Report*.

^b The IMF Statistical Appendix reported average monthly production through 2006; 2007–2008 data points were compiled from the ITAO, *IRMO Electric Daily Units Performance Report*.

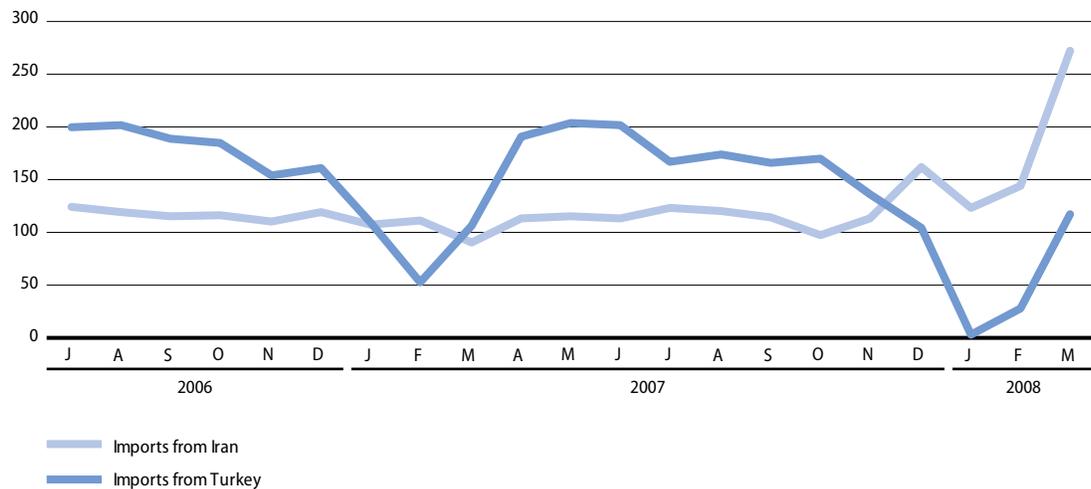
^c The pre-war level (4,075 MW) is an average of monthly IMF data on Iraq’s electricity production for March 2002 through March 2003.



Figure 2.33

ELECTRICITY IMPORTS

Megawatts (MW)

Source: ITAO, *IRMO Electric Daily Units Performance Report* (6/1/2006–3/27/2008)

Note: Numbers are affected by rounding.

IMPORTS

Iraq imports electricity from neighboring Iran and Turkey to help meet demand. Imports averaged nearly 6% of total production this quarter, virtually unchanged from the same quarter last year. This quarter, the addition of a new transmission line allowed Iran to export additional electricity to Iraq. Together, these lines provide 265 MW of additional power for Iraq.⁴⁸¹

- 160 MW through the line from Serbil Zehab (Iran) and Himreen (Iraq)
- 105 MW through the line from Abbadan (Iran) and Khor Zubair (Iraq)

Turkey halted its imports to the country in January 2008 because the GOI did not renew its contract with the country on time.⁴⁸² Imports

resumed on February 15, 2008. For the history of electricity imports from Iran and Turkey since July 2006, see Figure 2.33.

IRAQI POWER GENERATION

Iraqis produce electricity via four different types of generators: hydroelectric, gas turbine, diesel, and thermal. ITAO's electricity data revealed that since August 2007, as hydroelectric production declined, gas-turbine production increased. A severe drought in 2007 led to the decrease in output from the hydroelectric plants. Gas-turbine output is up because of an increase in capacity and the U.S.-supported O&M program in this sector.⁴⁸³

One of the challenges in the electricity sector is Iraq's inability to supply the electrical generators with sufficient fuel (or water) for full



operation. Figure 2.34 shows the rising trend in electricity shortages due to the lack of available fuel (or water).

Although the lack of fuel is a challenge, at the moment the lack of water is a more serious problem.⁴⁸⁴ The spike has been attributed to the recent drought and the absence of a structured diesel contract before December 2007.⁴⁸⁵ The GOI has allocated \$400 million for the purchase of generator fuel and authorized the Ministry of Electricity (MOE) to make direct purchases to address these shortages.⁴⁸⁶

SUPPLYING POWER

ITAO noted this quarter that the U.S. surge “has improved security and enhanced the ability

of Iraqi teams to repair downed transmission lines that are crucial to delivering electricity to consumers.”⁴⁸⁷ Improvements in security have allowed teams to repair three critical 400-kV lines that were out for much of 2007:⁴⁸⁸

- Baghdad South to Mussayib
- Baghdad South to Baghdad West
- Baiji to Baghdad West

The repair of additional lines will add stability to Iraq’s electrical network.⁴⁸⁹

Blackouts

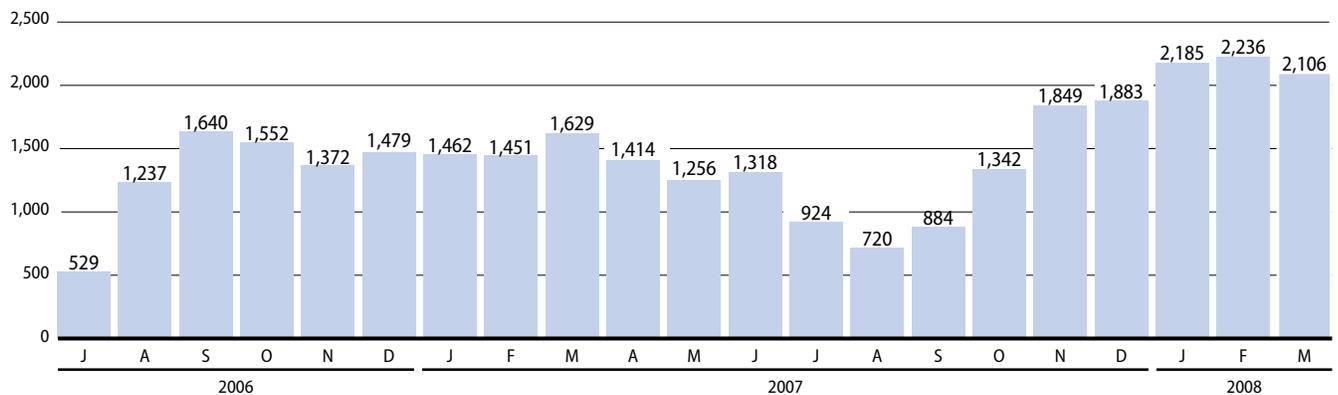
Notwithstanding increased production and limited improvement in repairing transmission lines, Iraqis are still experiencing interruptions in

Figure 2.34

ELECTRICITY PRODUCTION LOST TO FUEL AND WATER SHORTAGES

Megawatts (MW)

Source: ITAO, *IRMO Electric Daily Units Performance Report* (6/1/2006–3/27/2008)



Note: Numbers are affected by rounding.



Power plants in Iraq continue to suffer from a lack of sufficient and appropriate fuels.

service, including severe blackouts in early January 2008. There has been an increase in blackouts in recent years, with approximately 27 in 2006, 46 in 2007, and 9 for the first three months of 2008. These are some of the causes of the blackouts:⁸⁹

- instability of the country's grid
- terrorist interdictions
- poor frequency control
- lack of scheduled down time for load shedding

U.S.-funded transmission line-hardening projects are scheduled for completion by summer 2008, and there are currently no reported interdictions on those lines already protected.⁴⁹⁰

Sharing Power with Baghdad

These are the three main issues preventing the transfer of electricity to Baghdad.⁴⁹¹

- **Lack of Fuel.** Because the fuels required for proper operation of facilities are not consistently available, many of the gas turbines are running on heavy fuel oil or crude oil, which has decreased plant efficiency and increased down time. Improper fuel use is also significantly more expensive, and more maintenance time is required.

- **Fragile Electrical Grid.** Demand has consistently far exceeded supply, putting an enormous strain on the grid. Also, because the 400-kV network remains vulnerable to single points of failure, blackouts occur more frequently, and restoring the grid is more complicated.
- **Difficult Security Environment.** Frequent interdiction of both the 400-kV and 132-kV network transmission towers and lines and harassment of workers—including threats, kidnapping, and murder—severely hamper the ability to sustain power from the grid.

Moreover, Iraqi provinces continue to be reluctant to share power from the grid to meet the levels set by the MOE. A snapshot of electricity allocation and usage in Baghdad, for the week ending March 22, 2008, revealed that only 92% of its authorized allocation had been consumed, while 14 other provinces exceeded 100% of the amount allocated by the MOE.⁴⁹²

The **Supervisory Control and Data Acquisition (SCADA) network** task order—under a cost-plus award-fee contract—aimed to better control power sharing by automating distribution



across the country. However, in July 2007, GRD reported that the U.S. support of the SCADA project was terminated because of budget overruns. The MOE is now responsible for completing the installation. No additional funds (IRRF or ESF) have been used to support the completion of the SCADA system in Iraq.⁴⁹³

A key U.S. project under the SCADA task order was to install controls for the 132-kV network of 118 substations.⁴⁹⁴ The \$104 million IRRF-funded project was terminated to prevent over-expenditure. The MOE, for various reasons (including security and the fragile state of the network), did not grant scheduled overhead line outages for equipment installation. As a result, the project to control the 132-kV network of 118 substations was the last project left within the SCADA task order after all the other projects were completed. At termination of the contract, it was 91% installed and 51% commissioned. There is no date for completion because of the lack of the \$7 million needed to complete the project.⁴⁹⁵ At the time the contract was terminated by ITAO, GRD provided the MOE the scopes of work for the completion of the project as well as in-depth training to MOE personnel on the operation and maintenance of the SCADA system.⁴⁹⁶

Three other notable U.S. projects are continuing work to supply power to the Baghdad area:

- **Qudas Expansion:** Installation of two more gas turbines and auxiliary modules at the Qudas power plant continued this quarter. When completed, this project will add as much as 180 MW of generating capacity to the plant's current capacity of 492 MW. The \$163 million

contract was 70% complete as of the beginning of March 2008.⁴⁹⁷ The completion date is set for June 2008.

- **Qudas and Baghdad South Sustainability:** This project is valued at nearly \$22 million and will also improve power supply levels in the Baghdad ring by inspecting and improving various units and equipment at the plant. When completed on June 30, 2008, each unit will be able to sustain 90 MW.
- **Mussayib Power Plant:** This \$33 million project includes the commissioning of eight 40-MW units and life support and security for the site. Upon completion on June 30, 2008, this project will result in approximately 5% more power nationally and 40% more in Baghdad.

IRAQI CAPITAL INVESTMENT IN ELECTRICITY

The GOI appropriated \$1.4 billion to the MOE for its annual capital budget. Over the long term, and consistent with the MOE 2007 Master Plan, Iraq needs a \$25 billion–\$30 billion investment “to provide a robust grid that will fully serve all the people of Iraq with 24/7 power with adequate reserves and strong, resilient transmission, and distribution networks.”⁴⁹⁸

U.S. EFFORTS IN THE ELECTRICITY SECTOR

To support GOI investments, the United States will be providing additional technical and administrative capabilities programs, but it will no longer be funding construction projects.⁴⁹⁹



Iraq's electrical infrastructure remains in need of significant upgrade and repair.

Ongoing U.S. projects in Baghdad and around the country continued to make progress. This quarter, the largest U.S. electricity project in the Missan province was connected to the national grid. With cooperation from the MOE, the **400-kV substation at Amara** was connected on March 1, 2008. This project was transferred to the GOI in December 2007 and is estimated to benefit 785,000 residents.⁵⁰⁰

SIGIR performed an audit this quarter on Perini Corporation's work to construct electrical transmission and distribution facilities in southern Iraq. The U.S. government paid almost \$123 million on the contract and approximately \$8 million in award fees. For details and outcomes of the work conducted by Perini, see Table 2.40.

