

IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

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IRAQ RECONSTRUCTION FUNDING

Six years since the start of efforts to provide humanitarian assistance and to rebuild and restore Iraq's services and infrastructure, more than \$139 billion has been made available through three main sources:

- Iraqi funding: \$71.01 billion
- U.S. funding: \$51.00 billion
- International funding: \$17.79 billion

For the status of all sources of funding for Iraq reconstruction, see Figure 2.1.

Iraqi Funding

Reconstruction efforts in Iraq were initially funded through the Development Fund for Iraq, U.S. appropriations, and international pledges, but the GOI capital budget now accounts for the largest source of future spending. Since 2003, Iraq has allocated \$71 billion for reconstruction projects,⁴⁸ primarily through its capital budgets (\$59 billion).⁴⁹

Although Iraq's total annual budgets have increased steadily since 2003, the 2009 Iraqi budget reflects a cut of almost 26% from the initial proposal, because of declining oil prices.⁵⁰ The final \$58.6 billion⁵¹ budget includes 3% less capital funding than did the 2008 base budget.⁵²

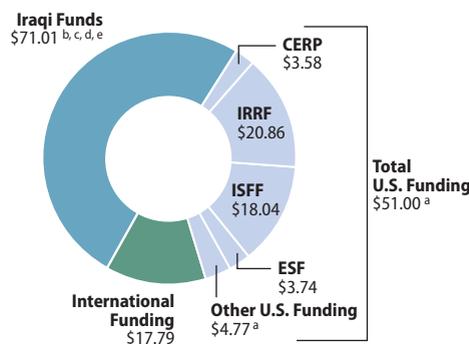
Slow budget execution rates between 2005 and 2007 caused a nearly \$29 billion surplus to amass in the Iraqi treasury.⁵³ The GOI will need to rely on these accumulated fiscal reserves to cover a projected 2009 budget deficit⁵⁴ of \$15.9 billion.⁵⁵ The total fiscal reserves reported at year-end 2008 include funds currently tied to open letters of credit and funds being used for capital projects from previous years.⁵⁶

For details of reserves over time, see Table 2.1.

FIGURE 2.1

FUNDING SOURCES

\$ Billions, Total Reconstruction Funding \$139.79 Billion



Note: Numbers affected by rounding.

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

^b Includes 8/11/2004 transfer of \$86 million cash from the Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.

^c In previous Quarterly Reports, SIGIR reported approximately \$20 billion in Development Fund for Iraq (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, 7/28/2005, p. 2.

^d In 2003, the budget covered the last half of 2003 only. Budget for 2008 includes Supplemental funding.

^e This total includes vested (frozen) funds of \$1.724 billion; seized funds, including confiscated cash and property of \$0.927 billion; DFI support of \$9.331 billion (including the DFI Transition sub-account); and Iraqi capital budgets from 2003–2009.

Sources: OMB, response to SIGIR data call, 1/16/2009; Ministry of Finance, Ministry of Planning, and Coalition Provisional Authority, "Republic of Iraq Budget Revenues and Expenses: July-December 2003 Budget Summary," p. 6; Ministry of Finance, response to SIGIR data call, 10/2008; NEA-I, responses to SIGIR data call, 10/2/2008 and 4/2/2009.

TABLE 2.1

GOI FISCAL AND MONETARY RESERVES

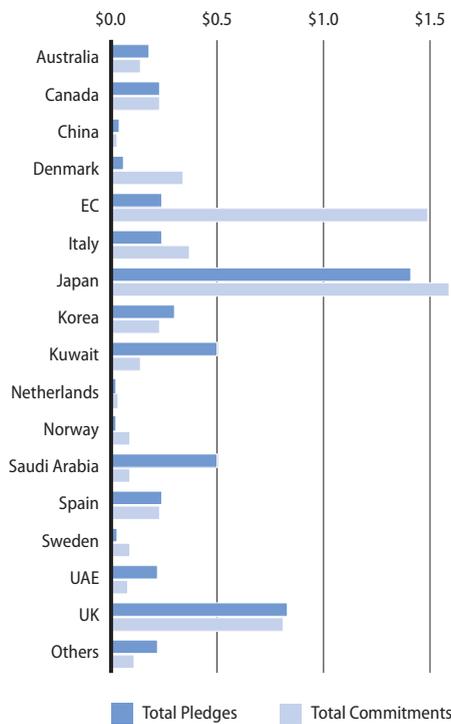
\$ Billions

YEAR	ACCUMULATED FISCAL RESERVES	CURRENCY RESERVES
2005	\$6.00	\$12.00
2006	\$15.00	\$19.90
2007	\$29.00	\$31.70
2008	\$46.00	\$50.20
2009 (projected)	\$25.00	\$40.00

Note: Currency reserves are legally unavailable for government expenditures.

Source: NEA-I, "Iraq's Economy," 3/4/2009.

FIGURE 2.2
INTERNATIONAL DONOR GRANTS PLEDGED VS. COMMITTED, BY COUNTRY
\$ Billions



Source: NEA-I, response to SIGIR data call, 4/14/2009.

International Funding

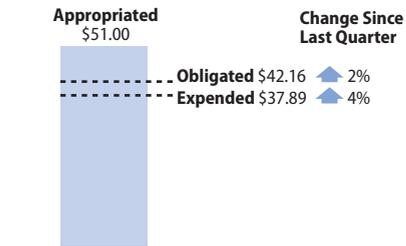
According to the Department of State (DoS), since 2003 Iraq has received \$17.79 billion in total international assistance, including \$6.04 billion in grants⁵⁷ and \$11.75 billion in pledged loans.⁵⁸

For a comparison of the original \$5.26 billion in pledged grants to the \$6.04 billion that has been committed, see Figure 2.2.

U.S. Reconstruction Funding

The U.S. Congress has made \$51 billion available for the relief and reconstruction of Iraq.⁵⁹ For a detailed timeline of appropriations by account and program, see Table 2.2, and for the status of these funds, see Figure 2.3.

FIGURE 2.3
STATUS OF U.S. RECONSTRUCTION FUNDING
\$ Billions



Note: Numbers affected by rounding.

Sources: IRRF 1: USAID, response to SIGIR data call, 4/8/2009; Treasury, response to SIGIR data call, 4/2/2009; USTDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; DFAS, response to SIGIR data call, 4/10/2009. IRRF 2: Embassy, response to SIGIR data call, 4/13/2009. ISFF: OSD, response to SIGIR data call, 4/14/2009; ESF: DoS, response to SIGIR data call, 10/14/2007; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; USAID, responses to SIGIR data call, 4/7/2009, 4/13/2009, and 4/16/2009; Embassy, response to SIGIR data call, 4/15/2009. CERP: OSD, response to SIGIR data call, 4/10/2009. Other Funding: INL, response to SIGIR data call, 4/14/2009. SIGIR, *Quarterly Report and Semiannual Report to the United States Congress*, 1/2009.

Appropriations to the Major Reconstruction Accounts

As of March 31, 2009, more than \$46 billion (91%) of all U.S. reconstruction appropriations had been funded through four major accounts:⁶⁰

- **Iraq Relief and Reconstruction Fund (IRRF): \$20.86 billion**—the largest appropriation for Iraq reconstruction. Funds were allocated to 10 project sectors, covering activities ranging from security and law enforcement to infrastructure and health care.⁶¹ The IRRF 2 expired on September 30, 2008, and only 44 IRRF projects remain ongoing.⁶²
- **Iraq Security Forces Fund (ISFF): \$18.04 billion**—largest ongoing reconstruction fund, representing the vast majority of unobligated and unexpended funds. Funds are allocated to sub-activity groups that address four key areas of development for Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI).⁶³

IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

TABLE 2.2

SUMMARY OF U.S. RECONSTRUCTION FUNDING ACCOUNTS

\$ Billions

U.S. FUND	APPROPRIATED	UNOBLIGATED (APP-OBL)	OBLIGATED	UNEXPENDED (OBL-EXP)	EXPENDED
IRRF 1*	\$2.48	\$0.22	\$2.26	\$0.01	\$2.25
IRRF 2*	18.39	0.36	18.03	0.59	17.44
IRRF Total	\$20.86	\$0.57	\$20.29	\$0.60	\$19.69
ISFF FY 2005*	5.49	0.12	5.37	0.04	5.33
ISFF FY 2006*	3.01	0.18	2.83	0.08	2.74
ISFF FY 2007*	5.54	0.05	5.49	1.56	3.93
ISFF FY 2008	3.00	1.82	1.18	0.67	0.51
ISFF FY 2009 Bridge	1.00	1.00	-	-	-
ISFF Total	\$18.04	\$3.17	\$14.87	\$2.35	\$12.52
ESF FY 2003*	0.05	-	0.05	-	0.05
ESF FY 2006*	1.55	0.17	1.38	0.11	1.26
ESF FY 2007*	1.60	0.17	1.43	0.35	1.07
ESF FY 2008	0.44	0.07	0.37	0.31	0.06
ESF FY 2009 Bridge	0.10	-	0.10	0.10	0.00
ESF Total	\$3.74	\$0.42	\$3.32	\$0.87	\$2.45
CERP FY 2004*	0.14	-	0.14	-	0.13
CERP FY 2005*	0.72	0.03	0.69	0.02	0.67
CERP FY 2006*	0.70	0.03	0.67	0.03	0.64
CERP FY 2007*	0.75	0.01	0.74	0.03	0.71
CERP FY 2008*	1.00	0.01	0.99	0.11	0.88
CERP FY 2009 Bridge	0.29	0.12	0.16	0.10	0.07
CERP Total	\$3.58	\$0.19	\$3.39	\$0.30	\$3.09
Other Funding	\$4.77	\$4.49	\$0.28	\$0.15	\$0.13
Total	\$51.00	\$8.84	\$42.16	\$4.27	\$37.89

* Obligation period ended.

Note: Numbers affected by rounding.

Sources: US Appropriations: OMB, response to SIGIR data call, 1/16/2009; IRRF: USAID, response to SIGIR data call, 4/8/2009; Treasury, response to SIGIR data call, 4/2/2009; USTDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; DFAS, response to SIGIR data call, 4/10/2009; Embassy, response to SIGIR data call, 4/13/2009. ISFF: OSD, response to SIGIR data call, 4/14/2009; ESF: DoS, response to SIGIR data call, 10/14/2007; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, Essential Indicators Report, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; USAID, responses to SIGIR data call, 4/7/2009, 4/13/2009, and 4/16/2009; Embassy, response to SIGIR data call, 4/15/2009. CERP: OSD, response to SIGIR data call, 4/10/2009. Other Funding: INL, response to SIGIR data call, 4/14/2009.

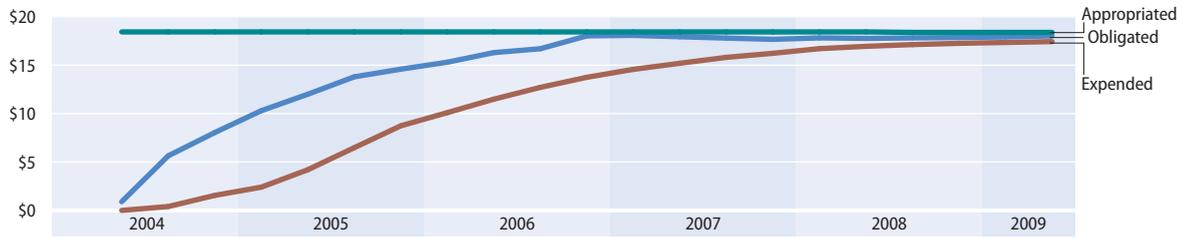
- **Economic Support Fund (ESF): \$3.74 billion**—funds democracy and capacity-building programs, broken down by DoS into three program tracks: Security, Economic, and Political.⁶⁴
- **Commander's Emergency Response Program (CERP): \$3.58 billion**—used by U.S. military commanders across Iraq to address urgent relief and reconstruction needs in their areas of responsibility. Funds

are executed within 19 permissible project categories that comprise a variety of activities, ranging from protective measures to education.⁶⁵

For a detailed illustration of cumulative appropriations, obligations, and expenditures for each of the four major reconstruction accounts, see Figure 2.4. See Table 2.3 for a list of all U.S. appropriations.

FIGURE 2.4
CUMULATIVE APPROPRIATIONS, OBLIGATIONS, AND EXPENDITURES,
BY MAJOR RECONSTRUCTION FUND, 2004–2009
 \$ Billions

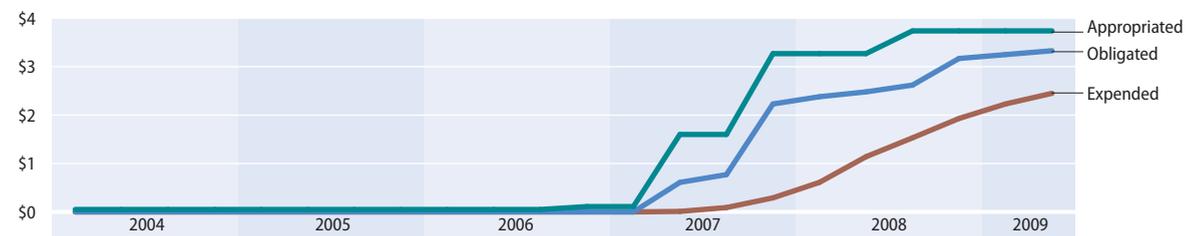
IRRF 2



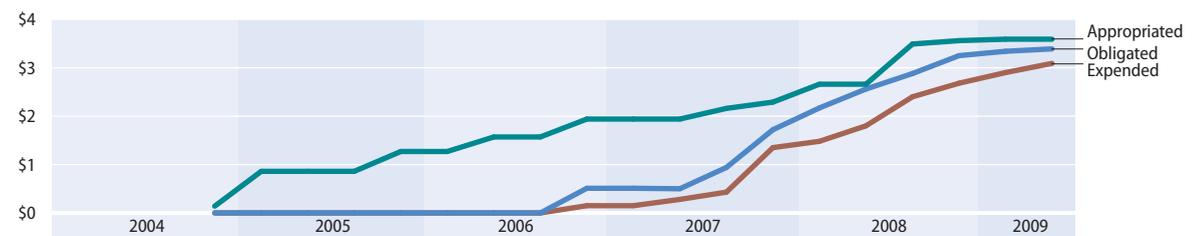
ISFF



ESF



CERP



Sources: SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–1/2009. U.S. Appropriations: OMB, response to SIGIR data call, 1/16/2009; IRRF: USAID, response to SIGIR data call, 4/8/2009; Treasury, response to SIGIR data call, 4/2/2009; USDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; DFAS, response to SIGIR data call, 4/10/2009; Embassy, response to SIGIR data call, 4/13/2009. ISFF: OSD, response to SIGIR data call, 4/14/2009; ESF: DoS, response to SIGIR data call, 10/14/2007; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; USAID, responses to SIGIR data call, 4/7/2009, 4/13/2009, and 4/16/2009; Embassy, response to SIGIR data call, 4/15/2009. CERP: OSD, responses to SIGIR data call, 4/10/2009 and 4/17/2009.