Sustaining Electricity Projects

The long-term success of the U.S. reconstruction effort relies heavily on the ability of the MOE to execute an effective operations, maintenance,

and sustainment program. These are the benefits of an effective program as new and rehabilitated generation plants come on line:⁵⁰¹

- increased productivity
- reduction of machine degradation
- extended machine longevity

The United States is working with the MOE to conduct routine maintenance and implement a long-term maintenance program. ITAO noted positive results in the implementation of this program; the increase in electricity production, which is up 20% since last year, is attributable somewhat to "increased efficiencies captured by better O&M practices that have been fostered by this technical capacity development project."⁵⁰²

The development of a critical spare-parts program and an outage planning process within the MOE are also important to the sustainability of electricity projects. These activities were completed by the MOE.⁵⁰³



ELECTRICITY SECTOR WORK – PERINI CORPORATION TASK ORDERS

COMPLETED TASK ORDERS	OUTCOME	PROBLEMS
<p>Basrah Distribution Network</p> <p>Description of Work: 8 Projects – 5 substations, a secondary substation, power factor correction capacitors, and the rehabilitation of the distribution network.</p>	Completed 5 of 8 projects; the other 3 projects are removed from the task order before the start of construction.	High cost estimates, delays, and security concerns are cited
<p>Babylon Distribution Network</p> <p>Description of Work: 12 projects – 5 substations, 5 distribution networks, overhead lines, and power-factor correction capacitors.</p>	Completed 7 of 12 projects; the other 5 projects are removed from the task order prior to the start of construction.	High cost estimate is cited as a reason for removing one project from the contract, but no reasons are identified for removing the other four.
<p>Anbar Distribution Network</p> <p>Description of Work: 15 projects – 11 projects deleted, 4 remaining projects stopped.</p>	Perini is directed to complete engineering and procurement for 4 projects and deliver the equipment to a government warehouse. Eleven projects are removed from the task order prior to the start of construction.	High cost estimates are cited.
<p>Thi-Qar Distribution Network</p> <p>Description of Work: 6 projects – 6 substations.</p>	Completed 3 of 3 projects.	None cited.
<p>Najaf Distribution Network</p> <p>Description of Work: 4 projects – renovation or construction of 4 substations and the installation of power factor correction capacitors.</p>	Completed 3 of 4 projects. One project is removed from the task order prior to construction.	Concerns about management of construction milestone schedule.
TERMINATED TASK ORDERS		
<p>Anbar Substation Rehabilitation</p> <p>Description of Work: 4 projects – 4 substations.</p>	Terminated for convenience prior to construction.	High cost estimates, delays and security.
<p>Rasheed Substation Rehabilitation</p> <p>Description of Work: 1 project – construction of the partially completed substation at Rasheed.</p>	Terminated for convenience prior to construction.	Security.
<p>Basrah Governorate Rehabilitation</p> <p>Description of Work: 10 projects – 10 substation rehabilitations.</p>	Terminated for convenience prior to construction.	High cost estimates and delays.
<p>Hartha Khor Substation Rehabilitation</p> <p>Description of Work: 1 project – provide construction support and labor to the MOE for the rehabilitation of a transmission line.</p>	Terminated for convenience prior to construction.	Local Iraqis living at the site.
<p>Umm Qasr Rehabilitation</p> <p>Description of Work: 1 project – substation rehabilitation.</p>	Terminated for convenience prior to construction.	None cited.

Source: SIGIR Audit 08-011, "Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation," April 29, 2008.

TABLE 2.40



- A program was approved to place five people in each power plant. They report to a headquarters organization that is in charge of a spare-parts program.
- An extensive program was completed to improve the performance of existing thermal power plants, which is beginning to experience substantial capacity gains from an ongoing O&M program.

For more information about the ESF-funded O&M Sustainment program, see the *Economic Support Fund* section in this Report.

WATER

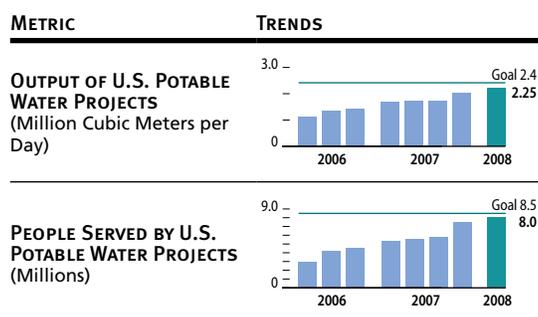
The condition of Iraq’s water infrastructure remains poor.⁵⁰⁴ Notwithstanding the recent progress of U.S. projects supporting Iraq’s water sector, access to improved drinking water sources varies significantly among Iraq’s provinces.⁵⁰⁵

U.S. WATER PROJECTS

IRRF-funded water projects completed as of March 31, 2008, have installed 2.25 million cubic meters per day in water treatment capacity, a 12.5% increase since last quarter.⁵⁰⁶ The United States will have restored or added 2.4 million cubic meters per day of capacity once all IRRF projects are completed in this sector.⁵⁰⁷ Figure 2.35 shows the most recent update for U.S. water output metrics.

Figure 2.35

STATUS OF U.S. WATER PROJECTS



Source: ITAO, responses to SIGIR data call, April 3, 2008, and April 13, 2008.

Note: Last quarter, ITAO reported a goal of 8.38 million Iraqis served. The change in the goal to 8.5 million is due to revised ITAO estimates for individual projects and correction of previous errors in calculation. The data reported are theoretical values; they do not reflect actual production levels by the treatment plants or actual number of persons served.



Dibbis Pump Station.

The United States has obligated \$2.60 billion and expended \$2.29 billion in the water sector.⁵⁰⁸ For some of the largest U.S.-funded projects in the water sector since 2003, see Table 2.41.

The **Sadr City R3 Water Treatment** project had an estimated completion date of February 23, 2008. As of March 31, 2008, this project was not yet completed. Work was suspended in January 2008, when the sand filter beds failed; they must be completely replaced.⁵⁰⁹ The estimated completion date is now the end of September 2008, at a project cost of \$65 million.⁵¹⁰ Once completed, the plant will have the capacity to produce 4,000 cubic meters per hour, which is sufficient to serve at least 192,000 people.⁵¹¹

Construction of the \$17.9 million **Sinjar Water Supply** project was completed on March 29, 2008, and closeout is now in process.⁵¹² Although the United States recommended staffing of one guard and one operator per site, the Ministry of Municipalities and Public Works has provided only 58 workers for all locations—one operator assigned to each site—as of March 2008. The project has the capacity to serve 483,500 Iraqis.⁵¹³

This quarter, SIGIR inspected the **Nassriya Water Treatment Plant**, which is a part of the largest U.S. water supply project in Iraq. For more information on this inspection and other SIGIR

products published this quarter, see Section 3. For an update on the ongoing U.S. water projects, see Table 2.42.

Sewerage

IRRF-funded sewerage projects completed to date have installed sewage treatment capacity of 1.2 million cubic meters per day. Projects have restored capacity to serve 5.1 million Iraqis. Once completed, the **Falluja Sewage Project** will provide the capacity to serve an additional 228,000.⁵¹⁴

Irrigation

Work continued on the **Mosul Dam** this quarter. As SIGIR reported in its inspection report in October 2007, the Mosul Dam requires constant grouting because it was built on a foundation of soluble soils.⁵¹⁵ The United States continues to support the development of an enhanced grouting program to address this issue. The program provides new grouting equipment, procedures, and materials for the dam. This quarter, the Ministry of Water Resources completed the first phase of laboratory testing of new grout mixes, with a second phase of testing currently underway.⁵¹⁶



Water resources remain a critical focus of reconstruction activity.

TOP FIVE U.S. PROJECTS IN THE WATER SECTOR

PROJECT	LOCATION	FUND	TOTAL COST (\$ MILLIONS)	OUTCOMES	% COMPLETE
Nassriya Water Supply Project	Thi-Qar	IRRF	\$276.73	Provides potable water to 550,000 people; completed 9/11/2007	100%
Erbil City-Ifray Water Supply Project	Erbil	IRRF	\$183.40	Provides potable water to 333,000 people; completed 7/20/2006	100%
Nassriya Drainage Pump Station (NDPS) Project	Thi-Qar	IRRF	\$93.80	Will increase agricultural productivity, improve drainage water management, and improve Euphrates River water quality.	75%
Baladrooz Water Supply Project	Diyala	IRRF	\$62.00	Provides potable water to 55,000 people.	90%
Basrah Sewerage Project	Basrah	IRRF	\$53.10	Six new pumping stations were designed and constructed as part of the collection system rehabilitation and network expansion.	98%

Source: GRD, response to SIGIR data call, March 17, 2008; IRMS, ITAO Rollup, March 30, 2008.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

TABLE 2.41

STATUS OF ONGOING U.S. WATER PROJECTS

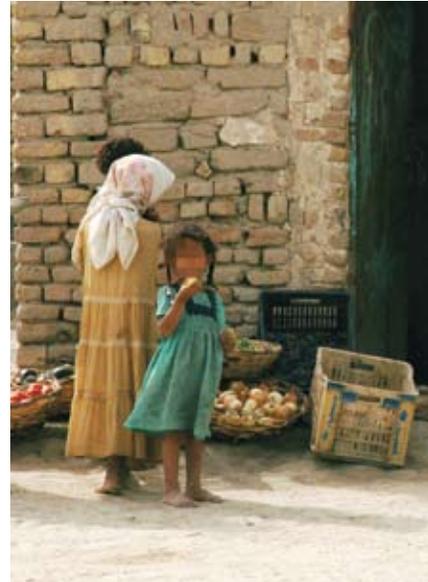
PROJECT TITLE	TOTAL COST (\$ MILLIONS)	FORECAST COMPLETION DATE	% COMPLETE AT 3/31/2008
Baladrooz Water Supply Project: Phase 2	\$61.2	12/7/2007	90%
Falluja Sewerage: Collection System	\$4.5	1/3/2008	50%
Falluja Sewerage: Trunk Mains	\$3.3	12/15/2007	2%
Falluja Sewerage: Wastewater Laydown Yard Phase II	\$0.7	11/15/2007	80%

Source: ITAO, response to SIGIR data call, April 3, 2008.

TABLE 2.42



Iraq's agriculture sector is the second-largest contributor to the country's GDP and the largest employer of the Iraqi labor force.



The **Nassriya Drainage Pump Station** is a large U.S. project aimed at strengthening Iraq's irrigation and drainage capabilities. Nearly \$100 million of the IRRF has been used to support this project. The United States also provided at least 150 backup generators, valued at approximately \$25 million, for irrigation and drainage pump stations throughout Iraq. These are the anticipated benefits of the project once it becomes operational:⁵¹⁷

- The pump station will have the capacity to pump more than 17 million cubic meters per day of irrigation drainage water collected from the Mesopotamian plain.
- It will improve the agricultural drainage in central Iraq, enhancing agricultural productivity and minimizing long-term salinization of irrigated lands.

AGRICULTURE

Iraq's agriculture sector is the second largest contributor to the country's GDP and the largest employer of the Iraqi labor force. The sector accounts for 10% of Iraq's GDP and 25% of Iraq's labor force.⁵¹⁸

The agriculture sector relies heavily on the availability of electricity and water. The provision of reliable electric power is a major consideration and constrains the development of many agribusinesses in Iraq. For example, poultry operations require constant power for raising chickens from the hatchery to the fourth week of life. Also, a reliable system that provides sufficient water during the cropping period for the vegetable value chain is a necessity to extend the

production season. USAID reported that water availability is tied to availability of power because of the dependence on pumps driven by electrical or diesel motors.⁵¹⁹

MODERNIZING IRAQ'S AGRICULTURE SECTOR

USAID's **Inma Agribusiness Program**, which has obligated \$92.5 million thus far, targets improving and modernizing the agriculture sector in Iraq. These are the activities supported by the Inma program:⁵²⁰

- increasing crop diversity and livestock productivity
- delivering agricultural information systems to farmers and food processors
- delivering sustainable technical programs for soil reclamation and water resource management
- increasing the competitiveness of Iraqi agribusinesses
- increasing domestic and foreign partnerships

Inma supported a maize production project to bolster feed supply in Anbar province. Also, it assisted with wheat planting projects in the Anbar and Diyala provinces. Harvests are expected in May and June 2008. These projects are



Date palms.

designed to increase the supply of livestock feed in the two areas.⁵²¹ For more information on this program, see the *Economic Support Fund* section of this Report.