TABLE 2.3

U.S. APPROPRIATED FUNDS

\$ Thousands

FUNDING MECHANISM	PL 108-7 2/20/2003	PL 108-11 4/16/2003	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE DEFENSE AND FOR THE RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004 PL 108-106 11/6/2003	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2005 PL 108-287 8/5/2004	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005 PL 109-13 5/11/2005	APPROPRIATIONS FOR THE DEPARTMENT OF STATE, FY 2006 PL 109-102 11/14/2005	DEFENSE, FY 2006 PL 109-148 12/30/2005	EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FY 2006 PL 109-234 6/15/2006	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2007 PL 109-289 9/29/2006	ACCOUNTABILITY AND IRAQ VETERANS' CARE, KATRINA RECOVERY, AND IRAQ APPROPRIATIONS ACT, 2007 PL 110-28 5/25/2007	2007 FOREIGN ASSISTANCE CONTINUING RESOLUTIONS PL 110-92, PL 110-116, PL 110-137 PL 110-149 12/21/2007	CONSOLIDATED APPROPRIATIONS ACT, 2008 PL 110-161 12/26/2007	SUPPLEMENTAL APPROPRIATIONS ACT, 2008 (FY 2009 BRIDGE FUNDING ONLY) PL 110-252 6/30/2008	SUPPLEMENTAL APPROPRIATIONS ACT, 2008 PL 110-252 6/30/2008	TOTAL APPROPRIATIONS	
Major Funding Streams																
Iraq Relief and Reconstruction Fund (IRRF 2) ^a			\$18,439,000													\$18,389,000
Iraq Security Forces Fund (ISFF)				\$5,490,000			\$3,007,000					\$1,500,000		\$1,500,000		\$18,039,301
Commander's Emergency Response Program (CERP) ^b				\$140,000	\$718,000	499,500	\$198,000	\$348,400	\$400,000	\$625,909	\$370,000	\$285,000	\$285,000			\$3,584,809
Economic Support Fund (ESF) ^c	\$40,000	\$10,000			\$60,390	\$1,485,000	\$1,478,000	\$122,800	\$114,879	\$424,000	\$102,500	\$102,500				\$3,737,569
Iraq Relief and Reconstruction Fund (IRRF 1)		\$2,475,000														\$2,475,000
Major Funding Stream Totals	\$40,000	\$2,485,000	\$18,439,000	\$140,000	\$6,208,000	\$60,390	\$4,690,000	\$4,995,500	\$2,100,000	\$5,668,701	\$1,222,800	\$1,884,879	\$2,499,909	\$1,387,500	\$46,225,679	
Other Assistance Programs																
Natural Resources Risk Reduction Fund (NRRRF)		\$489,300														\$489,300
Department of State, International Narcotics Control and Law Enforcement (DoS/INL)		\$20,000					\$91,400			\$150,000	\$20,048		\$85,000			\$366,448
Democracy Fund (State)							\$250,000						\$75,000			\$325,000
International Disaster Assistance (IDA) ^d		\$143,800		\$7,886								\$50,000	\$35,000	\$10,000		\$246,686
International Disaster and Famine Assistance ^e							\$5,000									\$5,000
Migration and Refugee Assistance (MIRA) ^f		\$37,000					\$45,000	\$20,000	\$149,400	\$128,000	\$141,000	\$141,000	\$128,000	\$50,000		\$520,400
Iraq Freedom Fund (IF-BSO)							\$50,000									\$100,000
Child Survival and Health Programs Fund		\$90,000														\$90,000
P.L. 480 Title II Food Aid	\$68,000				\$2,962							\$22,895				\$93,857
Voluntary Peacekeeping Operations		\$50,000														\$50,000
Alhurra-Iraq Broadcasting			\$40,000													\$40,000
Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)							\$7,000	\$12,350	\$15,975	\$4,500						\$39,825
Overseas Humanitarian Disaster and Civic Aid			\$17,000													\$17,000
International Affairs Technical Assistance (OTA)					\$13,000		\$2,750									\$15,750
Education and Cultural Exchange Programs				\$5,572							\$5,173	\$5,720				\$16,465

FUNDING MECHANISM	PL 108-7	PL 108-11	PL 108-106	PL 108-287	PL 109-13	PL 109-102	PL 109-148	PL 109-234	PL 109-289	PL 110-28	PL 110-149	PL 110-161	PL 110-252	PL 110-252	PL 110-252	TOTAL
	2/20/2003	4/16/2003	11/6/2003	8/5/2004	5/11/2005	11/14/2005	12/30/2005	6/15/2006	9/29/2006	5/25/2007	12/21/2007	12/26/2007	6/30/2008	6/30/2008	6/30/2008	APPROPRIATIONS
	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE DEFENSE AND FOR THE RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE DEFENSE AND FOR THE RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	EMERGENCY SUPPLEMENTAL 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 DEFENSE, 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	U.S. TROOP READINESS, VETERANS' CARE, AND IRAQ RECOVERY, ACCOUNTABILITY APPROPRIATIONS ACT, 2007	2007 FOREIGN ASSISTANCE CONTINUING RESOLUTIONS	CONSOLIDATED APPROPRIATIONS ACT, 2008	SUPPLEMENTAL APPROPRIATIONS (INCLUDES FY 2008)*	SUPPLEMENTAL APPROPRIATIONS (FY 2009 BRIDGE FUNDING ONLY)*		
DATE OF ENACTMENT	2/20/2003	4/16/2003	11/6/2003	8/5/2004	5/11/2005	11/14/2005	12/30/2005	6/15/2006	9/29/2006	5/25/2007	12/21/2007	12/26/2007	6/30/2008	6/30/2008	6/30/2008	
Public Law #	PL 108-7	PL 108-11	PL 108-106	PL 108-287	PL 109-13	PL 109-102	PL 109-148	PL 109-234	PL 109-289	PL 110-28	PL 110-149	PL 110-161	PL 110-252	PL 110-252	PL 110-252	
Combatant Commander Initiative Fund (CINC Initiative Fund)		\$3,612														\$3,612
U.S. Marshals Service Litigation Support Services)								\$1,000					\$1,648			\$2,648
International Military and Education Training (IMET)											\$1,138	\$242				\$1,380
Department of Justice										\$1,648						\$1,648
Other Assistance Programs Totals	\$68,000	\$833,712	\$57,000	\$0	\$2,962	\$13,458	\$0	\$105,400	\$0	\$551,398	\$63,709	\$244,232	\$374,648	\$155,500	\$155,500	\$2,470,019
Reconstruction-related Operational Costs																
U.S. Contributions to International Organizations																\$68,000
Coalition Provisional Authority (CPA) ^e			\$833,000													\$833,000
Project and Contracting Office ^f								\$200,000								\$830,000
Iraq Freedom Fund (PRT Administrative Costs)																\$100,000
USAID Administrative Expenses ^g	\$21,000				\$24,400			\$79,000				\$20,800	\$25,000	\$52,000	\$52,000	\$222,200
Reconstruction Related Operational Cost Totals	\$0	\$21,000	\$833,000	\$0	\$24,400	\$0	\$0	\$279,000	\$0	\$746,372	\$0	\$20,800	\$653,000	\$82,000	\$82,000	\$2,063,200
Reconstruction Oversight																
Defense Contract Audit Agency (DCAA) ^h																\$16,372
Special Inspector General for Iraq Reconstruction (SIGIR)			\$75,000					\$24,000		\$35,000			\$2,500	\$36,500	\$173,000	
Department of State, Office of Inspector General								\$1,000		\$1,500	\$1,300	\$1,300	\$2,500	\$5,000	\$5,000	\$12,600
DoD Office of the Inspector General								\$5,000				\$20,800				\$25,800
United States Agency for International Development, Office of Inspector General (USAID OIG)		\$3,500	\$1,900		\$2,500					\$542	\$2,756	\$3,025	\$3,500	\$500	\$500	\$18,223
Reconstruction Oversight Cost Totals	\$0	\$3,500	\$76,900	\$0	\$2,500	\$0	\$0	\$30,000	\$0	\$37,042	\$4,056	\$25,125	\$6,500	\$42,000	\$42,000	\$245,995
Grand Total for All U.S. Appropriated Funding for Iraq Reconstruction	\$108,000	\$3,343,212	\$19,405,900	\$140,000	\$6,238,862	\$73,848	\$499,500	\$5,104,400	\$2,100,000	\$7,003,512	\$190,565	\$2,175,036	\$2,946,057	\$1,667,000	\$1,667,000	\$50,994,893

a \$18.439 billion represents the amount appropriated by the Congress for Iraq programs in IRRF2 under PL 108-106, enacted in November 2003. The Congress had initially appropriated \$18.649 billion to IRRF 2, but also earmarked that \$210 million be transferred to other accounts for programs in Jordan, Liberia, and Sudan. Of the remaining \$18.439 billion, the Administration transferred out of the IRRF to other accounts roughly \$562 million for Iraq-related programs that could be implemented only in other accounts, such as a \$352 million Iraq bilateral debt forgiveness program to the United States that required funding in a treasury account. The Congress was notified of all transfers out of the IRRF. In addition, Congress earmarked that \$395 million of FY 2006 appropriations be transferred into the IRRF from the DoS ESF. Also includes a \$50 million rescission as identified in HR 2642.

b Funds appropriated to the CERP are for efforts in Iraq and Afghanistan. SIGIR reports DoD's allocation to CERP for Iraq.

c \$40 million from FY 2003 ESF base account that was not reimbursed; \$10 million from PL 108-11, FY 2007 ESF Emergency Supplemental I includes \$76 million rescission.

d HR 2642 appropriated funding for International Disaster and Famine Assistance and Migration and Refugee Assistance is subject to change pending final worldwide allocation of these two funds.

e Excludes \$75 million for Special Inspector General for Iraq Reconstruction under PL 108-106.

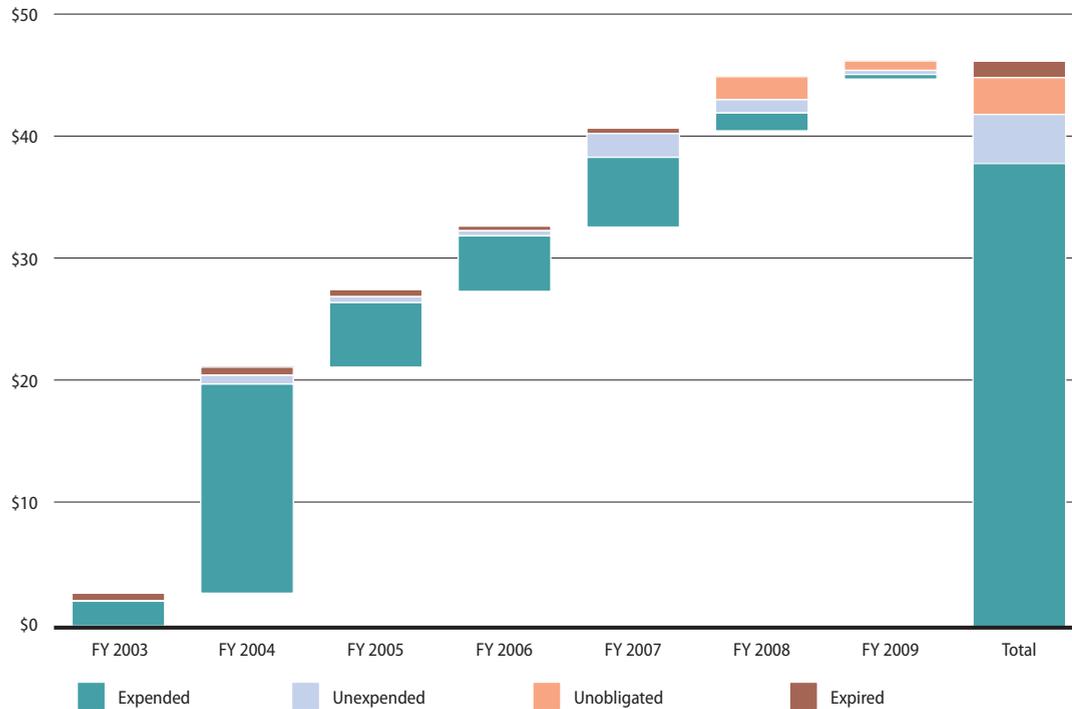
f Per conference reports for PL 109-234 and PL 110-28, reconstruction support funding is provided for Project and Contracting Office activities.

g Incomplete pending further investigation into administrative expenses for all fiscal years.

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

* FY 2008 supplemental and FY 2009 bridge funding levels for MRA and IDA were significantly higher than requested levels. The Congress did not direct which countries are to receive funding, but Iraq funds may be significantly higher pending administrative decisions that set allocations.

FIGURE 2.5
STATUS OF MAJOR U.S. FUNDS BY FISCAL YEAR
 \$ Billions



Note: Numbers affected by rounding. "Unexpended" refers to obligated funds that have not been expended.

Sources: SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–1/2009. IRRF: USAID, response to SIGIR data call, 4/8/2009; Treasury, response to SIGIR data call, 4/2/2009; USDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; DFAS, response to SIGIR data call, 4/10/2009; Embassy, response to SIGIR data call, 4/13/2009. ISFF: OSD, response to SIGIR data call, 4/14/2009; ESF: DoS, response to SIGIR data call, 10/14/2007; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; USAID, responses to SIGIR data call, 4/7/2009, 4/13/2009, and 4/16/2009; Embassy, response to SIGIR data call, 4/15/2009. CERP: OSD, response to SIGIR data call, 4/10/2009.

Unobligated U.S. Funds

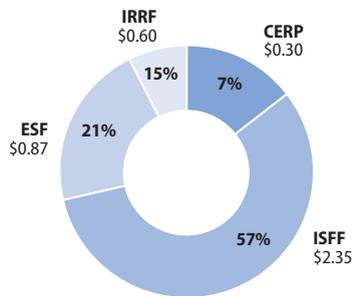
As of March 31, 2009, \$3.01 billion remains for obligation in three major ongoing accounts:⁶⁶

- **ISFF:** \$2.82 billion
- **ESF:** \$0.07 billion
- **CERP:** \$0.12 billion

The ISFF accounts for the largest portion of the remaining obligations—more than 93%.⁶⁷ This includes \$1 billion provided in the FY 2008 Supplemental for FY 2009 bridge funding.

For a summary of fiscal-year unobligated funds, including funds expired in major funding accounts, see Figure 2.5.

FIGURE 2.6
UNEXPENDED MAJOR U.S. FUNDS
 \$ Billions, Total Unexpended \$4.12 Billion



Sources: IRRF: USAID, response to SIGIR data call, 4/8/2009; Treasury, response to SIGIR data call, 4/2/2009; USDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; DFAS, response to SIGIR data call, 4/10/2009; Embassy, response to SIGIR data call, 4/13/2009. ISFF: OSD, response to SIGIR data call, 4/14/2009. ESF: DoS, response to SIGIR data call, 10/14/2007; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; USAID, responses to SIGIR data call, 4/7/2009 and 4/13/2009. CERP: OSD, responses to SIGIR data call, 4/10/2009 and 4/17/2009.

Obligations of the Major Reconstruction Accounts

As of March 31, 2009, \$41.88 billion (91%) of all appropriations to the major ongoing reconstruction accounts had been obligated—\$720 million during this quarter.⁶⁸ The rate of new obligation has slowed markedly since late

2007. Total obligations increased just 1.9% over last quarter.⁶⁹

As of March 31, 2009, \$4.12 billion of funds already obligated in these major accounts remain unexpended.⁷⁰ For unexpended obligations funds by major ongoing reconstruction account, see Figure 2.6.

Expenditures in the Major Reconstruction Accounts

As of March 31, 2009, \$37.76 billion has been expended from the four major U.S. funds, or 90% of the amount obligated. During this quarter, \$1.26 billion was expended:⁷¹

- **ISFF:** \$757 million
- **ESF:** \$221 million
- **CERP:** \$190 million
- **IRRF:** \$90 million

As of March 31, 2009, expenditures for the ESF more than doubled in comparison to the same period in FY 2008.⁷² But the total rate of expenditure for all funds has been slower in the first two quarters of FY 2009 than in previous quarters.⁷³ Historically, however, spending rates increase later in the fiscal year.

IRRF 2

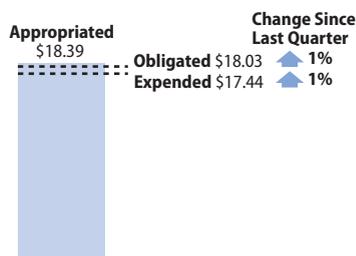
Iraq Relief and Reconstruction Fund Overview

On September 30, 2008, the IRRF 2 account expired for new obligations. However, obligated funds are still being used to complete remaining projects and for adjustments to existing contracts. Of the total \$18.03 billion obligated under IRRF 2, \$588 million remains unexpended.⁷⁴

For the status of IRRF 2 funding, see Figure 2.7, and for funding by sector, see Table 2.4.

As of March 31, 2009, 44 IRRF projects remain ongoing.⁷⁵ These projects are primarily concentrated in the Security and Justice, Public Works and Water, Electrical, and Health sectors. For a listing of major ongoing projects see Table 2.5.

FIGURE 2.7
STATUS OF FUNDS
\$ Billions



Note: Numbers affected by rounding.

Source: Embassy, response to SIGIR data call, 4/13/2009; SIGIR, Quarterly and Semiannual Reports to the United States Congress, 1/2009.

TABLE 2.4
IRRF 2 ALLOCATIONS
\$ Millions

SECTOR/ CATEGORY	ALLOCATED	OBLIGATED	EXPENDED
Security and Law Enforcement	\$4,960	\$4,937	\$4,891
Justice, Public Safety, Infrastructure, and Civil Society	2,299	2,309	2,177
Electric Sector	4,178	4,075	3,992
Oil Infrastructure	1,717	1,605	1,592
Water Resources and Sanitation	2,054	1,976	1,879
Transportation and Telecommunications Projects	462	449	434
Roads, Bridges, and Construction	320	281	261
Health Care	810	796	763
Private Sector Development	838	860	826
Education, Refugees, Human Rights, Democracy, and Governance	470	520	415
Administrative Expenses	220	219	210
Total	\$18,328	\$18,028	\$17,440

Source: Embassy, response to SIGIR data call, 4/13/2009.

TABLE 2.5
MAJOR ONGOING IRRF RECONSTRUCTION PROJECTS
\$ Millions

PROJECT	TOTAL BUDGETED COST	START DATE	PROJECTED COMPLETION DATE	PROVINCE
Construct Qudas Power Plant Expansion	\$175.78	2/17/2007	3/30/2009	Baghdad
Farabi & Jamila 132 kV S/S - Construct New	\$50.00	7/31/2006	9/30/2009	Baghdad
Wr-002 Construct Eastern Euphrates Drain (Zones 3b And 4)	\$38.62	11/25/2006	3/1/2009	Muthanna
Basrah Children's Hospital	\$35.25	10/18/2006	5/15/2009	Basrah
Ss-016 Construction Wastewater Treatment Plant Fallujah Ph 2	\$31.10	12/9/2006	9/22/2009	Anbar
Ramadi 132 kV S/S Construct New	\$30.17	1/30/2007	9/15/2009	Anbar
Diwanayah 132 kV Ais Substation - Construct New	\$28.08	6/17/2007	5/30/2009	Qadissiya
Pw-081 Grant Construct Meshkab Water Supply Project	\$23.11	9/20/2007	4/7/2009	Najaf
Wr-015 Grant Construct Nassriyah Drainage Pump Station	\$20.02	3/01/2007	12/31/2008	Thi-Qar
Fallujah 132 kV S/S - Rehab	\$16.36	12/23/2006	9/30/2009	Anbar

Source: IRMS, Global Benchmark, 4/1/2009.

Iraq Security Forces Fund Overview

Administered by the Department of Defense (DoD) through the Multi-National Security Transition Command-Iraq (MNSTC-I), the ISFF funds activities to support Iraq's MOD and MOI in developing the Iraqi Security Forces (ISF). For the status of the ISFF, see Figure 2.8. These funds fall primarily into four major budget sub-activity groups:

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

For the status of ISFF allocations to support the MOD and MOI, by sub-activity group, see Table 2.6.

Reconstruction spending continues to wind down in the major funding accounts. DoD reports that there is no plan for future-year funding for the ISFF.⁷⁶ Moreover, the FY 2009 bridge funding of \$1 billion has yet to be released, and a request to extend the availability of these funds has been sent to the Congress.⁷⁷ As of March 31, 2009, 82% of appropriations to the ISFF had been

FIGURE 2.8
STATUS OF FUNDS
\$ Billions



Note: Numbers affected by rounding.

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; P.L. 110-252; OSD, response to SIGIR data call, 4/14/2009; SIGIR, Quarterly Report and Semiannual Report to the United States Congress, 1/2009.

obligated, and 69% had been expended.⁷⁸ With \$2.82 billion remaining for new obligations, the ISFF is the reconstruction account with the largest amount of available funds.⁷⁹

For the trend in ISFF contracting actions over the past year, see Figure 2.9.

Status of Funding by Sub-activity Group

As in previous quarters, obligations and expenditures were chiefly for Equipment and

TABLE 2.6
STATUS OF ISFF ALLOCATIONS, AS OF 3/31/2009
\$ Millions

	SUB-ACTIVITY	ALLOCATIONS	OBLIGATIONS	EXPENDITURES
MOD	Equipment and Transportation	\$4,410	\$3,933	\$3,165
	Infrastructure	3,257	2,923	2,512
	Sustainment	1,860	1,752	1,534
	Training and Operations	344	334	257
MOD Total		\$9,871	\$8,943	\$7,467
MOI	Equipment and Transportation	1,739	1,417	1,062
	Infrastructure	1,442	1,292	974
	Sustainment	631	533	497
	Training and Operations	2,355	1,913	1,877
MOI Total		\$6,166	\$5,155	\$4,411
Other Total		\$1,007	\$775	\$643
Grand Total		\$17,044	\$14,872	\$12,521

Source: OSD, response to SIGIR data call, 4/14/2009.

Transportation. As of March 31, 2009, \$5.35 billion has been obligated, and \$4.23 billion has been expended in this category.⁸⁰ Expenditures for this group rose by nearly \$335 million—8.6% over last quarter.⁸¹ The second largest sub-activity group is Infrastructure, with \$4.22 billion obligated and \$3.49 billion expended.⁸²

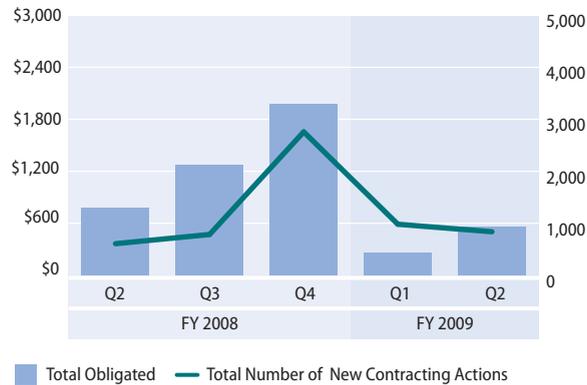
Of ISFF 2007 fiscal-year funds obligated, 29% remain unexpended.⁸³ Within the Training and Operations category, 96% of obligated funds have been expended, but only 63% of funds has been expended for Infrastructure and Equipment and Transportation.⁸⁴

Figure 2.10 details the percentage of funds expended in each sub-activity group by fiscal year.

Quarterly Spending Trends by Ministry

U.S. program priorities for MOD and MOI are informed by the force-generation objectives of each ministry as well as the ability of each ministry to execute its budget.⁸⁵

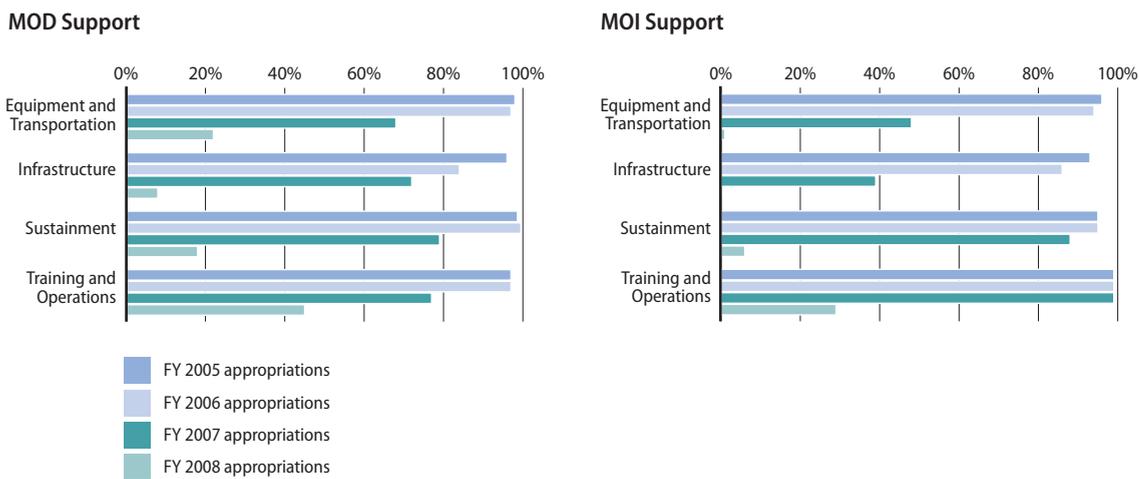
FIGURE 2.9
NEW ISFF CONTRACTING ACTIONS, BY QUARTER
\$ Millions



Note: Includes contract line items that had award numbers and with obligated amounts greater than zero. New contract line items are determined by award numbers that are present in the current quarter but not in the previous.

Sources: CEFMS, 1/4/2008, 4/4/2008, 6/30/2008, 9/30/2008, 1/7/2009, 4/3/2009; USAID, responses to SIGIR data call, 1/11/2008, 4/14/2008, 7/16/2008, 10/10/2008, 1/8/2009, and 4/7/2009.

FIGURE 2.10
EXPENDITURES OF ISFF APPROPRIATIONS, BY YEAR APPROPRIATED AND SUB-ACTIVITY GROUP
% Expended



Source: OSD, response to SIGIR data call, 4/14/2009.

In the period between January 1, 2009, and March 31, 2009, obligations for activities to support the MOD increased by \$370 million, and expenditures rose by nearly \$547 million.⁸⁶ Also in the second quarter of FY 2009, obligations for activities to support the MOI increased by just more than \$88 million, and expenditures, by \$110 million.⁸⁷

Spend Plan Projections

ISF units have made progress in many areas, but they continue to rely on the United States for support.⁸⁸ Thus, ISFF funding remains essential in the short term, as MNSTC-I works with the GOI to develop detailed transition and sustainment spend plans.⁸⁹

Increasing GOI investment for the ISF has prompted changes in its plans for future spending. For example, last year MNSTC-I reported that the GOI would assume greater responsibility of training activities.⁹⁰ But the MOI still struggles to improve training because of inadequate facilities and lack of qualified instructors.⁹¹ The projected drop in 2009 oil revenue will also constrain both ministries.⁹²

MNSTC-I's spend plan for 2009 focuses U.S. support on equipment and training needs. ISFF implementers had projected to spend \$2.41 billion (80%) of 2008 fiscal-year funds by the second quarter of FY 2009 and \$586 million (20%) in the

last two quarters of FY 2009.⁹³ But, as of March 31, 2009, DoD reported that \$1.18 (39%) billion of 2008 fiscal-year funds had been obligated.⁹⁴

Project Trends

Planned obligations of ISFF 2008 fiscal-year funds have undergone significant allocation adjustments from their original anticipated uses.⁹⁵ These adjustments occurred primarily at the project category level, and there was little adjustment between sub-activity groups.⁹⁶ Table 2.7 highlights the largest increases in planned spending, and Table 2.8 highlights the greatest decreases in planned obligations. Recent changes occurring in FY 2009 align ISFF uses with the Coalition's focus areas⁹⁷ and reflect changes in Iraqi commitment to share in the cost of projects.⁹⁸

The largest shifts within MOD project categories involve force generation and sustainment. For example, a \$184.6 million increase in training battalions reflects Coalition emphasis on more force generation, while a \$112.7 million increase for Regional Support Units and Motorized Transportation Regiment responds to the need to increase focus on logistics and sustainment.⁹⁹ Also, Fixed Wing Transport obligations were reprioritized from capital investment while training for this equipment increased.¹⁰⁰

IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

TABLE 2.7

LARGEST SPEND-PLAN INCREASES FOR ISFF 2008 FISCAL-YEAR FUNDS, AS OF 12/31/2008

\$ Millions

CATEGORY	SUB-ACTIVITIES	ORIGINAL PLAN	CURRENT PLAN	% INCREASE
Expand from 2 to 6 Iraqi Training Battalions (MOD)	Equipment & Transportation, Infrastructure, Training	\$27.5	\$212.1	671.3%
Ministerial Capacity (MOD, MOI)	Equipment & Transportation, Training	\$100.0	\$160.5	60.5%
Regional Support Unit (MOD)	Infrastructure	\$23.0	\$82.8	260.0%
Mobile Maintenance Capability within MTR (MOD)	Equipment & Transportation	\$49.3	\$102.2	107.3%
Fixed Wing Transport-King Air 350 (MOD)	Training	\$7.1	\$44.5	526.8%

Source: MNSTC-I, responses to SIGIR data call, 4/7/2009 and 4/15/2009.

TABLE 2.8

LARGEST SPEND-PLAN DECREASES FOR ISFF 2008 FISCAL-YEAR FUNDS, AS OF 12/31/2008

\$ Millions

CATEGORY	SUB-ACTIVITIES	ORIGINAL PLAN	CURRENT PLAN	% DECREASE
Engineering Improvised Explosive Device (IED) Defeat (MOD)	Equipment & Transportation, Sustainment, Infrastructure, Training	\$428.9	\$156.6	-63.5%
Iraqi Special Operations Forces Brigade & HQ (MOD)	Equipment & Transportation, Sustainment, Infrastructure, Training	\$253.9	\$93.5	-63.2%
COIN Special Helicopters (MOD)	Equipment & Transportation, Sustainment, Infrastructure	\$138.3	\$0.0	-100.0%
16 Additional Helicopters (MOD)	Equipment & Transportation, Sustainment, Infrastructure, Training	\$115.5	\$0.0	-100.0%
Fixed Wing Transport-King Air 350 (MOD)	Equipment & Transportation, Sustainment, Infrastructure, Training	\$145.8	\$77.7	-46.7%

Sources: MNSTC-I, responses to SIGIR data call, 4/7/2009 and 4/15/2009.

Economic Support Fund Overview

Since 2003, the Congress has appropriated \$3.74 billion¹⁰¹ to the ESF for programs that support capacity and economic development and that promote peace in Iraq. For a status of these funds, see Figure 2.11. ESF programs are categorized into three tracks: security, political, and economic. For a breakdown of ESF funding status by track, see Figure 2.12.

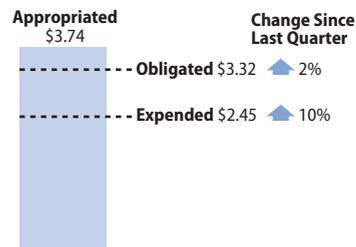
Quarterly Spending Trends

As of March 31, 2009, \$2.45 billion of the ESF had been expended: security track—\$1.51 billion, political track—\$0.48 billion, and economic track—\$0.41 billion.¹⁰² For a summary of program status, by track, see Figure 2.13.

Security Track

Programs in this track seek to reduce the causes of violence, improve infrastructure security, and strengthen the link between the government and the community. Approximately \$2.35 billion has been devoted to the ESF security track. The largest change in expenditures between January 1, 2009, and March 31, 2009, occurred in this track because of a \$51.83 million increase in expenditures for Provincial Reconstruction

FIGURE 2.11
STATUS OF FUNDS
\$ Billions



Note: Numbers affected by rounding.

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; P.L. 110-252; DoS, response to SIGIR data call, 10/14/2007; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; USAID, responses to SIGIR data call, 4/7/2009 and 4/13/2009; SIGIR, *Quarterly Report and Semiannual Report to the United States Congress*, 1/2009.