AGRICULTURE EXTENSION

Allocated \$7.8 million from the IRRF and \$2.4 million from the ESE, USDA’s **Iraq Agricultural Extension Revitalization (IAER)** project aims to build the institutional capacity of the Ministry of Agriculture and Iraq’s agricultural universities in five key areas: livestock production, field crop production and marketing, horticultural crop production, extension methodology, and irrigation and water resources management.⁵²² These are the activities of this program as of March 31, 2008.⁵²³

- 14 training seminars were conducted to train at least 350 Iraqi extension personnel and university faculty.
- 21 mini-grant projects were reviewed and approved for use by trainees as pilot projects in their communities, using the application of new extension methodologies.
- 20 laptop computers and associated software and training were provided for multimedia communication development for agricultural extension.

IAER plans to carry out at least 7 more training seminars by the end of September 2008.⁵²⁴ As of March 31, 2008, nearly 65% of the program’s funds had been obligated.⁵²⁵

PRT AGRICULTURE ADVISORS

Provincial Reconstruction Teams (PRTs) also focus on developing Iraq’s agriculture sector. The U.S. Department of Agriculture has deployed 20 agricultural advisors to work on the PRTs and plans to deploy up to an additional 15 advisors in 2008.⁵²⁶ The Agriculture Development team at the Wassit PRT worked with the local council in Al-Na’maniya to identify an irrigation choke-point and planned canal repairs that will increase water capacity for 350-400 people. The team also worked with the provincial government to improve farmer education and access to new technology.⁵²⁷

DATE PRODUCTION

Prior to the onset of sanctions, Iraq exported a large portion of its date production—accounting for 30% of the world’s date supply.⁵²⁸ Suppliers from other countries emerged during the 1990s to replace the withdrawal of Iraqi dates from the world market, and Iraq has been struggling to re-enter the profitable market for dates.⁵²⁹ More-



over, Iraq lacks the required regulatory system to provide the international export certifications needed to sell to Europe and the United States.⁵³⁰

The revitalization of Iraq's date industry has been the focus of several U.S.-led efforts. USAID supported the Ministry of Agriculture in re-establishing date palm nurseries. To support these efforts, USAID has a two-tiered strategy under development. These are the objectives of this strategy:⁵³¹

- Expand domestic processing of dates into locally consumed date products.
- Organize private date growers to meet international standards to access more profitable markets.

MANUFACTURING

Security issues have limited the revitalization of Iraq's industrial sector since 2003. Since last year, the U.S. Task Force to Improve Business and Stability Operations (TFBSO) has accelerated factory restarts. TFBSO has restarted or materially increased production at 29 factories in Iraq, resulting in more than 10,000 sustained jobs.⁵³² As of July 2007, only 6 factories had restarted production operations,⁵³³ and 17 factories had been restarted by the end of 2007.⁵³⁴ As of February 29, 2008, the Task Force had launched 48 projects in 30 additional factories or production lines throughout the country with a \$50 million appropriation through the Iraq Freedom Fund.⁵³⁵

TFBSO works closely with MNF-I, focusing on restarting idle Iraqi state-owned enterprises and other industry areas. For TFBSO project descriptions and updates, see Table 2.43. In January,

the Task Force supported the GOI in approving the first private investments in manufacturing facilities. Three state-owned cement factories finalized joint investment partnerships with international investor consortiums that will be shareholders with the GOI. Privatization of these factories is the long-term intention.⁵³⁶

TRANSPORTATION

Years of violence and instability have hindered Iraq's ability to rebuild its transportation infrastructure. Some of the largest U.S. efforts in this sector are listed in Table 2.44.

AVIATION

This quarter, the GOI purchased 40 aircraft from Boeing and 10 from Bombardier for a total of \$5.9 billion.⁵³⁷ This investment is meant to strengthen Iraqi civil aviation capacity and to enable Iraqi Airways to meet increasing demand for air transportation.⁵³⁸

U.S.-funded work continued at the **Basrah International Airport**. This \$23.5 million project includes radar support, navigational aids, communications assistance, and water treatment. The estimated completion data is September 2008.⁵³⁹

This quarter, the PRT in Najaf and the Ministry of Transportation began coordinating the development of a master plan for the **Najaf International Airport**. The Ministry of Transportation announced that it will dedicate \$20 million to support the project.⁵⁴⁰ The master plan will provide a roadmap for development as well as the construction and operation of the regional international airport.



TF-BSO INITIATIVES

TF-BSO ELEMENT	PROJECT EXAMPLES
<p>Private Investment</p> <p>Facilitating rapid private direct investment opportunities from institutions, private equity, and corporations.</p>	<ul style="list-style-type: none"> An investment consortium has received license, lease rights, and land to build a 250-300-room luxury hotel in the International Zone. An international hotel chain has entered into a letter of intent to operate this new hotel upon its completion. TF-BSO accountants and legal advisors are working in support of the newly established Iraqi investment commission and the Ministry of Finance to establish transparent processes for evaluating and awarding contracts for private investments in Iraq. TF-BSO is facilitating the submission and review of proposals for new office construction, hotel and retail developments, agribusiness projects, and new industrial operations.
<p>Market Demand Establishment/ Industrial Privatization</p> <p>Recreating intra-Iraq demand among factories, facilitating regional and global supply agreements and joint ventures.</p>	<ul style="list-style-type: none"> The TF-BSO Procurement Assistance Team/accountants and legal advisors provided support to the Government of Iraq during the acquisition process of purchasing commercial jet aircraft from American and European airline manufacturers for Iraqi Airways. TF-BSO personnel within the PMO facilitated the establishment of a relationship between the State Company for Mechanical Industries (SCMI), an established Middle East distributor, and Case New Holland (CNH). CNH will be providing unassembled kits to SCMI, which will assemble the tractors for distribution via the network. PMO personnel have worked with the Ministry of Agriculture to assist in focusing intra-Iraq demand toward this arrangement. Approximately 1,200 people have returned to work.
<p>Industrial Capacity Restoration</p> <p>Restarting/restoring production to idled Iraqi industrial base.</p>	<ul style="list-style-type: none"> The State Company for Handmade Carpets in Baghdad has returned to production, employing more than 300 people, after receiving production equipment, repair parts and spares, and raw materials. The SCMI in Babylon has been restarted and is assembling farm tractors, greenhouses, and irrigation equipment. Assistance included 200 tractor kits to be used for training and production, production equipment, repair parts and raw materials. Approximately 1,000 people have returned to work.
<p>Contracts/Direct Economic Stimulus</p> <p>Policies, processes, and systems to support JCC-I/A in direct U.S. government contracts with private Iraqi business.</p>	<ul style="list-style-type: none"> The TF-BSO has worked with the Legislative Affairs functions within DoD and the Congress to formally codify the Iraqi First Program language into law. This objective was realized with the passage of Section 886 of the FY 2008 National Defense Authorization Act. As a result of this language, many contracting functions outside of Iraq that purchase supplies and services for use in Iraq or Afghanistan can now set aside those purchases for Iraqi or Afghan companies. The ability to limit competition to these firms will further enable economic development for these nations.
<p>Banking and Financial Networks</p> <p>Increase incentive for the development of robust private sector financial services and associated infrastructure, through contract requirements.</p>	<ul style="list-style-type: none"> A private banking consortium has been established among 10 private financial institutions through 150 bank branches distributed across Iraq with electronic funds transfer capability and associated links to international financial networks. The private banking consortium has built an operating model for a core shared private financial infrastructure to efficiently process payment and financial-transfer transactions. About \$175,000 has been contributed to the consortium from the Iraqi banks.
<p>Communications Infrastructure</p> <p>Increase incentive for the development of necessary wireless and wire-line communications infrastructure capable of supporting economic activity.</p>	<ul style="list-style-type: none"> The TF-BSO Iraq Communications Team (ICT) has developed a Geospatial Information System (GIS) tool that will be leveraged by the GOI and MNF-I for country- and city-wide infrastructure planning and urban renewal and design. Iraq Telecommunications Infrastructure Analysis and Recommendations Report: The ICT Team developed and delivered a 400-page analysis report, which reviewed current and potential future state ICT sector efforts in Iraq, focusing on the civil-military infrastructure and ICT basic services. This full-scope report is now used as the definitive reference for many communications planning elements and project managers supporting Operation Iraqi Freedom.

Source: MNF-I, response to SIGIR data call, April 12, 2008.

TABLE 2.43

TOP FIVE U.S. PROJECTS IN THE TRANSPORTATION SECTOR

PROJECT	LOCATION	FUND	TOTAL COST (\$ MILLIONS)	% COMPLETE
Basrah Airport Radar, Navigational Aids, Communications and Water Treatment	Basrah	IRRF	\$23.40	80%
Al-Diwaniyah – Al-Samawah 2d Carriageway (70.3km)	Qadissiya	IRRF	\$16.61	42%
Baghdad-Kirkuk 2d Carriageway – Northern Segment (26.4 km)	Salah Al-Din	IRRF	\$15.38	38%
Baghdad-Kirkuk 2d Carriageway – Southern Segment (60.5 km)	Salah Al-Din	IRRF	\$13.96	28%
Mosul Airport – ATC Tower Rehab	Ninewa	IRRF	\$12.10	100%

Source: IRMS, ITAO Rollup, March 28, 2008.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

TABLE 2.44



BIAP Terminal Rehabilitation.

RAILWAYS

The Iraq Republic Railway (IRR) moved more than 800 trains from January 1, 2008, through March 15, 2008, representing the highest quarterly average since 2003 and a 12% increase over last quarter.⁵⁴¹

- 43 locomotives were in service.
- 163 passenger trains ran between Baghdad and Basrah.
- 16,357 passengers traveled between Baghdad and Basrah.