Team/Provincial Reconstruction Development Council (PRT/PRDC) projects.¹⁰³ PRT projects account for 15.3% of all program expenditures as of March 31, 2009.¹⁰⁴

Expenditures for the Community Stabilization Program (CSP) increased by \$51.41 million. The CSP provides jobs, training, small grants, and small infrastructure projects throughout Iraq.¹⁰⁵ In Baghdad alone, an average of 18,000 short-term and 1,208 long-term jobs were created this

FIGURE 2.12
ESF FUNDING BY TRACK
\$ Billions, \$3.60 Billion Total Allocations

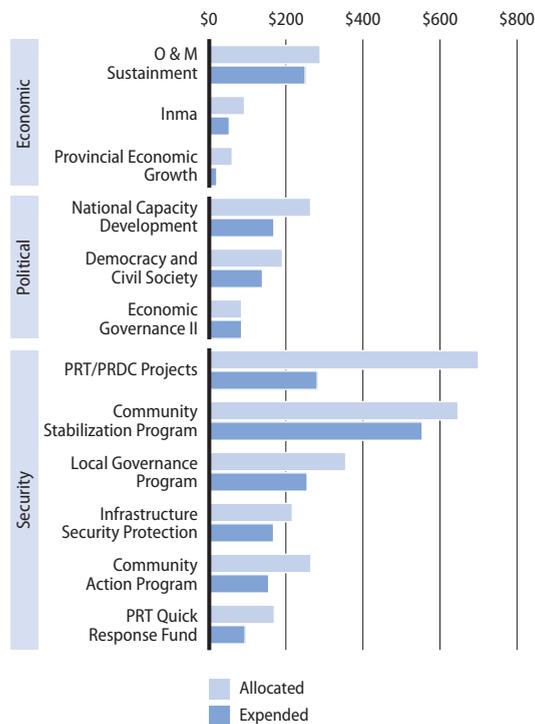


Note: Numbers affected by rounding. The total amount represented is approximately 93% of all appropriated ESF funds for Iraq, which totals \$3.74 billion. Program and track-level details were not available for \$50 million of FY 2003 funding.

Sources: DoS, response to SIGIR data call, 10/14/2007; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; USAID, responses to SIGIR data call, 4/7/2009, 4/13/2009, and 4/16/2009.

FIGURE 2.13

ESF ALLOCATIONS AND EXPENDITURES BY MAJOR PROGRAMS, AS OF 3/31/2009
\$ Millions



Note: Includes ESF programs with greater than \$60 million allocated.

Sources: GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; USAID, responses to SIGIR data call, 4/7/2009, 4/13/2009, and 4/16/2009.

quarter. CSP projects also bolstered efforts to upgrade the Abu Ghraib Hospital.¹⁰⁶ As of March 31, 2009, 86% of CSP funds had been expended.¹⁰⁷ The program is expected to be completed by October 31, 2009.¹⁰⁸

Political Track

The political track focuses efforts on increasing the capacity of national and provincial governments. Consistent with policy directives to support GOI capacity development, the National Capacity Development (NCD)

program accounted for 68.3% of expenditures in the political track this quarter (nearly \$24 million).¹⁰⁹ Just more than \$95 million (36%) of the program’s funds remain for continuing activities.¹¹⁰ This quarter, USAID reports that nearly 715 officials from Baghdad province were trained in several public administration and management areas.¹¹¹

Economic Track

Economic track programs help sustain the U.S. investment in essential services and economic development by administering programs that increase the GOI’s operation and maintenance capabilities and stimulate private-sector growth. The Targeted Development Program reported a 92% increase in expenditures since January 1, 2009 (\$6.44 million).¹¹²

This quarter, total Provincial Economic Growth program expenditures increased by \$6.14 million, bringing total expenditures to \$20.61 million.¹¹³ This represents a 42% increase in expenditures over last quarter.¹¹⁴ The program continues to support Microfinance Institutions and Small Business Development Centers in several locations throughout Iraq.¹¹⁵ For a listing of program allocations under these tracks, see Table 2.9.

ESF Spending by Fiscal Year

As of March 31, 2009, more than \$60 million (17%) of FY 2008 ESF allocations had been expended (See Table 2.10). Of obligations across all three tracks, \$876 million has yet to be expended.¹¹⁶

ESF funding has been expended at a slower rate in comparison to other major reconstruction funds. This quarter, however, funds to support ESF programs accelerated. Since last quarter, \$221 million was expended—10% of all expenditures since 2003.¹¹⁷ The change in expenditures over last quarter—\$221 million—constituted the

TABLE 2.9
STATUS OF ESF BY PROGRAM FUNDING
\$ Millions

PROGRAM	TRACK	ALLOCATED	OBLIGATED	EXPENDED	% CHANGE EXPENDED FROM PREVIOUS QUARTER
PRT/PRDC Projects	Security	\$700	\$452	\$282	22.6%
Community Stabilization Program	Security	\$647	\$647	\$554	10.2%
Local Governance Program	Security	\$356	\$356	\$255	6.9%
Community Action Program	Security	\$265	\$265	\$155	9.6%
Infrastructure Security Protection	Security	\$217	\$181	\$168	14.1%
PRT Quick Response Fund	Security	\$170	\$170	\$94	32.6%
Security Subtotal		\$2,354	\$2,071	\$1,508	13.3%
National Capacity Development	Political	\$264	\$264	\$169	16.3%
Democracy and Civil Society ^a	Political	\$191	\$187	\$139	4.4%
Economic Governance II, Policy and Regulatory Reforms	Political	\$85	\$85	\$85	5.4%
Iraqi Refugees (Jordan) - transferred to Migration and Refugee Assistance ^b	Political	\$58	\$58	\$36	0.0%
Ministerial Capacity Development	Political	\$38	\$37	\$28	1.7%
Regime Crimes Liaison Office	Political	\$33	\$31	\$28	1.4%
Political Subtotal		\$669	\$662	\$485	7.7%
O & M Sustainment	Economic	\$289	\$260	\$250	2.5%
Inma	Economic	\$93	\$93	\$53	11.1%
Provincial Economic Growth (PEG)	Economic	\$61	\$61	\$21	42.4%
Targeted Development Program	Economic	\$57	\$57	\$13	92.0%
Plant-Level Capacity Development and Technical Training	Economic	\$51	\$49	\$48	13.1%
Izdihar	Economic	\$24	\$24	\$22	0.0%
Economic Subtotal		\$574	\$544	\$408	6.8%

Notes:
a Amounts in this category include programs reported as "Civil Society Development," "Civil Society-ADF and IFES," "Civil Society-IREX," "Democracy and Civil Society," "Democracy Funding for IRI NDI NED," and "USIP."
b Amounts in this category include programs reported as "Iraqi Refugees (Jordan)-Transferred to Migration and Refugee Assistance" and Iraqi Scholars Program, as per guidance given in an OMB response to SIGIR data call on 1/3/2008.

Sources: USAID, responses to SIGIR data call, 4/7/2009 and 4/16/2009; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; DoS, response to SIGIR data call, 10/14/2007; USAID, response to SIGIR data call, 1/8/2009; ITAO, responses to SIGIR data call, 10/2/2008, 10/14/2008, and 1/15/2009; GRD, response to SIGIR data call 1/5/2009.

TABLE 2.10
ESF DISTRIBUTION BY FISCAL YEAR
\$ Millions

FISCAL YEAR	ALLOCATED	OBLIGATED	EXPENDED	% OBLIGATED	% EXPENDED
2003	\$50.00	\$50.00	\$50.00	100%	100%
2006	\$1,521.38	\$1,378.25	\$1,264.55	91%	83%
2007	\$1,602.95	\$1,425.35	\$1,074.15	89%	67%
2008	\$370.79	\$370.79	\$62.08	100%	17%
2009	\$102.50	\$102.50	\$0.00	100%	0%

Sources: DoS, response to SIGIR data call, 10/14/2007; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 10/2/2008 and 3/29/2009; USAID, responses to SIGIR data call, 4/7/2009, 4/13/2009, and 4/16/2009.

IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

TABLE 2.11
MAJOR ONGOING ESF RECONSTRUCTION PROJECTS
 \$ Millions

PROJECT	TOTAL BUDGETED COST	START DATE	PROJECTED COMPLETION DATE	PROVINCE
ESF - PRDC - Erbil Emergency Hospital	\$13.48	11/1/2008	4/4/2010	Erbil
Water Reverse Feeding Of Clean Water ESF PRDC 06	\$10.28	1/24/2008	7/9/2009	Basrah
Provide & Install 132 kV Power Cable Feeder ESF (PRDC)	\$8.97	3/22/2008	7/23/2009	Basrah
Repair Karkh Water Treatment Plant (ESF PRDC)	\$8.67	10/25/2007	6/30/2009	Baghdad
Baqubah General Hospital Ehc (PRDC)	\$8.13	3/15/2008	10/10/2009	Diyala
Maysan Surgical Hospital, Phase 2	\$7.24	2/19/2008	7/2/2009	Missan
OIL Pipeline Exclusion Zone Bayji - Baghdad - 4	\$6.95	5/22/2008	4/30/2009	Salah Al-Din
Construct 80 Bed Hospital--Phase 1 (36 Beds) ESF PRDC06	\$6.36	11/29/2007	9/7/2009	Missan
Basrah Modern Slaughter House	\$6.00	10/21/2008	8/22/2009	Basrah
Musayib Maternity (Ob/Ped) Hospital (PRDC - ESF06)	\$5.71	7/4/2007	4/30/2009	Babylon

Source: IRMS, *Global Benchmark*, 4/1/2009.

greatest percentage of change among the major ongoing funds.¹¹⁸

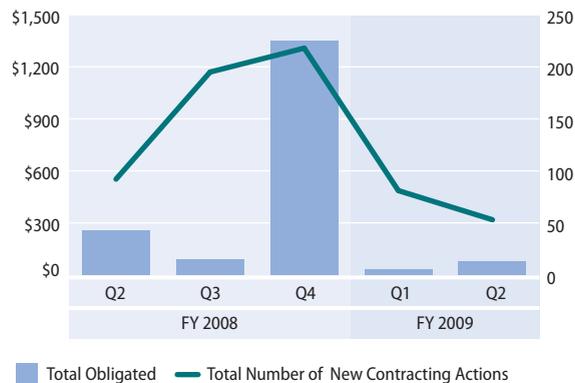
Project Trends

A significant portion of major ongoing ESF projects are devoted to the PRDC program.¹¹⁹ This is consistent with both quarterly and historical funding trends for this program. It remains the largest allocation of ESF funds, at \$700 million, which represents just more than 19% of all ESF allocations.¹²⁰ Of all programs funded by more than \$100 million, however, the PRDC program has the lowest burn rate, with only 40% expended.¹²¹

Major Ongoing Efforts

The trend in new contracting actions reported shows an increase over last quarter.¹²² Figure 2.14 shows the new contracting actions by quarter in the last year. Table 2.11 highlights major ongoing ESF projects.

FIGURE 2.14
NEW ESF CONTRACTING ACTIONS, BY QUARTER
 \$ Millions



Note: Includes contract line items that had award numbers and that had obligated amounts greater than zero. New contract line items are determined by award numbers that are present in the current quarter but not in the one previous.

Sources: CEFMS, 1/4/2008, 4/4/2008, 6/30/2008, 9/30/2008, 1/7/2009, 4/3/2009; USAID, responses to SIGIR data call, 1/11/2008, 4/14/2008, 7/16/2008, 10/10/2008, 1/8/2009, and 4/7/2009.

CERP

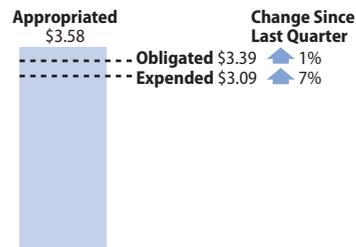
Commander’s Emergency Response Program Overview

FY 2009 obligations to CERP project categories mirror the stated goals for this fiscal year. MNC-I reports that the programmatic priorities for these programs are to maintain security through the Sons of Iraq (SOI) program while transferring these personnel to the GOI, to continue the restoration of essential services, and to provide resources for urgent humanitarian requirements.¹²³ For a status of CERP funds, see Figure 2.15.

Quarterly Spending Trends

For the first quarter of FY 2009, the largest CERP obligations were for projects in the categories of Protective Measures; Economic, Financial, and Management Improvements; Water and Sanitation; Civic Cleanup Activities; and Education.¹²⁴

FIGURE 2.15
STATUS OF FUNDS
\$ Billions

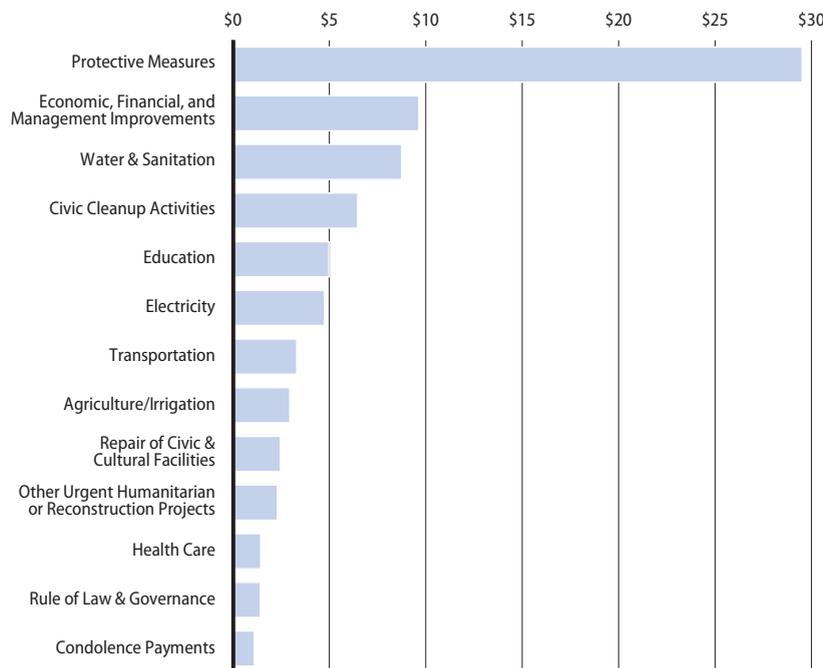


Note: Numbers affected by rounding.

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; P.L. 110-252; OSD, response to SIGIR data call, 4/10/2009; SIGIR, Quarterly Report and Semiannual Report to the United States Congress, 1/2009.

Security-related projects have consistently led CERP obligations for several quarters. The SOI, begun under the CERP, transitioned to GOI control this quarter. The last U.S.-funded payment for the SOI program is planned for April 30, 2009.¹²⁵

FIGURE 2.16
CERP FY 2009 OBLIGATIONS BY PROJECT TYPE, AS OF 12/31/2008
\$ Millions



Note: Figure includes only CERP project types with obligations greater than \$1 million. Source: OSD, responses to SIGIR data call, 4/2/2009 and 4/17/2009.

Figure 2.16 illustrates the obligations of CERP funds by project type for the first quarter FY 2009.

Distribution of Projects

As previously reported, the majority of projects executed with CERP funds fall below the threshold of \$10,000; however, several large-scale projects skewed the historical average of CERP projects. For example, projects started in 2008 valued at more than \$500,000 consumed 16% of total CERP project costs but represented only 1% of the projects.¹²⁶ Figure 2.17 compares the distribution of ongoing CERP project activities across quarters since 2004.

As shown in the figure, the distribution of project activities in recent quarters shows an overall decrease in both median and mean values. The timing of this shift in project values coincides with changes in CERP regulations limiting the use of funds for large-scale projects. This quarter, the mean (or average) value for ongoing CERP project activities was \$40,702, and the median of these project activities was \$2,500; that is, half of the 1,330 project activities cost more than \$2,500, and half cost less than that amount.¹²⁷

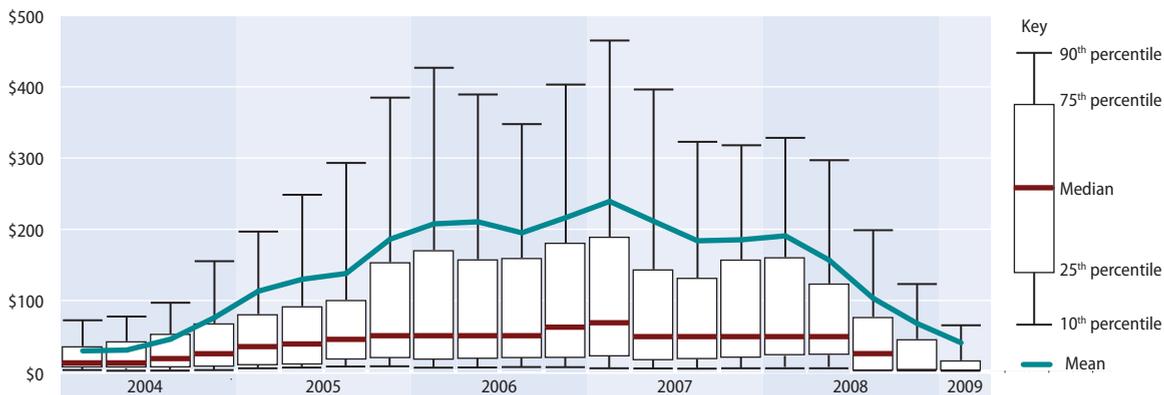
Pursuant to legislative restrictions, the CERP is no longer used to fund large-scale reconstruction projects.¹²⁸ None of the projects started in the first quarter of FY 2009 were valued at more than \$500,000.¹²⁹

Notwithstanding the decrease in average project costs, several large projects remain ongoing. Table 2.12 provides information on selected major projects.

U.S. Funding by Reconstruction Sector

The remainder of this section of the Quarterly Report discusses reconstruction activities and progress in four main areas: security, infrastructure, governance, and economy. The largest change of assigned funding between sectors is the reclassification of \$1.0 billion in IRRF 2 allocations for democracy-building activities to the democracy and civil society sector (from the now-defunct security and justice sector). This shift decreased the total for security spending and increased the total spent for governance. Total funding assigned to the infrastructure area decreased slightly with the reclassification of

FIGURE 2.17
DISTRIBUTION OF TOTAL COSTS FOR ONGOING CERP PROJECT ACTIVITIES, BY QUARTER, 2004–2009
\$ Thousands



Source: IRMS, *Global Benchmark*, 4/1/2009.

TABLE 2.12
MAJOR ONGOING CERP RECONSTRUCTION PROJECT ACTIVITIES
 \$ Millions

PROJECT	TOTAL BUDGETED COST	START DATE	PROJECTED COMPLETION DATE	PROVINCE
Fallujah Sewer Pump Stations F1, F2	\$7.22	9/22/2006	7/31/2009	Anbar
PIC sewage installation - Karmat Ali	\$6.56	8/11/2007	1/1/2009	Basrah
Kirkuk City Clean-Up Supplies And Materials	\$6.13	1/1/2007	2/15/2009	Tameem
Transformers For Baghdad Pc	\$4.82	10/20/2006	6/30/2007	Baghdad
Contraction Of A New Ridwaniyah Municipal Water Treatment Facility	\$4.29	12/9/2004	7/15/2005	Baghdad
Baghdad International Airport Caravan Hotel	\$4.16	12/1/2007	4/14/2008	Babylon
To provide effective and efficient lighting in Baghdad city neighborhoods by the purchase of solar powered street lamps.	\$3.50	11/6/2007	2/6/2008	Baghdad
Al Kawaz substation	\$3.43	9/20/2007	12/15/2008	Basrah
Al Basra Talent School	\$3.35	9/14/2008	4/1/2009	Basrah
AMAR Public Health PHCC Renovation and Construction – Baghdad	\$2.94	1/1/2008	12/12/2008	Baghdad

Source: IRMS, *Global Benchmark*, 4/1/2009.

health-care funding to the new public services sector. The economy area also decreased slightly in total assigned funding with the reclassification of food aid as humanitarian relief, which is under the governance area.

For a listing of reconstruction areas and sectors, see Table 2.13. For cumulative sector allocations, obligations, and expenditures, as of March 31, 2009, see Figure 2.18. For a detailed cross-walk of SIGIR sectors against their funding sources, see Appendix D.

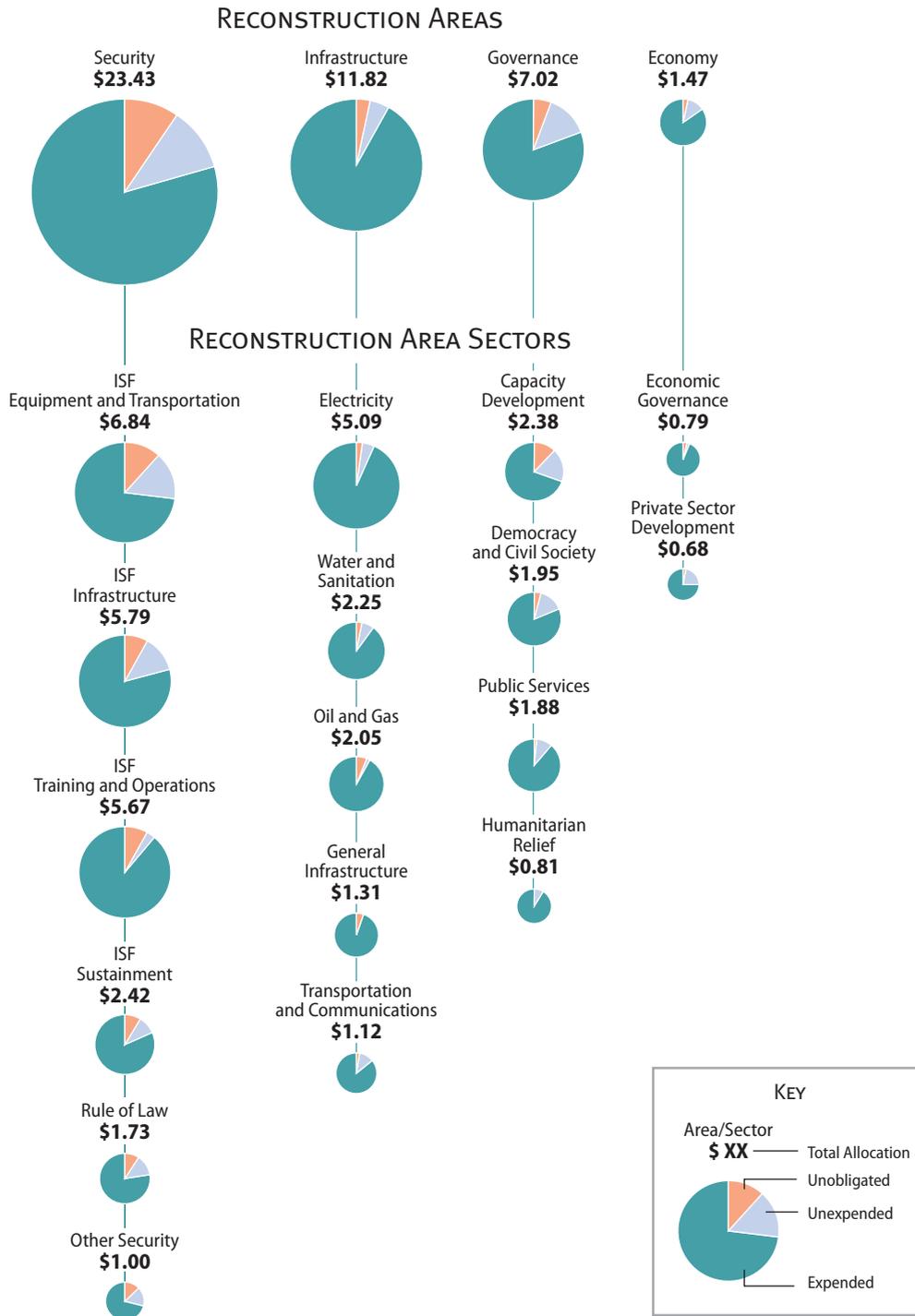
TABLE 2.13
SIGIR RECONSTRUCTION AREAS AND SECTORS

Economy	Economic Governance
	Private Sector Development
Governance	Capacity Development
	Democracy and Civil Society
	Humanitarian Relief
	Public Services
Infrastructure	Electricity
	General Infrastructure
	Oil and Gas
	Transportation and Communications
	Water and Sanitation
Security	ISF Equipment and Transportation
	ISF Infrastructure
	ISF Sustainment
	ISF Training and Operations
	Rule of Law
	Other Security

IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

FIGURE 2.18

CUMULATIVE U.S. FUNDING BY RECONSTRUCTION AREA AND SECTOR \$ Billions



Note: Numbers affected by rounding.

Sources: CEFMS, *ISFF Funds Execution Report*, 4/3/2009; DFAS, response to SIGIR data call, 4/10/2009; DoS, response to SIGIR data call, 4/5/2007; DoS, *Section 2207 Report*, 10/2008; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; IRMS, *MNC-I Quarterly Report*, 4/1/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, response to SIGIR data call, 3/29/2009; OSD, response to SIGIR data call, 4/14/2009; Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 4/7/2009 and 4/13/2009; USTDA, response to SIGIR data call, 4/2/2009.

SECURITY

THE TIME AND CONDITIONS ARE RIGHT FOR COALITION FORCES TO REDUCE THE NUMBER OF TROOPS IN IRAQ. THE SUCCESSFUL PROVINCIAL ELECTIONS DEMONSTRATED THE INCREASED CAPABILITY OF THE IRAQI ARMY AND POLICE TO PROVIDE SECURITY. IN THE COMING MONTHS, IRAQIS WILL SEE THE NUMBER OF U.S. FORCES GO DOWN IN THE CITIES WHILE MORE AND MORE IRAQI FLAGS WILL GO UP AT FORMERLY SHARED SECURITY STATIONS.¹³⁰

—GENERAL RAY ODIERNO, COMMANDER MNF-I, MARCH 8, 2009

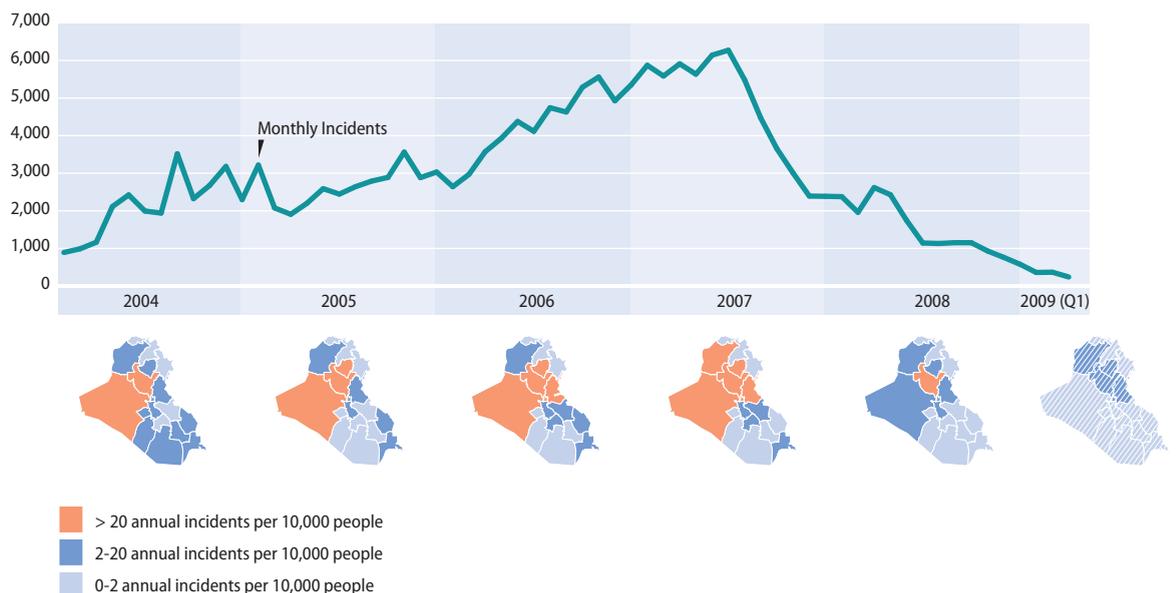
Iraq has taken the lead on security as the Strategic Framework Agreement (SFA) and Security Agreement (SA) have ushered in a new chapter in the relationship between the United States and Iraq. Overall, the security situation has become less kinetic, with the quarterly average of security incidents at its lowest level since the invasion.¹³¹ As shown in Figure 2.19, attack levels are down 90% from the start of the U.S. troop surge and the Awakening movement in 2007.¹³²

The comparatively lower level of societal violence has increased focus on the economy and delivery of essential services. Although DoD reports that the number of deaths continues to fall (from approximately 9 per day last quarter to 8 per day this quarter),¹³³ these gains remain fragile and uneven throughout the country.¹³⁴

A recent rise in attacks underscores concerns about the security situation. This quarter saw several suicide attacks on U.S. forces in Mosul: four soldiers were killed in an attack in February, and five were killed in a bombing on April 10—the largest single loss of U.S. life in over a year.¹³⁵ Mass-casualty bombings of civilians have begun to recur as well.

Notwithstanding these events, the average number of attacks remained relatively low in all provinces this quarter. Approximately half of Iraq’s population lives in Baghdad, Diyala, Ninewa, and Salah Al-Din, where 78% of all attacks previously occurred. Daily average attacks in Baghdad province decreased 37% this quarter, and in the northern provinces of Ninewa, Diyala, Tameem, and Salah Al-Din, they decreased 50%,

FIGURE 2.19
SECURITY INCIDENTS, 2004–2009



Sources: MNF-I, responses to SIGIR data calls, 10/6/2008 and 4/2/2009; CENTCOM, response to SIGIR data call, 1/10/2009.

largely because of operations led by the Iraqi Security Forces (ISF).¹³⁶

Kurd-Arab tensions rose this quarter between the GOI and Kurdistan Regional Government (KRG). In northern and central Iraq, Kurdish pressure on the GOI to implement Article 140 of the Iraqi Constitution (which would define the area of the Kurdish region) appears to have hardened the differences between Kurds, Sunni Arabs, and regional minorities. The presence of Kurdish Peshmerga and Kurd-dominated Iraqi Army units beyond KRG boundaries—in areas where Kurdish minority populations reside—has fueled tensions.¹³⁷

ISF units are now arriving in areas from which they were long absent, including areas in northern Diyala, northern Tameem, and eastern Ninewa provinces, where Peshmerga forces have been providing security since 2003. Coalition forces in the disputed areas continue to play a mediating role as the Peshmerga and GOI forces seek to establish functional working relationships.¹³⁸ Prime Minister al-Maliki remains concerned about the Kurdish sale of Kirkuk oil.¹³⁹

Changing Force Strengths

ISF forces have increased 25% since 2007 and now total more than 618,000 personnel (police and military).¹⁴⁰ In addition to increased security personnel patrolling the countryside, ISF capabilities have increased, demonstrated by the effective election security in January.¹⁴¹

Improved security conditions have allowed Coalition forces to move out of cities in Anbar province and most southern Iraqi cities.¹⁴² Table 2.14 shows the expected trends in security force strength and funding as the Coalition's footprint shrinks.