In September 2007, the U.S. Embassy Department of Transportation Attaché reported that the IRR was impaired by security issues and workforce stability.⁵⁴² The IRR has made several improvements to security operations, opening these segments since fall 2007:⁵⁴³

- Hilla to Baghdad section of the main north/south route
- Baghdad to Baiji section of the main north/south route
- line west from Baiji to the end of the line at Akashat
- west loop from Baiji south to Ramadi/Falluja

Although the physical safety of employees continues to be threatened, between 1,000 and 1,500 IRR employees report to work regularly—an increase over last quarter.⁵⁴⁴

ROADS AND BRIDGES

Work on the **Baghdad-Kirkuk Highway Project** continued this quarter. The northern segment is 8% complete, and the southern segment is 23% complete. The estimated completion date for the project is December 31, 2008.⁵⁴⁵

SHIPPING AND PORTS

The **Roll On-Roll Off (RO-RO) Berth project** at the port of Umm Qasr was completed in September 2007.⁵⁴⁶ The new RO-RO Berth is operational and receiving cargo and passengers. Currently, there are no available metrics to measure the impact of the berth on port operations.⁵⁴⁷

The **Nelcon Crane Refurbishment Project** had been temporarily stalled due to a lack of electrical power. The power situation has been resolved, and the contractor has been asked to remobilize to complete the project.⁵⁴⁸

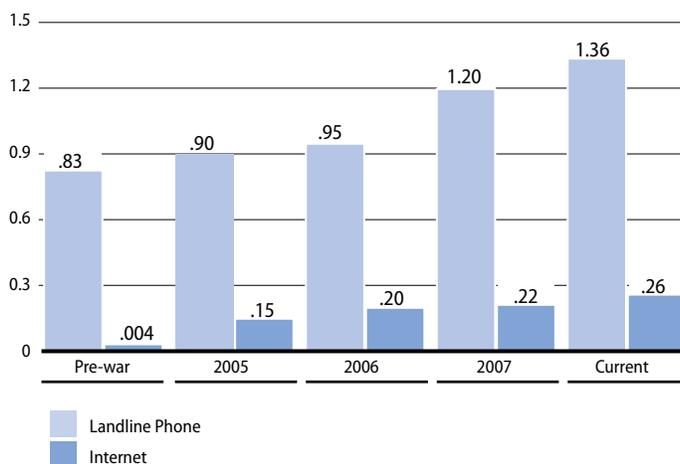


Figure 2.36

INTERNET AND PHONE USAGE IN IRAQ

Millions of Subscribers

Source: ITAO, Response to SIGIR Data Call (4/3/2008)

**COMMUNICATIONS**

The use of Iraq's communications infrastructure continues to increase.⁵⁴⁹ Cell phone subscriptions in Iraq have increased by more than 50% since September 2007, when nearly 7.7 million Iraqis had service.⁵⁵⁰ Figure 2.36 shows the increasing trend of landline and Internet usage since before the war. These are the current statistics for Iraq's communication system:

- More than 12 million cellular phone subscriptions are now active.⁵⁵¹
- There are approximately 1.36 million landline users in Iraq as of April 4, 2008.⁵⁵²
- The State Company for Internet Services has approximately 200,000 Internet dial-up subscribers and a limited number of DSL subscribers.⁵⁵³

The **Iraqi Telecommunications System project** received an allocation of \$47 million from the IRRF to construct a wireless broadband network and a switching facility at Al-Maimouna. The \$22.7 million exchange and telecom center will have a seven-story main office building, post office building, parking garage, and public

plaza upon completion in January 2009.⁵⁵⁴ The main building will include the communication switch-gear operations for the greater Baghdad area. As of February 2008, the project was 40% complete.⁵⁵⁵

BANKING AND FINANCE

State-owned commercial banks account for 90% of total assets in the Iraqi banking sector. However, very little credit is extended to the private sector.⁵⁵⁶ Compared with other banks in the region, Iraqi bank deposit bases and loan portfolios are small, and most lending institutions lack risk-assessment expertise. Thus, only a few banks offer loans with maturities of more than a year.⁵⁵⁷ Several U.S.-led efforts are supporting the extension of finance alternatives to Iraqi businesses.

The **Iraqi Company for Bank Guarantees (ICBG)** is assisting in extending financial resources to small- and medium-sized enterprises. The ICBG was formed by 11 private Iraqi banks, with assistance from USAID and the U.S. Treasury. The ICBG currently oversees a portfolio of 25 loan guarantees; 12 of these have been disbursed by banks.⁵⁵⁸ The ICBG recently established an operations branch in Erbil.⁵⁵⁹



IRAQ STOCK EXCHANGE

The Iraq Stock Exchange (ISX) opened to foreign investors in August 2007. Foreign investment on the ISX since August 2007 has included:⁵⁶⁰

- 82 non-Iraqi investors
- 1,079 transactions
- 9,942,979,346 traded shares
- \$18 million in total value⁵⁶¹

U.S.-funded efforts have continued implementation of the automation project for the Iraq Stock Exchange (ISX), designed to ease the administrative burden of the current physical certificate process.⁵⁶² The United States is supporting ongoing efforts to increase the capacity of the Iraq Securities Commission and the ISX in a variety of areas, including risk management, international standards, and automated processes.⁵⁶³

ELECTRONIC FUNDS TRANSFER

The electronic funds transfer (EFT) program, managed by the JCC-I/A, is another step in modernizing Iraq's financial sector. JCC-I/A has made electronic payment of its contractors a priority. The pilot program, which started in October 2007, has already realized a significant reduction of cash transactions. As of March 24, 2008, about 64% of total contract dollars were paid out via EFT. Of all payment transactions, 44% are made electronically.⁵⁶⁴ This encompasses the \$24.2 million in payments to Iraqi firms through March 24, 2008.⁵⁶⁵ Figure 2.37 traces the rate of EFT adoption through this DoD program.

The U.S. Treasury noted these outcomes, resulting from the increased adoption of EFT through this program:⁵⁶⁶

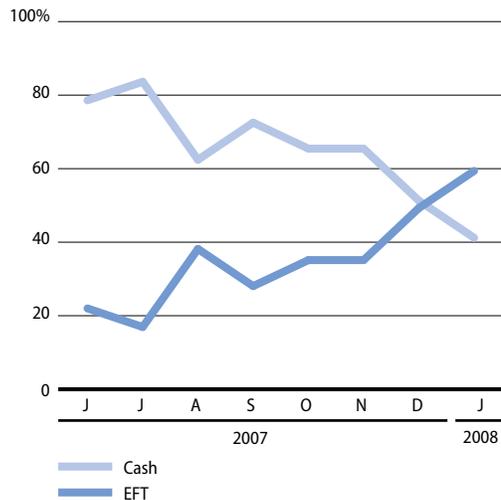
- Higher volume of money flowing through the electronic payment systems has prompted Iraqi private banks to establish AMWAL (the non-banking financial institution that is undergoing licensing by the CBI as a payments system operator) for Electronic Banking Services.
- As increased numbers of Iraqi vendors receive their contract payments electronically, there is an increased demand in the Iraqi market for

Figure 2.37

ADOPTION RATE FOR THE ELECTRONIC FUNDS TRANSFER PROGRAM

Percentage of Payments to Iraqi Firms

Sources: U.S. Army Combined Arms Center Military Review, "Restoring Hope: Economic Revitalization in Iraq Moves Forward," March–April 2008



Note: Numbers are affected by rounding.



retail banking products and services.

- Iraqi vendors are also more likely to encourage their suppliers and employees to sign up with bank accounts so that they may pay them electronically as well.

LETTERS OF CREDIT

In a GOI-led initiative to modernize private banks, the Council of Ministers mandated this quarter that private Iraqi banks will now process letters of credit worth less than \$2 million instead of the Trade Bank of Iraq. Moreover, the CBI can now process the letters of credit instead of the Ministry of Finance. NEA reported that these changes could result in an increase in transactions for private banks. However, letters of credit worth less than \$2 million accounted for only 7.5% of the total annual value in 2007.⁵⁶⁷

HEALTH CARE

Many Iraqis still do not have access to basic health care.⁵⁶⁸ At least 20,000 doctors (of the 34,000 registered in 1990) have fled the country, and it is estimated that more than 2,200 doctors and nurses have been killed since 2003.⁵⁶⁹ Moreover, pre-existing medical infrastructure problems and an unpredictable security situation continue to impede progress.⁵⁷⁰

The facilities and infrastructure needs of Iraq's health care sector have been a focus of both Iraqi and U.S. reconstruction efforts. For details on five of the largest U.S. projects in this sector, see Table 2.45.

PRIMARY HEALTHCARE CENTERS

The **Primary Healthcare Center (PHC) program** has been a central part of U.S. reconstruction in this sector. GRD opened 31 PHCs from

TOP FIVE U.S. PROJECTS IN THE HEALTH CARE SECTOR

PROJECT	LOCATION	FUND	TOTAL COST (\$ MILLIONS)	OUTCOMES	% COMPLETE
Basrah Children's Hospital	Basrah	Multiple Funding Sources	\$163.60	Will be a state-of-the-art acute and referral care hospital with a focus on pediatric oncology	85%
Najaf Teaching Hospital	Najaf	IRRF	\$14.26	Renovations throughout the hospital, including the industrial kitchen, laundry, and mechanical rooms	100%
Missan Surgical Hospital, Phase II	Missan	ESF	\$14.08	Not available	5%
Al-Baladi Maternity and Pediatric Hospital	Baghdad	IRRF	\$12.50	Not available	99%
Ba'quba General Hospital EHC	Diyala	ESF	\$10.00	Not available	5%

Sources: IRMS, *ITAO Rollup*, March 28, 2008; GRD, responses to SIGIR data call, March 17, 2008, and April 5, 2008.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

TABLE 2.45



Basrah Children's Hospital. March 2008.



View from hospital roof. March 2008.



Main entrance stone-cladding work. March 2008.

October 2007 to March 2008; 60 PHCs are now open to the public. Three task orders of the original contract for the PHC program contracted for the construction of 150 PHCs throughout Iraq; 8 were subsequently descoped.⁵⁷¹ The current target number to complete is 136 PHCs; this target was reduced from 142 PHCs after 5 facilities were bombed and 1 facility was found to be structurally deficient.⁵⁷² GRD reported that it is currently on track to complete the last remaining PHC in November 2008.⁵⁷³ For an update on progress in completing these centers, see Table 2.46.

Sustaining PHCs

Providing staff to open the transferred PHCs to the public is the greatest challenge facing the Ministry of Health. GRD has received reporting that suggests that the Ministry of Health has not been successful at operating and maintaining the facilities properly.⁵⁷⁴ However, ITAO and GRD are addressing the issue of PHC sustainment in

coordination with the Ministry of Health. For example, through \$1.3 million in ESF O&M Sustainment program funds, 40 PHC tool sets for repair of biomedical equipment have been procured and delivered.⁵⁷⁵

BASRAH CHILDREN'S HOSPITAL

Awarded construction work totaling \$163.6 million for the Basrah Children's Hospital is 85% complete; medical equipment integration is 54% complete. The project originally had an estimated ceiling of \$50 million. A SIGIR review of USAID's management of the project noted that the price increased from \$149.5 million to \$169.5 million because of a design change in the size of the facility, design flaws, contract delays, poor construction, and security issues.⁵⁷⁶ Several sources of funding were used to meet the increased cost. Figure 2.38 shows the origins of funding for this project.

About 1,000 workers a day were on site until



STATUS OF THE PRIMARY HEALTHCARE CENTERS

STATUS OF PHCs	NUMBER OF PHCs (AS OF OCTOBER 2007)	NUMBER OF PHCs (AS OF MARCH 2008)
Completed and Open to Public	29	60
Completed, Not Accepted by Ministry of Health	14	12
Completed and Accepted by Ministry of Health	37	26
Work Stopped because of Security	0	5
Under Construction: 90-100% Completed	35	15
Under Construction: 75-90% Completed	14	9
Under Construction: Less than 75% Complete	7	4
Deprogrammed	4	6
Reprogrammed	2	5
Total Funded PHCs	142	142

Source: GRD, responses to SIGIR data call, October 10, 2007, and April 5, 2008.

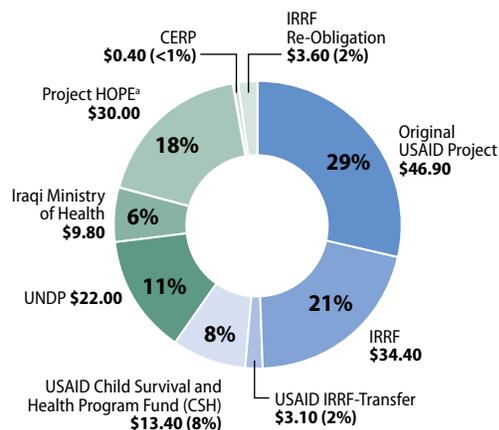
TABLE 2.46

Figure 2.38

COSTS OF THE BASRAH CHILDREN'S HOSPITAL

\$ Millions, % of \$163.60 Million

Source: GRD, Response to SIGIR Data Call, (4/5/2008)



Note: Numbers are affected by rounding.