The rates of ISF force generation, development, and capability, however, are limited by continuing challenges to sustaining the security forces,



Coalition forces train ISF in use of night-vision equipment. (MNF-I photo)

and budgetary limitations. To make further progress, the ISF must address several challenges:

- overreliance on untrained personnel¹⁴³
- legacy shortfall in junior officer and non-commissioned officer (NCO) leadership¹⁴⁴
- lack of institutionalized training programs to reduce training backlogs¹⁴⁵
- slow development of a self-sustaining logistics and sustainment program¹⁴⁶

Pressures on the growth and planned operational requirements of the ISF have been heightened by fluctuating oil prices, which have forced budgetary revisions.¹⁴⁷ Even during times when the GOI budget benefited from high oil prices, both the Ministry of Defense (MOD) and the Ministry of Interior (MOI) received significantly less than requested to meet near-term and end-date objectives.¹⁴⁸ For example, the MOD's Force Generation and Modernization Plan exceeds spending authorizations,¹⁴⁹ and MOI's budget shortfalls will likely prevent the National Police from achieving its force-strength goals.¹⁵⁰

TABLE 2.14
SECURITY FORCES PROTECTING IRAQ

SERVICE		ASSIGNED PERSONNEL	TREND	STATUS
Coalition Forces		147,000*	↓	SA implementation will get all Coalition forces out of the cities by June 30, 2009. Reduction of two U.S. combat brigades will take place by summer 2009.
Private Security Contractors		30,000*	↓	Under the SA, contractors have lost immunity.
Iraqi Security Forces				
Ministry of Defense ^a	Iraqi Army (IA)	196,236	↑	Budgetary constraints will present a major hurdle to recruiting members to support new units.
	Training and Support	23,452	↑	Joint Headquarters continues to work on improving priority analysis for future doctrine development.
	Air Force	2,006	↑	Minimal capabilities, but progress is being made.
	Navy	1,898	↑	Still in development stage of building a new fleet.
	Total MOD	223,592	↑	
Ministry of Interior ^a	Iraqi Police	300,156	↑	Emphasis remains on community policing (traffic, patrol, provincial).
	National Police	41,044	↑	Operational in all provinces; logistics and training facilities complete, with substantial maintenance and logistics capabilities.
	Border Enforcement	40,328	↑	Building a line-of-sight perimeter around Iraq; upgrading capabilities.
	Oil Police	29,411	—	Oil infrastructure security; replacement of IA guards to protect pipelines has been slowed by a hiring freeze.
	Facility Protection Service (FPS)	87,000 ^b	—	Pending reform legislation to make FPS a formal department under the MOI.
Total MOI	497,939	↑		
Counter-Terrorism	Special Operations	4,160	↑	Pending reform legislation to become a new Iraqi ministry.
Iraqi Security Forces Total		725,691	↑	
Grand Total		902,691		

Note: Numbers affected by rounding. PSC numbers shift continually based on changing contract activity and level of security services required.
^a Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals; approximately 112,000 MOI employees are not included in ISF numbers.
^b FPS personnel are not counted in the official MOI rosters because they are contracted, and reform law has not been passed.

* SIGIR estimate.

Sources: SIGIR, *Quarterly Report and Semiannual Report to the United States Congress*, 1/2009; OSD, response to SIGIR data call, 4/2/2009; DoD, *Measuring Stability and Security in Iraq*, 12/31/2008.

Iraqi Security Forces

The ISF comprises more than 618,000 personnel in MOI, MOD, and the Iraqi National Counter-Terrorism Force.¹⁵¹ More than 300,150 personnel currently serve in the Iraqi Police Service (IPS), and the MOI has set a goal for 400,000 by summer 2009.¹⁵² The MOI struggles with poor training facilities, the lack of qualified instructors, and budget constraints. If budgetary pressures caused by fluctuating oil prices continue over the next three years, the long-term stability of the MOI and MOD may be at risk.¹⁵³

For a timeline of ISF force growth, see Figure 2.20.

Iraqi Control of the Provinces

Security in all provinces is now the responsibility of the ISF. On January 1, 2009, with the expiration of the United Nations Security Council Resolution (UNSCR) and effecting of the SA, the GOI assumed security responsibility for the remaining five Iraqi provinces (Diyala, Ninewa, Tameem, Salah Al-Din, and Baghdad). At the request of the GOI, U.S. forces continue to provide strategic over-watch.¹⁵⁴

For a timeline of security transfer to the GOI, see Figure 2.21.

In March 2009, Multi-National Force-Iraq (MNF-I) announced its force reduction plan for the next six months. This drawdown of forces will reduce the total number of U.S. Brigade Combat Teams in Iraq from 14 to 12.¹⁵⁵

Transition of SOI

The United States established the Sons of Iraq (SOI) program at the national level in June 2007 as a means to help quell violence and restore order by enhancing security in unstable locations throughout Iraq, eventually bringing about 99,000 personnel into the program. In September 2008, the GOI agreed to assume responsibility for nearly 94,000 SOI. This included the

FIGURE 2.20
TROOPS TRAINED AND ASSIGNED, BY QUARTER, 2005–2009



Note: Cumulative number of Iraqi Army, Air Force, Navy, Iraqi Police, National Police, Border Enforcement, and Special Operations Personnel.

Sources: DoD, *Measuring Stability and Security in Iraq*, 7/2005, 10/2005, 2/2006, 5/2006, 8/2006, 11/2006, 3/2007, 6/2007, 9/2007, 12/2007, 3/2008, 6/2008, 9/2008, and 12/2008; DoS, *Iraq Status Report*, 3/18/2009.

responsibility to pay the SOI salaries.¹⁵⁶ The first transfer of SOI responsibility occurred in October 2008.

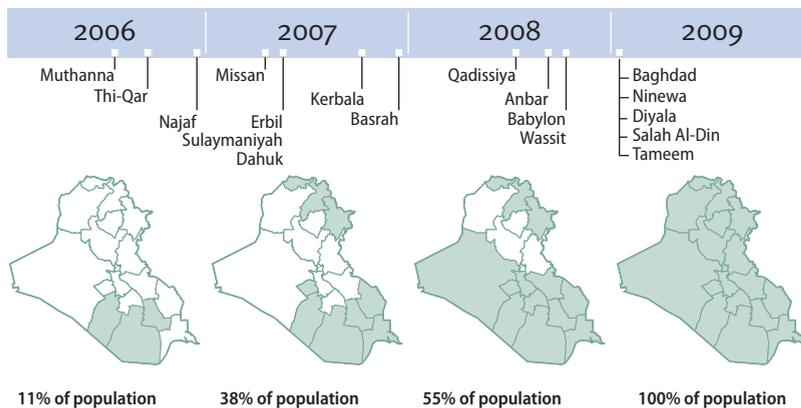
Effective April 1, 2009, the GOI assumed full responsibility for payments to SOI personnel. During March and April 2009, there was a delay in wage payments as a result of changes to Iraq’s 2009 national budget that omitted SOI salaries. When Iraq’s Council of Ministers identified the omission, appropriate measures were taken to restore the funds. The GOI approved their salaries and began disbursing payments before approving the 2009 budget.¹⁵⁷

For information on the timing of SOI registration and transfer, see Table 2.15.

The GOI has pledged that 20% of the SOI would be given positions within the ISF,¹⁵⁸ while others would be screened for civil-service positions or provided training and support for transitioning into private-sector employment.

The process of successfully transitioning SOI to permanent employment is “an important step toward national reconciliation” and “critical for long-term stability in Iraq.”¹⁵⁹ This process, however, appears to be an emerging challenge for the

FIGURE 2.21
TIMELINE OF PROVINCIAL SECURITY CONTROL BY GOI



Sources: OSD, response to SIGIR data call, 4/2/2009; DoD, *Measuring Stability and Security in Iraq*, 12/30/2008, p. 29.

GOI because the potential for sectarian discord may be exacerbated by budgetary constraints. In view of the possible national implications of mismanaging the transition, the U.S. government is “encouraging the GOI to carry out its commitments” to the SOI.¹⁶⁰ Some SOI members remain wary of the transition process and worry that the GOI will not adhere to its promise of integration.¹⁶¹ Recent clashes between some SOI groups and the ISF underscore the complexity and potential risks of the integration process. In late March, a series of violent clashes marred Baghdad’s fragile calm when some SOI units engaged in street battles with the ISF. During these clashes, several senior SOI members were detained by the Iraqi government.

TABLE 2.15
SOI REGISTRATION AND TRANSFER COMPLETE

PROVINCE	REGISTRATION STARTED	TRANSFER TO GOI
Baghdad	—	October 2008
Babylon	December 2008	January 2009
Diyala	December 2008	January 2009
Qadissiya	December 2008	January 2009
Wassit	December 2008	January 2009
Anbar	January 2009	February 2009
Ninewa	February 2009	March 2009
Tameem	February 2009	March 2009
Salah Al-Din	March 2009	April 2009

Note: All provinces due to transfer in January have completed the process.

Source: OSD, response to SIGIR data call, 4/2/2009.

Private Security Contractors

Since April 2003, private security contractors (PSCs) have provided physical security services to protect U.S. personnel, facilities, and property, as well as contractors, subcontractors, and other parties supporting the U.S. reconstruction mission.

The extensive use of PSCs to support U.S. government operations in Iraq is unprecedented. In a 2008 audit, SIGIR identified at least 77 companies that had provided PSC services to U.S. agencies in Iraq since 2003. The services included guarding sites, escorting individuals and equipment convoys, and providing security advice and planning.¹⁶² According to a Congressional Research Service study, as many as 30,000 people may be providing these services.¹⁶³

The use of these contractors has caused problems, including clashes between PSCs and Iraqis, as well as U.S. forces. In September 2007, 17 Iraqi civilians were killed in an incident in Baghdad involving DoS contractors. In the aftermath of this incident, DoD and DoS made organizational and procedural changes to strengthen their oversight, coordination, and control of PSC activities,

including PSC movements in areas of combat operations. After the GOI refused to grant an MOI operating license to the PSC formerly known as Blackwater, DoS decided not to renew task orders that had been awarded to the firm. DoS re-solicited and awarded a new task order to Triple Canopy.¹⁶⁴

DoS uses 6,344 PSC personnel, including DoS prime contractors, PSCs subcontracted by grantees, and implementing partners with Chief of Mission (COM) affiliation, as well as grantees and implementing partners who perform security functions. An estimated 3,149 PSC personnel provide protection and security to DoS COM personnel and facilities, and an additional 3,176 personnel provide security to organizations supporting stabilization and reconstruction efforts throughout Iraq. The Embassy's maintenance and operations prime contractor also subcontracted to a PSC for security services, which are provided by 19 PSC personnel.¹⁶⁵

DoD reported 9,318 total PSC personnel supporting its efforts through contracts/subcontracts.¹⁶⁶ Other agencies using PSCs did not provide totals for the number of personnel involved.

This quarter, two SIGIR audit products focused on the management of PSCs:

In one, SIGIR found that DoD and DoS have improved their information sharing on PSC operations and serious incident reporting. They have established policies for reporting serious incidents and have assigned responsibility to specific organizations for ensuring that serious incidents are reported and investigated. The audit identified a number of opportunities to improve the accuracy and consistency of the serious incident information, the analysis of that information, and the consistency of policies and procedures used in investigating and remediating incidents.¹⁶⁷

In the second audit, SIGIR reviewed the DoD's Theater-Wide Internal Security Services contracts for labor, weapons, equipment, and other

essentials to augment and/or replace military security guard operations at forward operating bases and camps throughout Iraq. SIGIR identified certain vulnerabilities in the government's oversight, including the limited experience and training of the contracting officer's representatives and insufficient oversight.¹⁶⁸

U.S. Funding for Security and Justice

Since 2003, the United States has allocated \$23.4 billion and obligated \$21.2 billion for the security and justice sector. As of March 31, 2009, nearly \$4.8 billion remains to be expended.¹⁶⁹ For details about U.S. spending in the sector, see Table 2.16.

For the status of all U.S. funds supporting Iraq's security, see Figure 2.22.

Update on U.S. Programs for the ISF

The Coalition has set these overarching priorities for developing the capacity of the MOD and MOI:¹⁷⁰

- Support force generation and force replenishment.
- Improve the proficiency and professionalism of Iraqi forces.
- Build specific logistic, sustainment, and training capacities.
- Develop ministerial and institutional capacity.

The four near-term areas of emphasis through mid-2009 are:

- Ensure Iraqi forces continue to improve in logistics, maintenance, and life support.
- Ensure the size, capability, professionalism, and leadership of the ISF to enable it to increasingly assume additional security roles from Coalition forces.
- Enhance the capabilities of Iraqi Special Operations Forces (ISOF) and Counter-Terrorism Forces (CTF).
- Ensure that Iraqi Air Force and Navy growth stay on track.

TABLE 2.16
U.S. SUPPORT OF SECURITY AND JUSTICE
 \$ Millions

FUND NAME	PROGRAMS	OBLIGATIONS	EXPENDITURES	% CHANGE IN CUMULATIVE EXPENDITURES FROM LAST QUARTER
ISFF	Equipment and Transportation	\$5,350.19	\$4,286.81	10%
	Infrastructure	\$4,219.33	\$3,491.80	6%
	Training and Operations	\$2,246.64	\$2,143.83	1%
	Sustainment	\$2,209.69	\$1,973.27	6%
	Quick Response Fund	\$438.73	\$381.46	4%
	Disarmament, Demobilization, and Reintegration	\$148.89	\$60.36	119%
	Detainee Ops	\$103.75	\$93.86	3%
	Lift and Sustain	\$70.63	\$57.99	4%
	Detainment Centers Iraqi Corrections Officers	\$12.70	\$1.37	56%
	Theater Internment Facilities Reintegration Center	\$7.98	-	-
	Rule of Law Complexes	\$7.06	\$4.56	179%
CERP	Battle Damage	\$38.68	\$32.60	3%
	Condolence Payments	\$47.41	\$42.99	2%
	Protective Measures	\$387.96	\$275.70	7%
	Detainee Release Payments	\$0.95	\$0.55	1%
	Law & Governance	\$96.64	\$87.65	-
ESF	Regime Crimes Liaison Office	\$30.70	\$28.08	1%
IRRF 2	Security and Law Enforcement	\$4,852.10	\$4,787.00	-
	Justice, Public Safety Infrastructure, and Civil Society	\$746.90	\$679.00	-
	Human Rights, Property Claims Tribunal	\$26.40	\$24.70	-
IRRF 1	First Response Network/DIILS	\$53.30	\$52.98	-
	Law Enforcement	\$24.60	\$21.36	-
	Police/Prison Programs	\$61.50	\$56.21	-
Total		\$21,182.73	\$18,584.13	4%

Note: Numbers affected by rounding. For the methodology on how SIGIR grouped U.S. programs by category (Security, Infrastructure, Economy, and Governance), see Appendix D. Obligations and expenditures by SIGIR category may vary from top-line obligations and expenditures reported in the Summary of U.S. Funding. SIGIR did not receive current project- or sector-level reporting from all agencies, and some information was compiled from the IRMS.

Sources: CEFMS, *ISFF Funds Execution Report*, 4/3/2009; DFAS, response to SIGIR data call, 4/10/2009; DoS, response to SIGIR data call, 4/5/2007; DoS, *Section 2207 Report*, 10/2008; IRMS, *MNC-I Quarterly Report*, 4/1/2009; ITAO, response to SIGIR data call, 3/29/2009; OSD, response to SIGIR data call, 4/14/2009.

This quarter, \$457.16 million of the ISFF was obligated to support ISF training, equipment, and sustainment requirements, and an additional \$1.65 billion is slated for obligation over the balance of the 2009 fiscal year.¹⁷¹

DoD has focused U.S. programs to build ISF capabilities in four main areas, shown below.

Force Generation and Force Replenishment

As GOI force-generation plans exhaust budgetary provision, U.S. funding will fill important gaps.

ISFF funds obligated in this quarter totaled \$514.1 million, chiefly for MOD equipment-expansion programs. Obligations included funds for training (\$54.8 million), equipment and transportation (\$328.3 million), sustainment (\$60.4 million), infrastructure (\$40.8 million), and associated activities (\$29.8 million).¹⁷²

Support for MOD expansion was also evidenced by an obligation of \$136.3 million to add four new Iraqi Army training battalions.

Proficiency and Professionalism of Iraqi Forces

Significant efforts to enhance the proficiency of the ISF are evident in recent ISFF obligations, although the measurement of success is no longer the subject of an unclassified disclosure by DoD. DoD will no longer provide readiness assessments of the ISF.¹⁷³

DoD previously reported on readiness posture of Iraqi Security Forces with accompanying charts. With the expiration of the mandate of UNSCR 1790, the data is now included in the classified annex.

The NATO Training Mission-Iraq (NTM-I) is working closely with the ISF to train officers and senior NCOs in leadership, branch-specific skills, staff procedures, and management. It also provides advice to Iraq's four military training academies and plans to expand mentoring to these academies in 2009. NTM-I has worked



Special Weapons and Tactics students form a security cordon during their six-week elite police force training course in March 2009. (MNF-I photo)

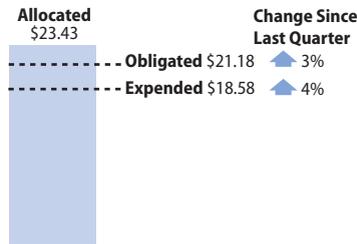
closely with Multi-National Security Transition Command-Iraq (MNSTC-I) to develop a new course for the education of senior enlisted leaders; generally, its programs focus on training Iraqis to assume responsibility for their own training as soon as possible. The transition from Coalition to Iraqi instruction is progressing, with 8 Coalition professors on staff to mentor 17 Iraqi instructors.¹⁷⁴ Coalition forces also continue to support:¹⁷⁵

- development of ISF intelligence capabilities
- English language proficiency (to establish a standard training curriculum and facilitate the development of a larger pool of English-speaking professionals within the ISF)
- assessments of ISF capabilities

Logistics, Sustainment, and Training Capacities

Logistical and sustainment capability remains a major ISF weakness. The ISF has become somewhat more competent and self-sufficient over time, but it continues to struggle to adapt its organizational structure to meet the challenges of increasing operational responsibilities. More effort is needed to bolster ISF's sustainment and

FIGURE 2.22
STATUS OF FUNDS—SECURITY AND JUSTICE
 \$ Billions



Note: Numbers affected by rounding.

Sources: CEFMS, *ISFF Funds Execution Report*, 4/3/2009; DFAS, response to SIGIR data call, 4/10/2009; DoS, response to SIGIR data call, 4/5/2007; DoS, *Section 2207 Report*, 10/2008; IRMS, *MNC-I Quarterly Report*, 4/1/2009; ITAO, response to SIGIR data call, 3/29/2009; OSD, response to SIGIR data call, 4/14/2009.

logistical support capability at the operational and strategic levels.¹⁷⁶

The MOD continues to develop a national supply and distribution network, with one “Location Command” base directly supporting each Iraqi Army division. DoD reports that the MOD will co-locate regional life-support assets at these sites to enhance warehousing and distribution capacity. Eight of these commands are either complete or being refurbished. The remaining five bases are under construction or pending contract and are expected to be operational by mid-2009.¹⁷⁷

The U.S.-funded **Taji National Depot Complex** remains the centerpiece for national supply and maintenance services to the ISF. DoD expects other organizations at the Taji Depot (such as engine and transmission repair workshops, repair parts warehouses, and maintenance facilities for wheeled and tracked vehicles) to begin operations when construction is completed, by the end of 2009.¹⁷⁸

The depot complex’s finished capacity should allow a large stock of inventory to keep the 13 location commands supplied—one assigned to each Iraqi Army Division. Ten of the location

commands under the Global Maintenance and Supply Services (GMASS) contract are equipped, and eight of them transitioned to the Iraqi Army. Construction of the rest of the location commands appears to be developing more slowly than originally envisioned, and supply of essential equipment is not expected until late 2009.¹⁷⁹

This quarter, SIGIR issued an audit on the contract awarded to AECOM Government Services to help the Iraqi Army develop a self-sufficient logistics capability (valued at \$628.2 million). The audit found that the cost of the effort increased significantly because the scope of work was poorly defined, the task orders have been modified 161 times, and the Iraqi MOD has not accepted responsibility for maintenance and supply operations. This caused MNSTC-I to extend the period of performance at U.S. expense, and costs are expected to continue to increase. Regarding the outcome of the effort, SIGIR found that the contract provided significant logistics support to the Iraqi Army vehicles but fell short of the goal to train Iraqi Army personnel to perform certain maintenance functions and operate a supply system. This occurred largely because the Iraqi Army did not provide a sufficient number of soldiers for training.¹⁸⁰

Ministerial and Institutional Capacity

U.S.-funded capacity-development programs include Coalition “mentorship” for MOD and MOI civilian management,¹⁸¹ as well as “course instruction and on-the-job training” for MOD acquisitions staff.¹⁸² To support these and other capacity-development programs within the ISF, ISFF obligations in this quarter provided \$61.1 million.

The MOI is developing its 2009 Strategic Plan to better coordinate directorate-level tasks with the minister’s vision and strategic goals. However, the planning cycle remains behind the budget cycle and is not yet directly linked to resource

allocation and program management. Notwithstanding these shortcomings, DoD has assessed the MOI's effort as a substantial improvement over past practices.¹⁸³

MNSTC-I activities continue to focus on MOI capacity development. For a summary of FY 2009 budget line items, see Table 2.17.¹⁸⁴

More Iraqi Women Serving in the ISF

In January 2009, Baghdad Police College held a graduation ceremony for 490 women police inspectors who are blazing a trail for more women to join the Iraqi police and other ISF entities.¹⁸⁵ Since 2003, 88 female officers and 1,743 female shurta (NCO equivalent) have been trained. Roughly 1,000 females have registered and are being paid by Coalition forces under the Daughters of Iraq program. Multi-National Corps-Iraq (MNC-I) is working a plan to transition these women to the GOI as part of the National Reconciliation Program.¹⁸⁶

Foreign Military Sales

The Iraqi Navy has given the U.S. Army Corps of Engineers (USACE) approval to initiate construction of the \$53 million **Umm Qasr Pier and Seawall Project** in Basrah province.¹⁸⁷ This is the first Foreign Military Sales (FMS) project between USACE and Iraq under a program that allows the host nation to pay for U.S. government construction and supplies that support its military.¹⁸⁸

The USACE project at Umm Qasr was not the first use of the FMS program in Iraq. As of April 9, 2009, the GOI has signed more than 120 cases valued at approximately \$4.5 billion to buy military equipment, supplies, and training from the United States through FMS.¹⁸⁹ This quarter, GOI and U.S. representatives conducted a joint review of the FMS program, offering Iraqis an opportunity to voice concerns and recommend changes to the system. The GOI has received approximately \$1.5 billion

TABLE 2.17

2009 MNSTC-I SUPPORT FOR THE MOI

\$ Millions

PROJECT TYPE	BUDGETED AMOUNT
Training	\$1,020
Equipment and Training	\$517
Life Support and Maintenance	\$126
Rule-of-law Activities	\$232
Construction	\$110

Source: MNF-I, response to SIGIR data call, 4/2/2009.

in services, vehicles, aircraft parts, small arms, uniforms, and training through the FMS program and awaits processing of an additional \$3.5 billion for FMS purchases.

Execution of FMS in Iraq continues to be hindered by several factors. These include the lack of ministerial capacity to define requirements and process FMS letters of offer and acceptance, the lack of budget planning and execution, and unrealistic accounting expectations of total system ownership costs.¹⁹⁰

U.S. Justice Programs for Iraq

Iraq's criminal justice system continues to face serious challenges. Intimidation of judges significantly hinders administration of the criminal justice system, has impeded the rule of law in Iraq, and has led to unfair criminal justice procedures and an overwhelming backlog of pre-trial cases (three years in some districts) in many parts of Iraq. To reduce judicial intimidation and accelerate case reviews, the Higher Judicial Council (HJC) has hired additional guards to increase protection for each judge. For an overview of assassinations of judges and court staff members, see Figure 2.23.

The U.S. Marshals Service continues to provide judges and their security details with handguns and assists them in obtaining MOI weapons cards.¹⁹¹

Development of the Rule of Law

U.S.-funded rule-of-law projects continue to wind down, and witness protection facilities have been completed and transferred to the GOI.

The U.S. Embassy's Rule of Law division remains focused on programs that address judicial security, courts, prisons, and detainees. The opening of the **Hurricane Point Judicial Complex** in Ramadi, previously planned for March 15, 2009, has been delayed until June 1, 2009, because of ongoing security concerns.¹⁹² U.S. funds were used for this project, which SIGIR inspected in November 2008. In addition, the Bureau of International Narcotics and Law Enforcement Affairs (INL) is funding courthouse security upgrades and security assessments, but not full construction.

Prison Overcrowding

The Ministry of Justice announced, on February 21, 2009, the opening of the Baghdad Central Prison (formerly Abu Ghraib). Renovations and repairs of this facility were carried out by the GOI, providing housing for an additional 2,600 prisoners.¹⁹³ On March 19, 2009, U.S. officials transferred title and ownership of the Chamchamal Prison to the Ministry of Justice, which has reported that it is currently assigning Iraqi corrections officers and staff and procuring equipment required to house prisoners. Chamchamal is expected to accommodate up to 3,000 prisoners.¹⁹⁴

Judicial Protection Services

Judicial security remains a significant challenge for Iraq. This quarter, U.S. Embassy advisors traveled to Mosul with MOI and HJC officials to assess judicial security in Ninewa. They gathered feedback via questionnaires distributed to provincial judges. In addition, the U.S. Justice Attaché facilitated communication between the MOI and HJC to direct more

action toward the goal of creating a judicial protection unit within the MOI, and larger and more competent judicial protection details are being formed. A plan brokered by the Justice Attaché allows HJC judges to have a say regarding the composition of their security detail, thus addressing a very sensitive and important matter for these judges.¹⁹⁵

The Coalition assists Iraqis with courthouse security and the protection of judges and their families by locating them in secure complexes throughout Iraq. Judges living in the first **Rule of Law Complex (ROLC)** in Rusafa are enthusiastic about this arrangement, and Chief Justice Medhat supports the ROLC program.¹⁹⁶

On January 6, 2009, SIGIR conducted an assessment of a second judicial complex—the Basrah Courthouse and Witness Protection Facility—that is nearly operational. On September 25, 2008, Gulf Region South inspected and accepted both facilities from the contractor. During the site visit, the complex was not yet in use. However, the GOI was installing furniture throughout the facility. The SIGIR team found minor construction issues, but concluded that the construction of the facilities was adequate and the furniture was of high quality.¹⁹⁷

The **Traveling Judge Program** is also working to combat judicial intimidation. Chief Justice Medhat continues to support travel for judges from Baghdad to local areas with significant case backlog. Recently, Coalition forces assisted in transporting judges to Diyala to reduce the caseload and relieve severe overcrowding at the 5th Iraqi Army Division pre-trial detention facility. The Coalition has agreed to continue to provide such assistance when requested by the HJC.¹⁹⁸

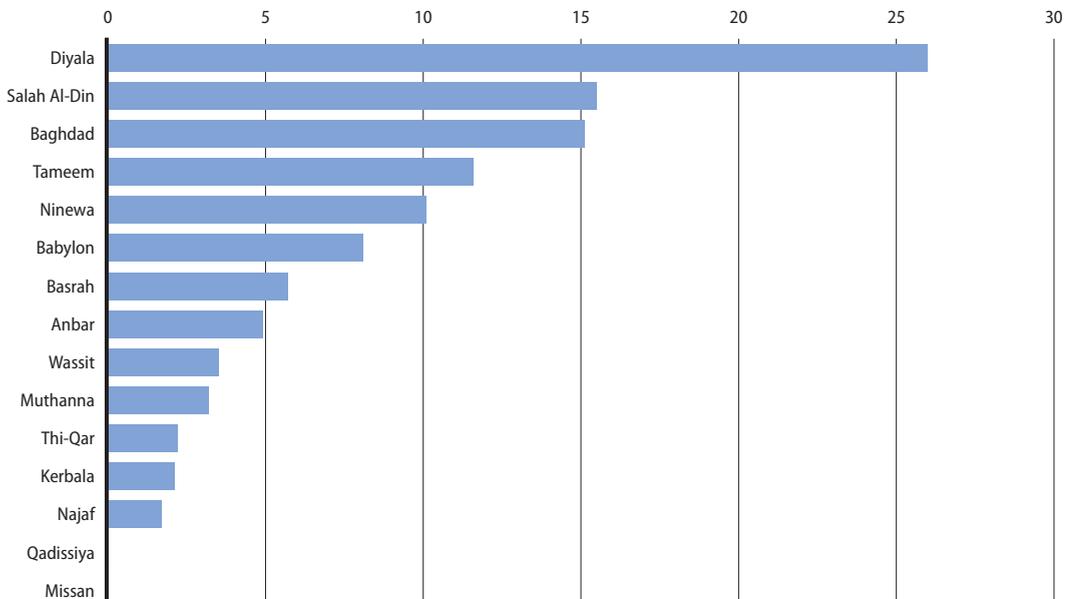
Transition Issues

In February 2009, MNF-I Task Force-134, responsible for Coalition detainee operations, in

FIGURE 2.23

ASSASSINATIONS OF IRAQI JUDGES AND COURT STAFF SINCE 2003, BY PROVINCE

Assassinations per Million People



Note: No data for Kurdistan.

Source: GOI, Iraqi Higher Judicial Council, www.ihec.iq/arabic, accessed 4/14/2009.

coordination with the Joint Sub-Committee on Detainee Affairs, began releasing or transferring 1,200 to 1,500 detainees per month, in accordance with the new bilateral Security Agreement with the GOI. The SA states that “all detainees shall be released in a safe and orderly fashion or transferred to GOI custody for trial.” The February detainee releases represented the first group of case files reviewed by Iraqi authorities under the SA. As of April 14, 2009, the number of detainees in Coalition custody had dropped from more than 26,000 to around 12,500.¹⁹⁹

Amnesty Law Cases

On February 26, 2008, the Council of Representatives (CoR) approved the Amnesty Law, providing general amnesty to certain categories of convicted Iraqis and those accused of

crimes who are still under investigation or on trial. It will also apply to those detained for less than six months who have not appeared before an investigating judge, or those detained for more than a year who have not been referred to court.

As of January 2009, 23,500 Iraqis had been granted amnesty, and 6,300 of them had been released; many of those granted amnesty were on bail, parole, or had been facing warrants.²⁰⁰ See Table 2.18 for the status of eligible amnesty law cases.

Update on Backlog and Detainees

The U.S. government has taken several steps toward goals to assist HJC in mitigating docket backlog. In the short term, the Embassy’s Rule of Law advisors in many provinces provide



Chamchamal prison transferred to GOI in March 2009. (GRD photo)

TABLE 2.18
**QUARTERLY CHANGE IN ELIGIBLE AMNESTY LAW
 CASES, 2/27/2008-1/15/2009**

AMNESTY PETITIONS	GRANTED	DENIED
+11%	+12.3%	+18.2%

Source: GOI, Higher Judicial Council, response to SIGIR data call, 1/21/2009.

basic assistance, such as helping courts negotiate electrical service with the Ministry of Electricity and helping with simple file management. MNF-I also provides logistical assistance by transporting some detainees to court and by transporting judges to regions of Iraq that lack sufficient judicial personnel. In some parts of Iraq, this is particularly useful in processing

the high volume of additional cases arising as a result of increased security operations.²⁰¹

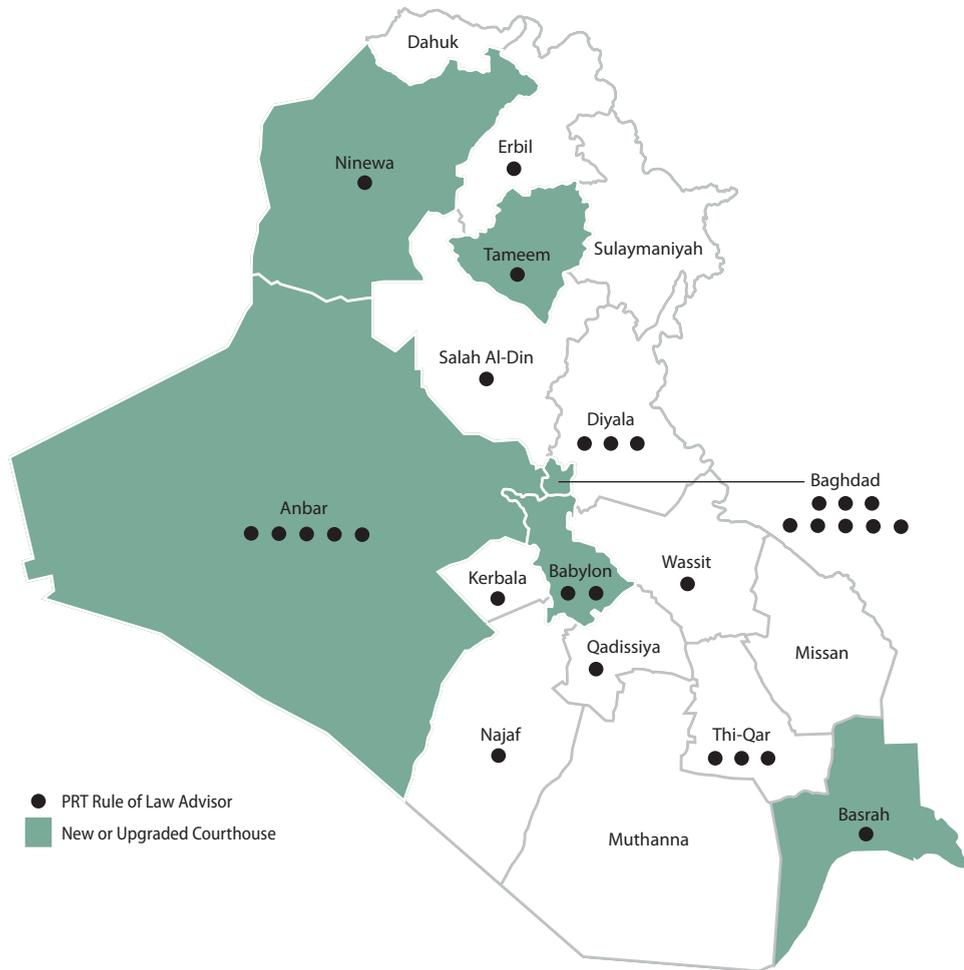
The Baghdad PRT and Law and Order Task Force (LAOTF) established the **Rusafa Legal Defense Center**, which makes the services of 25 Iraqi attorneys available to assist thousands of detainees to speed cases through the court system.²⁰² LAOTF has also provided technical support in establishing a basic system to assist court personnel in locating and transporting detainees to court for hearings.