^a Project HOPE is a non-profit organization supporting health-care initiatives globally. HOPE stands for Health Opportunities for People Everywhere.



March 24, 2008, when work halted due to escalating security issues in the province. The estimated construction contract completion date is July 21, 2008, and the completion of the medical equipment integration service is scheduled for November 14, 2008. The opening of the hospital is anticipated to be completed in phases starting in early 2009.⁵⁷⁷

EDUCATION

In the Compact, the GOI committed to accomplishing several goals for education:

- Improve adult literacy by 25% and school completion rates by 25%.
- Achieve gender parity at all levels of education.
- Increase the education budget from 3.5% to at least 5% of GDP.

Not including KRG schools, the Central Ministry of Education maintains that all schools (approximately 17,300 schools housed in approximately 14,200 school buildings) are open except for temporary shutdowns in areas that experienced security issues this quarter, such as Basrah and parts of Baghdad.⁵⁷⁸

U.S. SUPPORT IN EDUCATION

As of March 31, 2008, GRD had completed 1,029 school construction and rehabilitation projects using U.S. funding. This figure includes 811 projects funded by the IRRF, 206 CERP educa-

tion projects, and 12 supported by the ESF. GRD also completed 42 schools using funding from the DFI.⁵⁷⁹

Although all IRRF funds allocated to this sector were expended by June 2006, current U.S. school construction projects are supported by CERP and ESF funds. Almost 140 CERP projects are classified as in progress in addition to 72 PRT/PRDC projects using ESF funding.⁵⁸⁰ The damaged **Qudas High School for Boys** in Mansour re-opened this quarter after GRD completed a \$568,000 project using PRT/PRDC program funding. The Iraqi-designed renovation was completed by an Iraqi contractor with oversight of an Iraqi USACE project engineer.⁵⁸¹

The PRTs have emerged as one of the primary U.S. mechanisms to strengthen Iraq's educational sector. A recent example is the support of the Academic Coordinator in PRT Muthanna. The coordinator has set up an office at Thi-Qar University, and six neighboring schools have asked the coordinator to counsel their students on U.S. study.⁵⁸²

The **Education Management Information System**, a \$2 million information management and capacity development project for the Ministry of Education, is now 70% complete. When completed, the project will provide real-time data to the Ministry executives on all aspects of Ministry activities, which include payroll, students, grades, and personnel.⁵⁸³

GOVERNANCE AND CAPACITY DEVELOPMENT

Progress in governance and developing the capacity of the Government of Iraq (GOI) at all levels remains a strategic priority for sustaining the U.S. investment in Iraq's reconstruction. Since January, four important steps were taken to advance those goals:

- The Regions Formation Law came into effect after an 18-month suspension.
- The Provincial Powers Law was passed, including an elections law requirement.
- The Prime Minister announced that 2008 will be a year focused on reconstruction and anti-corruption.
- The 2008 Iraqi budget passed, totaling \$49.88 billion.⁵⁸⁴

IRAQI BUDGET

The GOI budget for 2008 represents a substantial increase from the \$6 billion provided by Iraq for the last six months of 2003.⁵⁸⁵ Because of a 52% increase in budget allocations, high inflation, and fairly stagnant disbursements between 2004 and 2006, actual expenditure rates fell from 98% to 66%.⁵⁸⁶

As SIGIR reported last quarter, the increased price of oil has exceeded GOI expectations for 2007, leaving Iraq with a budget windfall of approximately \$10 billion for 2007.⁵⁸⁷ Based on this, the GOI has announced plans to issue a \$5 billion supplemental to the 2008 budget by the end of June 2008.⁵⁸⁸

IRAQI CAPITAL BUDGET FOR RECONSTRUCTION, CY 2003–2008

CALENDAR YEAR	CAPITAL BUDGET (IN DINARS)	CONVERSION RATE (DINAR/USD) ^a	IRAQI CAPITAL BUDGET (\$ US)	DOCUMENT SOURCE
2003	Not provided in dinars	N/A	\$609,500,000	"Republic of Iraq: Budget Revenues and Expenses 2003, July – December"
2004	5,114,323,000,000	1,500	\$3,409,548,667	"Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005"
2005	7,550,000,000,000	1,500	\$5,033,333,333	"Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005"
2006	9,272,000,000,000	1,500	\$6,181,333,333	"GOI Budget" (as approved by TNA and written into law December 2005); U.S. Treasury, response to SIGIR data call, 1/4/2008
2007	12,679,254,000,000	1,260	\$10,062,900,000	"Approved Iraqi Federal Budget for 2008"; U.S. Treasury, response to SIGIR data call, 4/3/2008
2008	15,671,227,000,000	1,200	\$13,059,000,000	"Approved Iraqi Federal Budget for 2008"; U.S. Treasury, response to SIGIR data call, 4/3/2008
Total			\$38,355,615,333	

^a Source of conversion ratio: U.S. Treasury, responses to SIGIR data call, January 21, 2008 and April 3, 2008.

TABLE 2.47

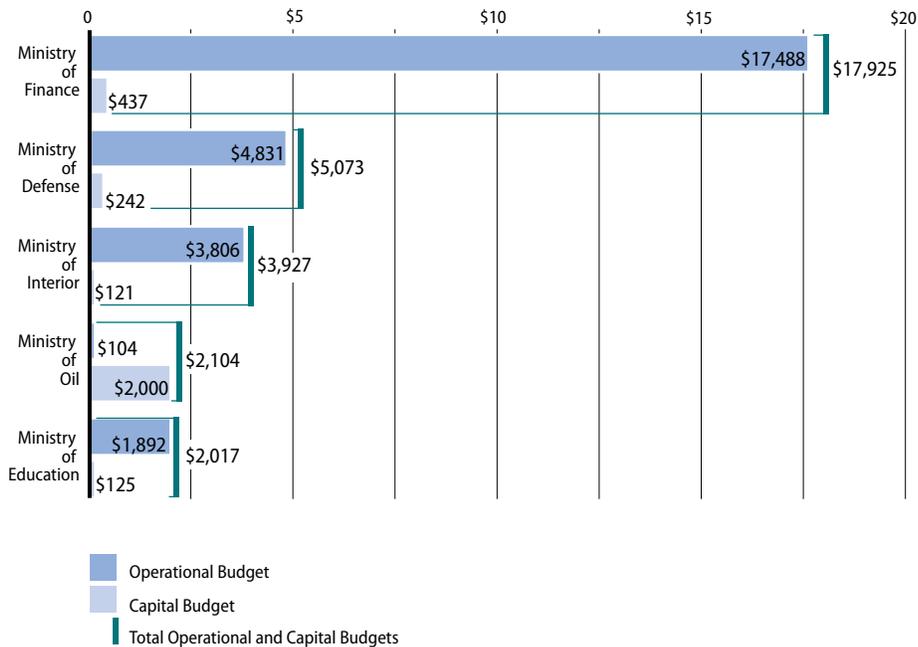
GOVERNANCE AND CAPACITY DEVELOPMENT

Figure 2.39

TOP FIVE IRAQI MINISTRY BUDGETS FOR 2008

\$ Millions

Source: U.S. Treasury, Response to SIGIR Data Call (4/3/2008)



Note: Numbers are affected by rounding.

GOI BUDGET FOR 2008

In February 2008, the Presidency Council passed the final GOI 2008 budget, which includes more than \$36.8 billion for operational expenses and more than \$13 billion for capital expenditure. Overall, this represents a budget increase of \$8.8 billion from last year, including a capital budget increase of \$3 billion.⁵⁸⁹ For an overview of capital budget increases over the last five years, see Table 2.47.

The Ministry of Finance (MOF) was allocated the greatest portion of the 2008 budget—\$17.9 billion. At \$5.48 billion, the allocation to the Kurdistan Regional Government (KRG) is the second-largest 2008 allocation. According to the U.S. Treasury, once the KRG's budgeted monies are released by the MOF, the funds are considered spent. More than \$2.5 billion of the KRG's budget is for capital expenditure—46% of the region's budget.⁵⁹⁰ For an overview of the five

largest operating and capital budgets for 2008, see Figure 2.39.

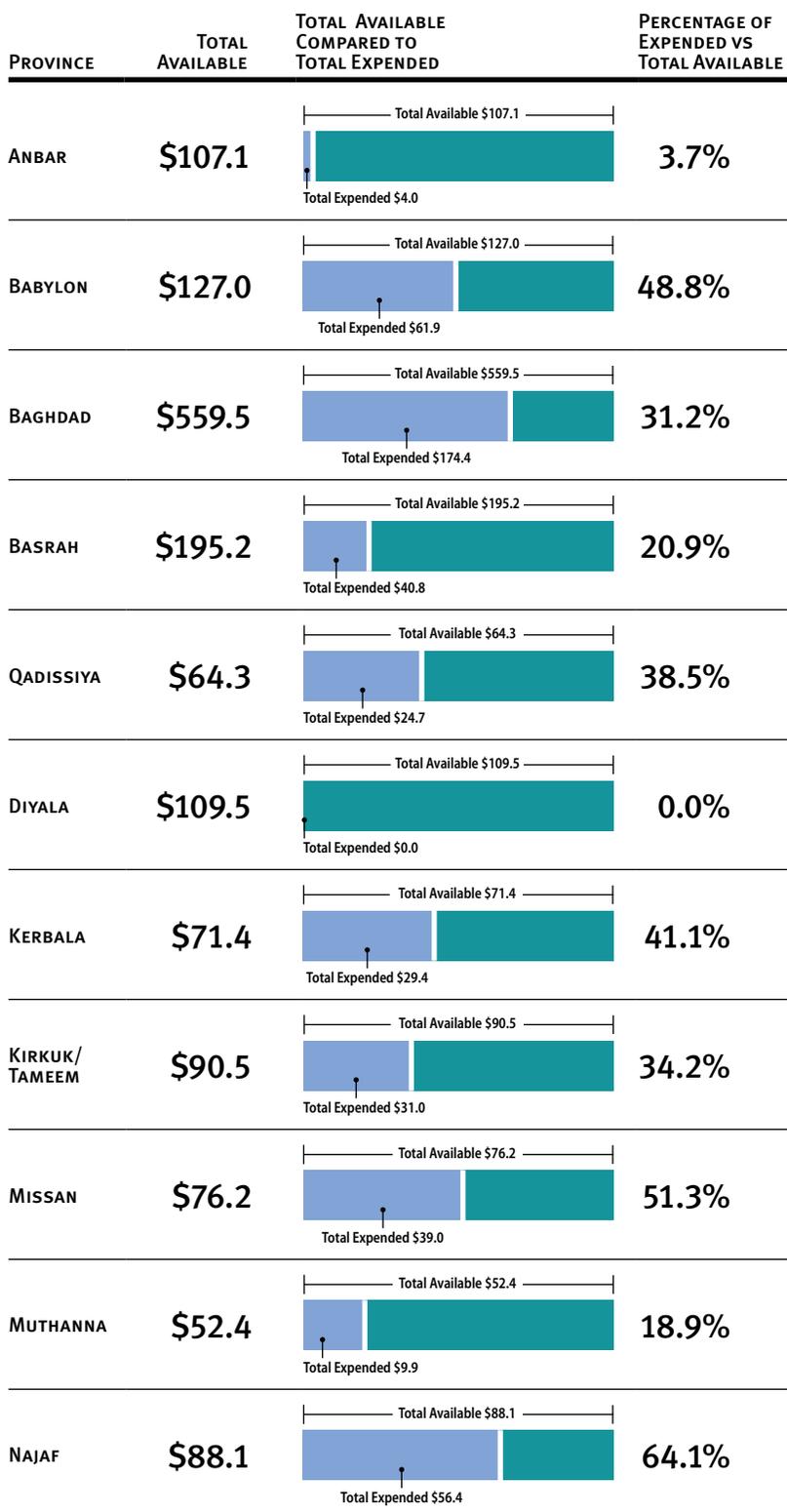
MINISTERIAL BUDGET EXECUTION

In 2007, the GOI spent just more than 51% of its total capital budget for ministries—\$4 billion of a \$7.9 billion capital budget. Nearly 75% of 2007 operating funds were expended, including 100% of the budget for employee compensation. As of April 3, 2008, no ministerial budget execution data is available for 2008.⁵⁹¹

Tracking and reporting on capital budget expenditures is one of the 18 benchmarks laid out by the U.S. Congress as a means of assessing progress in Iraq reconstruction. However, changes to GOI capital budget reporting have made tracking expenditures challenging. Consequently, the MOF has created a special report on capital to address progress toward full capital budget execution.⁵⁹²

Figure 2.40

2007 CAPITAL BUDGET EXECUTION IN THE PROVINCES (\$ MILLIONS)



Continued on next page

KURDISTAN REGIONAL GOVERNMENT

The Kurdistan region had the highest capital budget execution for 2007. The region spent nearly \$1.49 billion of a \$1.56 billion capital budget—95.3% of the capital budget for the year.⁵⁹³ The KRG includes the provinces of Dahuk, Erbil, and Sulaymaniyah.

PROVINCIAL BUDGETS AND BUDGET EXECUTION

The 2008 GOI budget provides \$3.38 billion for General Directorates in Iraqi Provinces—more than \$50 million for operating expenses and over \$3 billion for capital expenditures. The Provincial Council and each of the provinces will receive \$88 million in operating expenses.⁵⁹⁴

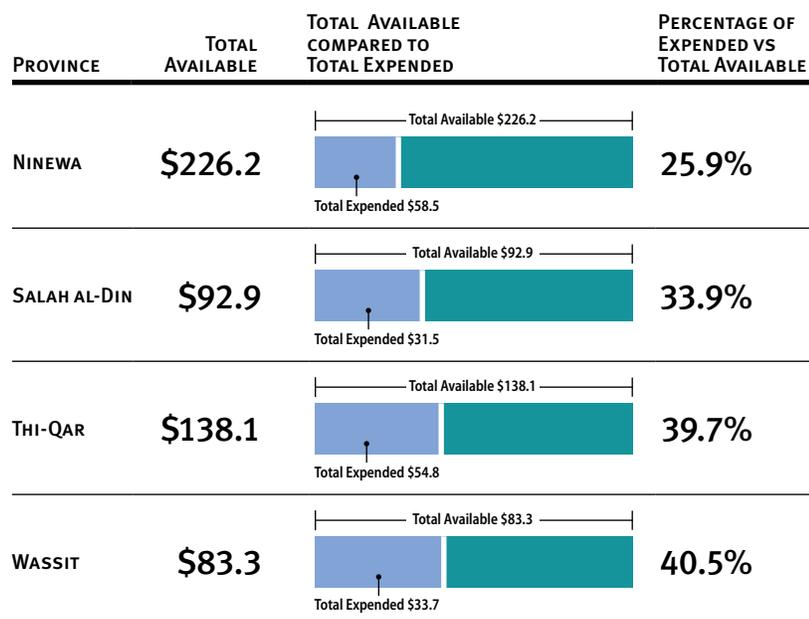
For 2007, capital budget execution in the provinces totaled more than 31% (\$650.1 million) against the amount available (nearly \$2.1 billion). Najaf spent more of its budget than any other province—more than 64%. As of April 3, 2008, no provincial budget execution data was available for spending in 2008.⁵⁹⁵ However, for a comparison of 2007 capital budget execution, by province, see Figure 2.40.

U.S. Treasury reports indicate that Diyala and Anbar provinces were least successful in budget execution during 2007. Of the nearly \$110 million available for 2007, Diyala did not report spending any of its money. Only \$4 million of the \$107 million available to Anbar were reportedly spent—less than 4% of available funds.⁵⁹⁶

In comparison, CERP expenditures for these provinces are higher—Anbar has spent 81% (\$226 million) of its \$278 million in CERP ob-

GOVERNANCE AND CAPACITY DEVELOPMENT

2007 CAPITAL BUDGET EXECUTION IN THE PROVINCES (\$ MILLIONS)



Source: U.S. Treasury, response to SIGIR data call, April 3, 2008.

Note: Remaining budgeted funds from 2006 are not considered as available funding for 2007. Not listed here are Dahuk, Erbil, and Sulaymaniyah, all provinces within the Kurdistan region.

ligations, and Diyala has spent 67% (almost \$93 million) of its \$137 million.⁵⁹⁷

DEMOCRACY AND RECONCILIATION

The Regions Formation Law became effective on April 11, 2008, after an 18-month suspension. The law has a long history of controversy within Iraq, much of which has yet to be resolved.

On February 13, 2008, the Council of Representatives (CoR) passed a three-law package, which included the Provincial Powers Law. As part of this legislative action, the Amnesty Law was passed, and the 2008 GOI budget was approved.⁵⁹⁸

REGIONS FORMATION LAW BECOMES EFFECTIVE

The Regions Formation Law was implemented on April 11, 2008. The law was passed by the CoR in October 2006, but was suspended for 18 months. Although the Regions Formation Law will allow for regional empowerment, the U.S. Embassy predicts that provincial councils will be limited in their ability to create new regions after the law is implemented.⁵⁹⁹

The law represents a step toward decentralizing the GOI, but the U.S. Embassy notes that there is little public support for the law's division of power. For now, the importance of the law remains largely theoretical.⁶⁰⁰

Background

In March 2004, the Transitional Administrative Law (TAL) provided the first legal authority for groups of provinces to form regions.⁶⁰¹ Recognizing the pre-war autonomy of the KRG, the TAL provided for other regions to emerge from similar groupings.⁶⁰²

The Constitution of Iraq, signed on October 15, 2005, also provided for the enactment of laws to establish regions as political subdivisions of the federal Republic of Iraq.⁶⁰³ A law creating the “Operational Procedures for the Creation of Regions” was adopted by the CoR approximately a year later, but significant differences over how the law treated Iraq’s various sectarian groups led to party blocks and boycott of the parliamentary decision.⁶⁰⁴ Given the law’s implications for the regionalization of sectarian and resource-driven interests, implementation was delayed until April 2008.

Enacting and implementing legislation on procedures to form semi-autonomous regions was one of the 18 benchmarks established by the Congress to measure reconciliation within Iraqi society, to improve the security of the Iraqi population, to provide essential services to the population, and to promote its economic wellbeing.⁶⁰⁵

PROVINCIAL POWERS LAW IS PASSED

The Provincial Powers Law, passed February 13, 2008, establishes the relationship between the central government and provinces not incorporated into regions (excluding the three provinces that make up the Kurdistan region).⁶⁰⁶ However, the law will not come into effect until the require-

ment for a national elections law is met.⁶⁰⁷ The Presidency Council vetoed this legislation on February 26, 2008, signaling disapproval of the centralized policies it presented,⁶⁰⁸ but the veto was rescinded on March 19, 2008.⁶⁰⁹

The purpose of the Provincial Powers Law is to delineate the balance of authority between the provinces and the central government. Under Article 2, provinces are authorized to enact their own legislation, but the central government may rescind any laws that contradict the Constitution or federal law. In addition, the CoR has the authority to remove provincial governors and disband provincial councils, and the Council of Ministers (CoM) can unseat other senior provincial officials.⁶¹⁰

The law requires the passage of an elections law by May 15, 2008, but provincial elections are not expected to take place until October 2008. A draft elections law is currently being reviewed by the CoM,⁶¹¹ and the Office of the Prime Minister is drafting a law related to provincial elections, which is expected to provide a legal structure for all Iraqi elections.⁶¹²

Before elections can take place, each province must make administrative preparations, including having chief electoral officers in place. In January 2008, the U.S. Embassy reported that the CoR had nominated candidates for 12 of the 20 positions.⁶¹³ On March 30, 2008, the UN Assistance Mission for Iraq (UNAMI) finished its interview process to fill these eight seats. Of 800 total applicants, 15 of the most qualified for each Governorate Electoral Office (GEO) were selected and recommended to the CoR, which

will select five candidates from each province to send to the Independent High Electoral Commission (IHEC).⁶¹⁴ From these, the IHEC will select one director for each GEO. Although UNAMI has passed its recommendations to the CoR, the interviews for Ninewa will have to be conducted again because the security situation in Mosul limited the number of qualified candidates during the first round of interviews.⁶¹⁵

UNAMI also reports that the IHEC in Baghdad is hiring 6,500 people to work at 550 voter registration centers. These centers, located throughout Iraq, are expected to be staffed and ready for elections by October 1, 2008.⁶¹⁶

AMNESTY LAW

The Amnesty Law, passed along with the Provincial Powers Law, was written in response to protest over the disproportionate rate of Sunni imprisonment. Of total recorded incarcerations, 80% are reported to be Sunni, and UNAMI has reported that many have been arrested without adequate proof that a crime was committed. The GOI has stated that it supports limited amnesty to foster national reconciliation.⁶¹⁷ This Amnesty Law, implemented on March 2, 2008, will result in the release of 377 detainees from a prison in Babylon. Most of the released detainees were Sunnis who had been held without charges or adjudication for an extended period.⁶¹⁸

HYDROCARBON LEGISLATION UNDER REVIEW

The Hydrocarbon Legislation Package is expected to include a Framework Law for the oil and gas

sector, as well as three supporting laws.⁶¹⁹ The framework is expected to outline the regulations for oil production and exploration within Iraq. Supporting legislation for the Hydrocarbon Package is designed to accomplish three goals:⁶²⁰

- Outline revenue sharing.
- Restructure the Ministry of Oil.
- Create an Iraqi National Oil Company.

One of the primary controversies for hydrocarbon legislation is the future level of authority granted to the central government. Between 1985 and 2006, the central government held control of oil operations through the Ministry of Oil. However, the 2006 Constitution included a power-sharing arrangement with the Kurdistan region. The KRG has interpreted this arrangement as a proviso for regional oil control, and in 2007, it established a regional hydrocarbon framework law.⁶²¹

Another point of contention for the legislation is the composition of the Federal Oil and Gas Council (FOGC), which is slated to review oil contracts before final approval by an Iraq National Oil Company, the Ministry of Oil, or a regional government. However, before the FOGC can be formed, Iraq must first create a National Oil Company.⁶²² Without hydrocarbon legislation, it is difficult for the GOI to move forward with contracts for foreign companies to develop Iraq's oil fields.⁶²³ For more information on the oil sector, see *Iraq's Economy* in this Report.

One piece of the Hydrocarbon Package, the Revenue Management Law, is currently being reviewed by the CoM. The law is designed to set

a framework for sharing oil revenue among the provinces,⁶²⁴ and according to DoS, this legislation is expected to see progress in the coming months.⁶²⁵

DE-BA'ATHIFICATION REFORM

Although it was hoped that the de-Ba'athification reform would move Iraq closer to national reconciliation, it appears instead that it has cemented a pre-de-Ba'athification system.⁶²⁶ The U.S. Embassy reports that no reform to aid reconciliation has yet been implemented. There has been equally limited progress in resolving outstanding de-Ba'athification issues. Amendments addressing concerns about the reform have been drafted but have not been addressed by the GOI. The CoM has not submitted for CoR approval its recommendations for seven commissioner positions.⁶²⁷

ANTICORRUPTION

In 2006, the World Bank listed Iraq as a country lacking corruption controls. The World Bank's Control of Corruption indicator gauges the extent to which power is used for personal gain.⁶²⁸ Signaling the GOI commitment to breaking the cycle of endemic corruption, the Iraqi Prime Minister has labeled 2008 the Year of Reconstruction and Anticorruption.

U.S. ANTICORRUPTION EFFORTS

This quarter, SIGIR auditors found that DoS and the U.S. Embassy have taken important steps toward implementing a revised anticorruption management plan, which was approved by the Secretary of State on January 9, 2008.

SIGIR first examined the U.S. anticorruption efforts in Iraq in July 2006. A report issued on July 28, 2006, identified a lack of coordination and leadership focused on anticorruption activities. SIGIR recommended at the time that DoS appoint a senior leader to direct the anticorruption program. In July 2007, SIGIR issued another report on anticorruption, expressing continued concern that the Embassy was not focusing on anticorruption efforts. SIGIR found that the Embassy did not appear to have a plan that would connect anticorruption issues to the overall plan for U.S. reconstruction efforts. A baseline to measure progress was also lacking. The Embassy is currently addressing concerns that SIGIR expressed in its January 2008 review of previous anticorruption efforts. SIGIR will continue to monitor Embassy implementation efforts.

GOI ANTICORRUPTION ORGANIZATIONS

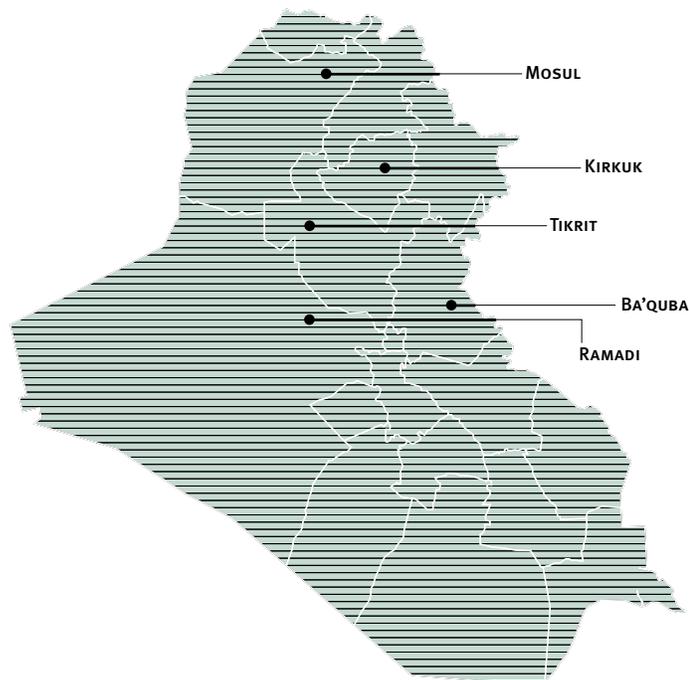
This quarter, the Special Inspector General for Iraq Reconstruction met with the new head of the Commission on Integrity (CoI) to discuss anticorruption efforts within Iraq.⁶²⁹ Created on January 31, 2004,⁶³⁰ the CoI was previously known as the Commission on Public Integrity. The CoI works to investigate and prevent corruption within Iraqi ministries and to improve anticorruption efforts through education and public-awareness programs.⁶³¹

The Inspector General also met with the President of the Board of Supreme Audit (BSA), a key oversight agency in the fight against corruption. During their meeting, the BSA President

Figure 2.41

LOCATION OF MAJOR CRIMES COURTS (MCCs)

Source: DoD, *Measuring Security and Stability in Iraq*, March 2008



acknowledged the debilitating effects that corruption has had on a number of Iraqi ministries.⁶³²

Challenges Facing Anticorruption Efforts

The CoI, BSA, and other Iraqi anticorruption agencies face enormous challenges, including:⁶³³

- violence and intimidation of officials
- unstable rule-of-law systems
- capacity limitations of their agencies

CoI staff continue to be threatened with physical retaliation in the course of their work. As of March 11, 2008, at least 39 members of the CoI had been murdered. Additionally, investigators face political intimidation that requires them to reveal the nature of their casework to the ministries and officers who are under investigation.⁶³⁴

Limited resources and capacity shortfalls have limited the effectiveness of Iraqi anticorruption agencies. Ministries suffering from similar challenges are prone to fraud, waste, and abuse because there are no financial management systems.⁶³⁵

IRAQ'S JUDICIARY

According to the U.S. Embassy's Justice Attaché, rule-of-law efforts in Iraq must overcome significant challenges, including:⁶³⁶

- violence that targets judicial employees
- improper court rulings, tainted by the tribal, religious, political, and personal prejudices of judicial authorities
- public mistrust of the judicial process that stems from both the corrupt practices of today and atrocities committed by the former regime
- insufficient courthouse and detention space

Also, hierarchal immunity continues to impede progress in overcoming corruption entrenched within the ranks of the central government. As the Inspector General testified in March 2008, a law passed by the GOI in 2007 requires law-enforcement officers to obtain permission to investigate current and former Iraqi ministers.⁶³⁷

BUILDING JUDICIAL CAPACITY

The limited capacity of Iraqi judges and investigators has resulted in a large number of Iraqi detainees awaiting assignment of a judge to resolve their cases. As of April 1, 2008, there were 851 judges, 317 prosecutors, and 4,530 judicial employees working in Iraq. Violence against judicial officials continues to reduce the ranks. This quarter, two Iraqi judges and one employee were killed,⁶³⁸ and according to the Higher Judicial Council (HJC),⁶³⁹ only three new judges were hired this quarter to address the shortfalls.⁶⁴⁰

The limited capacity of the Central Criminal

STATUS OF ONGOING PROJECTS AT CAMP BUCCA

BUCCA PROJECT TITLE	PERCENT COMPLETE	ADDITIONAL DETAILS
Upgrade of All 13 Compounds	77%	Completion of construction is anticipated before the end of May 2008.
Modular Detainee Housing Units (MDHU)	42%	GRD reports plans to add guard towers to these facilities. Completion of construction is anticipated in April 2008.
Wastewater Treatment Plant	25%	Lagoons are 95% complete. Completion of construction is anticipated in October 2008.
Brick Factory	14%	Completion of construction is anticipated by June 2008.
Water Treatment Plant	9%	Well drilling is expected to begin in March 2008. Completion is anticipated in December 2008.

Sources: GRD, *Bi-Weekly Directorate SITREP*, February 19–March 3, 2008, pp. 9–10; DoD, “Moderate Detainees Help to Identify Extremists in Iraq,” December 4, 2007, www.defenselink.mil; GRD, response to SIGIR data call, April 15, 2008; MNF-I, response to SIGIR data call, April 17, 2008.

TABLE 2.48

Court of Iraq (CCC-I), with two locations in Baghdad—Al-Karkh and Al-Rasafah—has been a bottleneck to many cases. To speed hearings, HJC has established 15 branches⁶⁴¹ of the CCC-I in five cities: Mosul, Kirkuk, Tikrit, Baquba, and Ramadi. These branches, called Major Crimes Courts (MCCs), conduct investigative hearings and terrorism-related trials.⁶⁴² Figure 2.41 shows the locations of MCCs in Iraq.

The Kirkuk MCC has tried 26 cases since its creation in October 2007. Before the creation of the MCC, court cases in Kirkuk were tried by three traveling CCC-I judges. The MCC has cleared a two-year backlog of cases and currently staffs three judges, a prosecutor, and a public defender.⁶⁴³

The UN, DoS, and the 3rd Infantry Division have collaborated to provide training for more than 250 Iraqi judges (almost 30% of all judges currently working in Iraq). Through this program, judges have computer access to 90 years of Iraq legal code.⁶⁴⁴

BUILDING DETENTION CENTER CAPACITY

As of March 2008, more than 23,000 people were being held in U.S.-run detention facilities in Iraq,

including 19,300 detainees at Camp Bucca and 3,900 at Camp Cropper.⁶⁴⁵ U.S. efforts are increasingly focused on the transition of detention facilities to the GOI, including:

- building capacity for Iraqi Correctional Officers (ICOs)
- constructing and developing detention centers
- developing detainee education programs

Iraqi Correctional Officers

According to MNF-I, building and sustaining ICO staffing has been challenging. ICOs are employed only one day out of every three and have a high absentee rate. MNF-I does not believe that ICOs have a sustainable work schedule. Reports indicate that the ICO program is not a viable long-term solution to detainee center employment issues.⁶⁴⁶

Detainee Center Construction

Camp Bucca, one of the largest detention centers run by the United States, currently holds approximately 19,300 detainees. Located in Basrah, Camp Bucca expended more than \$222 million on construction projects in FY 2007, and over \$122 million for FY 2008.⁶⁴⁷ Construction of three compounds at Camp Bucca was completed

STATUS OF ONGOING PROJECTS FOR TIFRICs IN TAJI AND RAMADI

PROJECT TITLE	PERCENT COMPLETE	ADDITIONAL DETAILS
Ramadi TIFRIC	24%	Phase 1 was to be completed in March 2008, but GRD reports that construction is currently behind schedule. Overall completion is expected by November 2008.
Ramadi TIFRIC Brick Factory	3%	Site preparation for the facility is now complete. Estimated overall completion date is June 2008.
Taji TIFRIC MDHU	17%	GRD reports that Phase 1 is on schedule to complete on April 30, 2008. Overall completion date is set for September 2008.
Taji TIFRIC Brick Factory	3%	Working camp construction, site surveying, site grading, and development of design packages are ongoing. Estimated overall completion is planned for July 2008.

Source: GRD, *Bi-Weekly Directorate SITREP*, February 19-March 3, 2008, pp. 10-11; MNF-I, response to SIGIR data call, April 17, 2008.

TABLE 2.49

this quarter. GRD reports that the Resident Engineer is working to complete closeout documents on the projects.⁶⁴⁸ For the status of projects still in progress at Camp Bucca, see Table 2.48.

The Theater Internment Facility Reintegration Centers (TIFRICs) at Ramadi and Taji have ongoing U.S.-run projects as well. The TIFRIC in Ramadi (located in Anbar province) is expected to complete construction in November 2008. The Center will have a capacity of 8,280 detainees and is expected to cost \$98 million. A second TIFRIC at Taji (located in Diyala province) is expected to complete construction in September 2008. The Taji Center will include a Modular Detainee Housing Unit (MDHU), which will be used to isolate detainees who are identified as extremists within detention facilities. With a total capacity of approximately 6,000 detainees, Taji is expected to cost \$77 million.⁶⁴⁹ For an update on construction at both TIFRIC facilities, see Table 2.49.

A new project, the Juvenile Internment Facility Reconciliation Center, is planned, but awaiting approval of the FY 2008 Global War on Terror Supplemental.⁶⁵⁰

Educational Programs for Detainees

When the new facilities are operational, more programs will become available for detainees, including educational opportunities. The TIFRICs at both Ramadi and Taji will offer educational programs along with counseling and clerical assistance. TF-134 reports that pilot programs have begun at Camp Bucca and Camp Cropper. These programs are expected to continue.⁶⁵¹

MINISTERIAL CAPACITY DEVELOPMENT

As projects and responsibilities transition to the GOI, the importance of capacity development and sustainability has become a focus for several U.S.-run agencies.

The U.S. Agency for International Development (USAID) and the Iraq Transition Assistance Office (ITAO) are assisting with building and sustaining executive and ministerial capacity development. The Multi-National Security Transition Command-Iraq (MNSTC-I) has worked with the ministries of Interior and Defense to enhance ministerial capacity.

For SIGIR’s most recent audit of the asset transfer process, see Section 3 of this Report.

TATWEER PROGRAM

USAID’s National Capacity Development (NCD) program, which has obligated \$209.5 million thus far,⁶⁵² is often known by the Arabic name for development, “Tatweer.”⁶⁵³ Since August 2006, the Tatweer program has assisted the GOI in building the capacity of public management and professional training capabilities.⁶⁵⁴ The Tatweer program is scheduled to finish in July 2009.⁶⁵⁵ According to USAID, Tatweer advisors are currently assisting both Iraqi ministries and GOI

institutions with capacity-development efforts. For a listing of ministries working with Tatweer as of April 14, 2008, see Table 2.50.

These ministries receive their assistance through Ministerial Engagement Teams (METs), previously known as Public Management Advisors.⁶⁵⁶ USAID places these teams within ministries to provide day-to-day assistance at ministry sites.⁶⁵⁷ As of April 14, 2008, Tatweer was staffed by 70 advisors, including more than 35 Arabic speakers.⁶⁵⁸

In addition to their work with ministries, METs are currently working to develop capacity within the offices of the Iraqi Prime Minister and Deputy Prime Ministers, the CoM Secretariat, and the Presidency Council.⁶⁵⁹

Although the Tatweer program has developed its own internal performance management plan, USAID notes that recent changes in ministerial engagement policies have not yet been taken into account. For this reason, USAID is working with local contractors to develop metrics that will more accurately measure progress within ministries. However, these metrics will only be used inside the Tatweer program and not to measure progress across the entire range of U.S. Embassy capacity-development work.⁶⁶⁰

In the first quarter of 2008, USAID reported that at least 4,200 Iraqi ministerial employees and provincial directors general participated in 180 training classes through Tatweer. These classes focused on contract and project management, fiscal management, and leadership and communication. In addition to training sessions for Iraqi staff, Tatweer also provides inspector

MINISTRIES RECEIVING TATWEER ASSISTANCE

Ministry of Oil
Ministry of Electricity
Ministry of Finance
Ministry of Planning and Development Coordination
Ministry of Municipalities and Public Works
Ministry of Water Resources
Ministry of Justice
Ministry of Health
Ministry of Agriculture
Ministry of Human Rights
Ministry of Displacement and Migration

Source: USAID, response to SIGIR data call, April 14, 2008.

TABLE 2.50

general training which focuses on auditing principles, service delivery, and anticorruption.⁶⁶¹

The Tatweer program is sponsoring a new initiative this quarter—the Tatweer Energy Group, which will support the Ministries of Oil and Electricity in streamlining budget execution for both ministries. According to USAID, the plans for this program were written with the help of the U.S. Department of Energy, the U.S. Embassy Economic Section, ITAO, GRD, and staff from both ministries.⁶⁶²

REFUGEES, IDPs, AND HUMAN RIGHTS

An estimated 4.7 million Iraqis have been displaced from their homes⁶⁶³—2.7 million Iraqis are internally displaced persons (IDPs),⁶⁶⁴ an increase of 300,000 since last quarter. More than 2 million Iraqis are refugees, living in other nations.⁶⁶⁵ Iraqis were displaced at a lower rate in 2007 than in 2006; however, the International Organization for Migration (IOM) has reported that more than 1.5 million have been displaced since February 2006.⁶⁶⁶

The United States has increased its contributions to Iraqi refugee assistance from \$43 million in 2006 to nearly \$150 million in the first half of 2008.⁶⁶⁷ On April 8, 2008, two U.S. senators released a report calling for the appointment of a senior U.S. official to oversee Iraqi refugee and IDP policy for the United States. According to the White House, last year, two senior officials were named to manage policy on the displaced in Iraq.⁶⁶⁸

AID TO REFUGEES

Many Iraqi refugees have settled in neighboring countries—1.5 million in Syria and more than 500,000 in Jordan.⁶⁶⁹ Both countries have reported difficulty in sustaining programs to support the number of refugees currently living within their borders. For example, almost 44,000 Iraqi children were enrolled in Syrian schools as of December 2007.⁶⁷⁰ Figure 2.42 shows the number of Iraqi refugees in neighboring countries.

On February 20, 2008, Lebanon announced that it would recognize thousands of Iraqi refugees within its borders. Previously, these refugees had been considered illegal immigrants, subject to detention. The UN High Commissioner for Refugees (UNHCR) reports that approximately 50,000 Iraqis are currently living in Lebanon and estimates that more than 77% entered the country illegally.⁶⁷¹

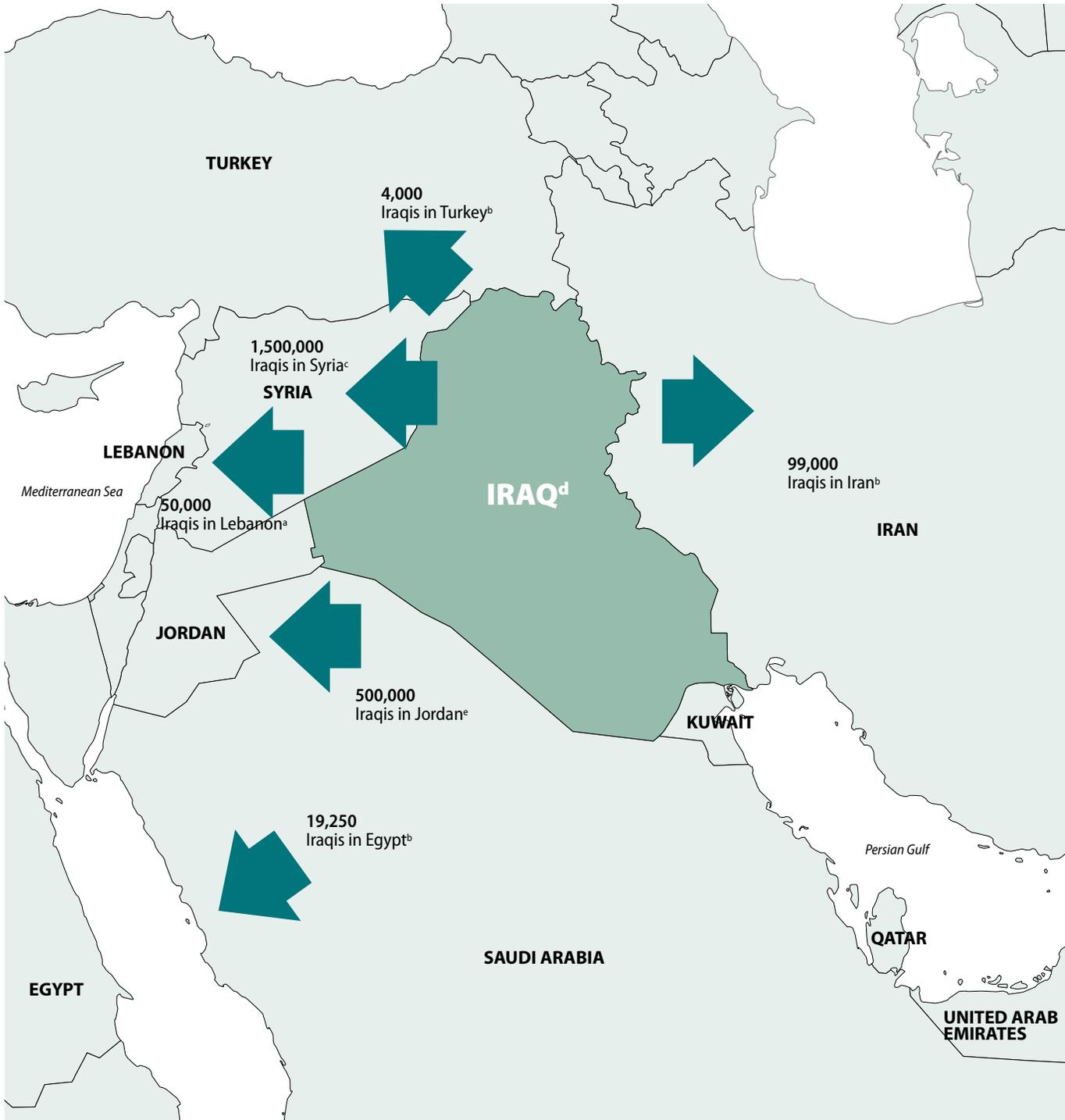
An estimated 45,200 Iraqis sought asylum in the United States in 2007—nearly twice the number of 2006 applicants.⁶⁷² In FY 2007, 1,608 Iraqis were permanently resettled in the United States.⁶⁷³ In February 2008, the United States admitted 444 refugees—up from 375 in January. According to the DoS Senior Coordinator for Iraqi Refugees, the United States is on track to admit 12,000 Iraqis by the end of FY 2008.⁶⁷⁴

AID FOR INTERNALLY DISPLACED PERSONS

IOM estimates that 1.2 million people were displaced prior to February 2006, and just more than 1.5 million have been displaced since, for a total of 2.7 million IDPs within Iraq.⁶⁷⁵ UNHCR

Figure 2.42

MOVEMENT OF IRAQI REFUGEES



Note: Data changes may be indicative of Iraqi returnees, but are also compiled from several new sources. All numbers are estimates.

^a UNHCR, "UNHCR Welcomes Lebanon's Recognition of Iraqi Refugees," February 20, 2008.

^b UNHCR, "Global Appeal 2008-2009," December 1, 2007.

^c UNHCR, "UNHCR-run Festival in Syria Highlights Arts and Culture of Iraq," April 3, 2008.

^d OCHA, "Iraq: Population by Governorate," Iraq population estimate: 27,475,300 as of November 2007.

^e UNHCR, "UNHCR Chief Discusses Refugee Crisis with Jordan's King Abdullah," February 12, 2008.

reports indicate that many of the 2.7 million displaced Iraqis are living without basic necessities. Reports indicate that more than a million IDPs are without adequate shelter or food, and one million lack a regular income.⁶⁷⁶

The two locations with the highest displacement are Baghdad (more than 60% of Iraqi IDPs) and Diyala (almost 20% of IDPs).⁶⁷⁷ Worsening security in Kirkuk and Mosul may result in increased displacement in these areas.⁶⁷⁸

In March 2008, USAID's Office of Foreign Disaster Assistance obligated all of the \$63.3 million in funds it received in 2007 to provide assistance for Iraqi IDPs. USAID reports that the programs funded by this money assisted more than 500,000 IDPs across all 18 provinces—nearly 42% of the nation's internally displaced.⁶⁷⁹

RETURNEES

According to UNHCR, few of the displaced Iraqis are returning to their homes. Between 2003 and 2005, more than 300,000 Iraqis had returned from Iran, Saudi Arabia, Lebanon, Jordan, and other nations. However, returnee numbers have since decreased, and many more Iraqis are leaving the country. UNHCR reports that those leaving the country include the professionals needed to aid the reconstruction effort within Iraq.⁶⁸⁰ No minority groups (including Christians, Sabaean-

Manaeans, and Yazidis) are reported among those returning.⁶⁸¹

HUMAN RIGHTS

Almost \$15 million of the \$15.6 million in IRRF funds available for human rights was obligated as of December 2007. Most of these funds have been used to document and publicly release the stories of Iraqi victims of human rights violations. Examples of programs include:⁶⁸²

- Three months of radio programs presenting personal narratives of human rights violations: these shows were released in Kurdish and Arabic.
- 4,000 copies of "Testimonies," prepared and published: this book described human rights abuses of the former Iraqi regime.

On February 17, 2008, the Iraqi Minister of Human Rights announced that the ministry is planning to start a mass-grave excavation project. The excavation—one of eight planned in the Najaf province—was scheduled to begin on April 1, 2008.⁶⁸³ According to the U.S. Army Corps of Engineers, the former regime in Iraq may have created more than 400 mass graves, many of them in rural locations. It is estimated that it will take more than 20 years to excavate all of them.⁶⁸⁴