U.S. personnel are also working with Iraqi courts, investigative judges (IJs) in particular, and the MOI to improve the operating relationships between IJs and police. This ongoing effort is focused on clearing the roadblocks to efficient transfer of investigative files between police and judges. DoS and INL are also supporting long-term capacity development through the **Iraq Higher Judicial Council Court Administration Project**, which aims to streamline administrative processes and improve case management. HJC currently lacks a centralized case management system, and often there is little case tracking. HJC plans to standardize a national case management system via manual entry as it phases in a computerized version. The planned **Judicial Education and Development Institute (JEDI)** has established criminal case management as a priority in its curriculum development.²⁰³ Figure 2.24 shows the locations where Rule of Law advisors are supporting Iraq's judicial system.

Prison Update

For the status of U.S.-funded prison construction, see Table 2.19.

FIGURE 2.24
RULE OF LAW ASSISTANCE TO GOI'S JUDICIAL SYSTEM



Source: DoS, "INL Report on Courthouses," 10/2008.

Court Update

The Central Criminal Court of Iraq (CCC-I) has two locations in Baghdad, and each province is supported by one Major Criminal Court (MCC). The United States continues to provide significant logistical and technical support to the CCC-I in Baghdad (CCC-I Rusafa and CCC-I Karkh):

CCC-I Rusafa:

- *Security.* With the U.S. Marshals Service, LAOTF assisted the Chief Appellate Judge of the Rusafa district to obtain weapons for six courthouses. In January 2009, LAOTF organized an armored convoy to Abu

TABLE 2.19
INL-FUNDED PRISON CONSTRUCTION

PRISON	VALUE (\$ MILLIONS)	LOCATION	% COMPLETE (AS OF 3/15/2009)	EST. DATE OF COMPLETION	EST. CAPACITY	CAUSE OF DELAY
Basrah Central	\$8.2	Basrah	9%	11/06/2009	1,200 beds	
Chamchamal	\$32.0	Sulaymaniyah	100 %	2/2009	3,000 beds	This project is complete. The facility has been turned over to the Iraqi Correctional Service (ICS), and the ICS has notified INL of its intention to begin activation in April 2009.
Fort Suse: Phase I	\$5.3	Sulaymaniyah	77%	5/2009	689 beds	This project is 23% behind schedule because ICS denied the construction contractor access to areas within the site at Ft. Suse due to the presence of inmates in those areas.
Fort Suse: Phase III	\$9.4	Sulaymaniyah	18%	8/18/2009	500 beds	This project is 7% behind schedule. On March 7, 2009, a decision was made to descope the prison's capacity from 1,000 beds to 500 beds.
Nassriya: Phase II	\$7.4	Thi-Qar	67%	7/2/2009	400 beds	This project is 2% behind schedule. The original estimated completion date per the contract was November 2008.
Ramadi	\$22.8	Anbar	Canceled	N/A	1,500 beds	Due to ongoing issues regarding land title, the Ministry of Justice concurs that this project should be canceled. On March 15, 2009, Gulf Region Central canceled the solicitation for the Ramadi prison with a notice published in the <i>Federal Register</i> .

Source: U.S. Justice Attaché, response to SIGIR data call, 4/2/2009.

Ghraib to take custody of 14 rifles and 66 pistols, which were distributed to Judicial Police at 6 district courthouses, including 1 in Sadr City. In addition, LAOTF provided training to court personnel on the use of video monitoring equipment.²⁰⁴

- *Automation.* LAOTF provided 20 computer desks, backup batteries, wireless routers, and a video projector to the Rusafa Judicial Palace. Data entry began on the initial case-tracking computer program approved by the HJC. The CCC-I Investigative Court at Rusafa was the beta test location for this program.²⁰⁵
- *Defense Bar Initiative.* The Baghdad Legal Defense Center is becoming less dependent on LAOTF mentoring, developing GOI relationships that could sustain the Center in

the future and improving and expanding its reach to help move detainee cases through the system.

- *Rusafa Prison.* LAOTF established a full-time liaison officer (LNO) to the Rusafa Prison to improve coordination with the court.²⁰⁶
- *TF-134 LNO Embedded with LAOTF.* Based on the success of LAOTF's efforts at Rusafa Prison, MNF-I established an LNO between TF-134 and Rusafa Prison, who was embedded with LAOTF, to work on detainee release issues from the Karkh courts.
- *Joint Investigative Committee (JIC).* LAOTF's IJ team facilitated combined Iraqi-Coalition forces operations, obtaining more than 600 warrants and more than 100 detention orders.²⁰⁷



U.S.-funded Basrah Courthouse model for Rule of Law. (GRD photo)

- **CCC-I Karkh:**

MNF-I's Task Force-134 maintains a liaison office with CCC-I Karkh to assist in the prosecution of cases involving Coalition forces as victims of criminal offense or where Coalition forces investigated serious crimes against Iraqi military or civilian victims. The Iraqi judiciary has also cooperated closely with the liaison office

in the GOI transition to a warrant and detention order-based system. TF-134's mission is to transition from a detention operation to a moderated release operation in 2009.²⁰⁸ The task force plans to assist the GOI in prosecuting serious offenders for which evidence is extant, but release in an orderly fashion those detainees who will not face criminal charges.²⁰⁹ ♦

INFRASTRUCTURE

UNLESS OIL AND THE OTHER COMPONENTS OF THE ECONOMIC PROCESS ARE INTEGRATED TOGETHER, WE WILL NOT BE ABLE TO OVERCOME THE PROBLEM OF THE UNILATERAL DEPENDENCE ON OIL REVENUES WHICH HAS LONG BEEN A BIG PROBLEM.²¹⁰
 —PRIME MINISTER NOURI AL-MALIKI

The reconstruction of Iraq’s infrastructure is vital to the continued development of its economy and to meeting the daily needs of Iraqi citizens. U.S.-funded projects to rehabilitate Iraq’s infrastructure—which have been carried out mainly by the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers—have been winding down throughout the past year, though many major projects remain to be completed.²¹¹

Work in the electricity, water, and transportation and communications sectors continues, but the United States has had no ongoing construction projects in the oil sector since the first quarter of 2008.²¹² The electricity sector has the largest amount of unobligated funds among these sectors.

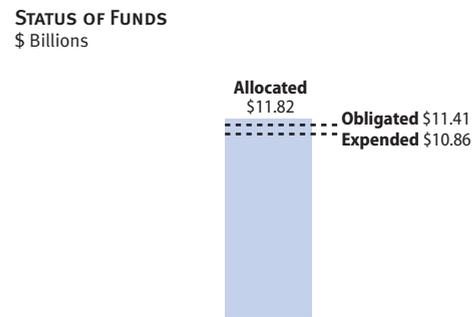
Since 2003, nearly \$11.82 billion has been allocated for U.S. programs in the energy (oil and gas, electricity), water, and transportation and communications sectors. As of March 31, 2009, more than \$11.41 billion had been obligated, and \$10.86 billion expended.²¹³ For the status of U.S. infrastructure funding, see Figure 2.25.

This quarter, oil production averaged 2.28 million barrels per day (MBPD), a 4% decrease from the previous quarter, while exports increased by 1% to an average of 1.81 MBPD.²¹⁴

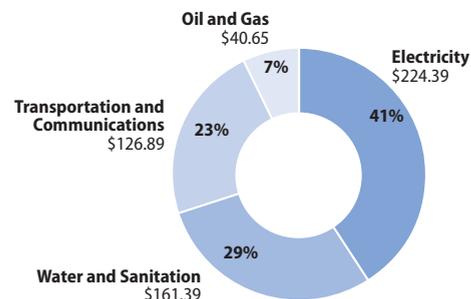
Total electricity supply increased to average 131,506 megawatt-hours (MWh) per day, a record high for the third straight quarter and a 34% increase from the first quarter of 2008.²¹⁵

U.S. project results have been diminished by shortcomings in operations, maintenance, and sustainment, which are vital to ensuring that major infrastructure investments bring lasting benefits. With more than 4,400 projects completed and remaining construction concluding,

FIGURE 2.25
U.S. INFRASTRUCTURE FUNDING



UNEXPENDED OBLIGATIONS
 \$ Billions, Total Unexpended \$.553 Billion



Note: Numbers affected by rounding. For the methodology on how SIGIR grouped U.S. programs by category (Security, Infrastructure, Economy, and Governance), see Appendix D. Obligations and expenditures by SIGIR category may vary from top-line obligations and expenditures reported in Iraq Reconstruction Funding. SIGIR did not receive current project- or sector-level reporting from all agencies, and some information was compiled from the IRMS. Figure includes only IRRF 1, IRRF 2, ESF, and CERP funding.

Sources: DFAS, response to SIGIR data call, 4/10/2009; DoS, *Section 2207 Report*, 10/2008; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; IRMS, *MNC-I Quarterly Report*, 4/1/2009; USAID, response to SIGIR data call, 4/13/2009.

GRD has shifted focus toward project sustainment to help mitigate this concern.²¹⁶

The GOI now has primary responsibility for rehabilitating and maintaining Iraq’s infrastructure, but problems with budget execution continue to threaten its efforts. GAO reports that

from 2005 to 2008 Iraq spent 12% of its investment budgets meant for construction in the oil, electricity, and water sectors. In contrast, the United States expended 87% of its allocation for these sectors, between 2003 and June 2008.²¹⁷

The enormous resources required to rebuild Iraq necessitate foreign investment to continue the process of infrastructure rehabilitation. However, investors deem Iraq an unfriendly business environment, and this has deterred the flow of foreign capital into the country.²¹⁸ For more on GOI policies and foreign investment in Iraq, see the Economy section.

Transfer of U.S.-Funded Infrastructure Projects to the GOI

This quarter SIGIR issued its seventh report on problems in transferring U.S.-funded and constructed projects to the GOI for its control and sustainment. Once projects are completed, responsibility for them must be transferred to Iraq so that the projects may serve the purposes for which they were intended. An effective asset-transfer process is essential. First, it allows the GOI to recognize that a project is complete and that the U.S. government has provided all necessary documentation and training. Second, it validates that the GOI accepts responsibility for project operation and maintenance and capital replacement.

Despite the importance of developing a sound asset-transfer process, SIGIR found that the U.S. Embassy and the U.S. reconstruction agencies working in Iraq have still not developed a uniform process and procedure for transferring completed projects to the GOI. Each U.S. agency continues to have its own internal process for transferring assets to the Iraqis. Management oversight of the process lacks clear authority and accountability, a core problem that SIGIR has identified in previous asset-transfer reports.

Moreover, the U.S. Embassy and GOI have failed to finalize a November 2007 draft memorandum of understanding on their respective asset-transfer roles and responsibilities.²¹⁹ The U.S. Congress has called for transfer agreements and assurance that the GOI will maintain projects. In the FY 2008 Supplemental Appropriations Act,²²⁰ the Congress made availability of certain infrastructure maintenance funds conditional on action by the Department of State (DoS) to secure and implement an agreement with the GOI on the transfer of completed projects. Also, the Omnibus Appropriations Act 2009 requires DoS to report on its plans to transition certain programs and activities to the GOI.²²¹

Additionally, the U.S. government is unable to provide complete information on either what it has built or what it has turned over to the Iraqis. This condition prevents the Embassy from providing the Congress and the public a complete accounting of what has been accomplished and the status and current condition of the facilities that were constructed. The lack of reliable data also impedes U.S. efforts to monitor projects and make assessments about the type and extent of further assistance the United States may consider providing.

The lack of reliable data also prevents accurate tracking of the total number and cost of projects transferred to GOI control. In some cases, the GOI has not had information on hundreds of projects supposedly in its control. Part of this is the result of many projects being transferred at the local level, not to the ministries themselves. Of \$13.5 billion in completed projects, 72% were turned over at the local level, and 13% turned over nationally.²²²

As a result of these conditions, a substantial portion of the billions of dollars invested in reconstruction is at risk of being wasted. These conditions provide key lessons learned for other contingency reconstruction operations, such as in Afghanistan.

Operations, Maintenance, and Sustainment

Operations, maintenance, and sustainment (OMS) is an important component of asset transfer and is vital to ensuring that the Iraqi people realize the intended benefits of U.S.-built facilities. The absence of experience and training in equipment use has led to ineffective or non-existent services. Further, the decay of some facilities could be prevented with basic maintenance and operational knowledge. For example, SIGIR inspections of the Primary Healthcare Center program this quarter revealed that, at some facilities, dental chairs were not properly installed, and training in how to use x-ray machines did not occur; therefore, these services were not available.

Moreover, the absence of basic maintenance was leading to the decay of facility equipment, such as heating, ventilation, and air-conditioning (HVAC) units.²²³

GRD is implementing operation, maintenance, and technical development programs for GOI employees in the water, electricity, transportation, and communications sectors. Through February 2009, \$47.1 million had been expended for this program, contributing to more efficient use of power, water, and wastewater treatment plants. Another OMS development program has obligated \$272 million to provide spare parts and the technical expertise to perform manufacturer-recommended training on assets such as electrical turbines for electricity generation.²²⁴

Energy

With the world's third largest proved reserve of crude oil and tenth largest proved reserves of natural gas, Iraq has abundant domestic energy supplies.²²⁵ But the country is still unable to meet its growing energy demand. Most Iraqis cannot count on reliable electric power from the national grid, and Iraq relies on imports for about one-

fourth of the petroleum products used for transportation, heating, cooking, and other end uses.

As shown in Figure 2.26, oil dominates the energy picture in Iraq. About 90% of all the energy consumed by end users comes directly or indirectly (via electricity) from crude oil. And as more fully discussed in the Economy section, oil has been vital to the country's economic well-being, with oil exports providing 90% of the GOI's revenue in 2008. Oil revenue was \$61.9 billion in 2008, \$9.8 billion of which came in the fourth quarter. In the first quarter of 2009, oil exports yielded \$5.8 billion in revenue, a nearly 41% decrease from last quarter.²²⁶

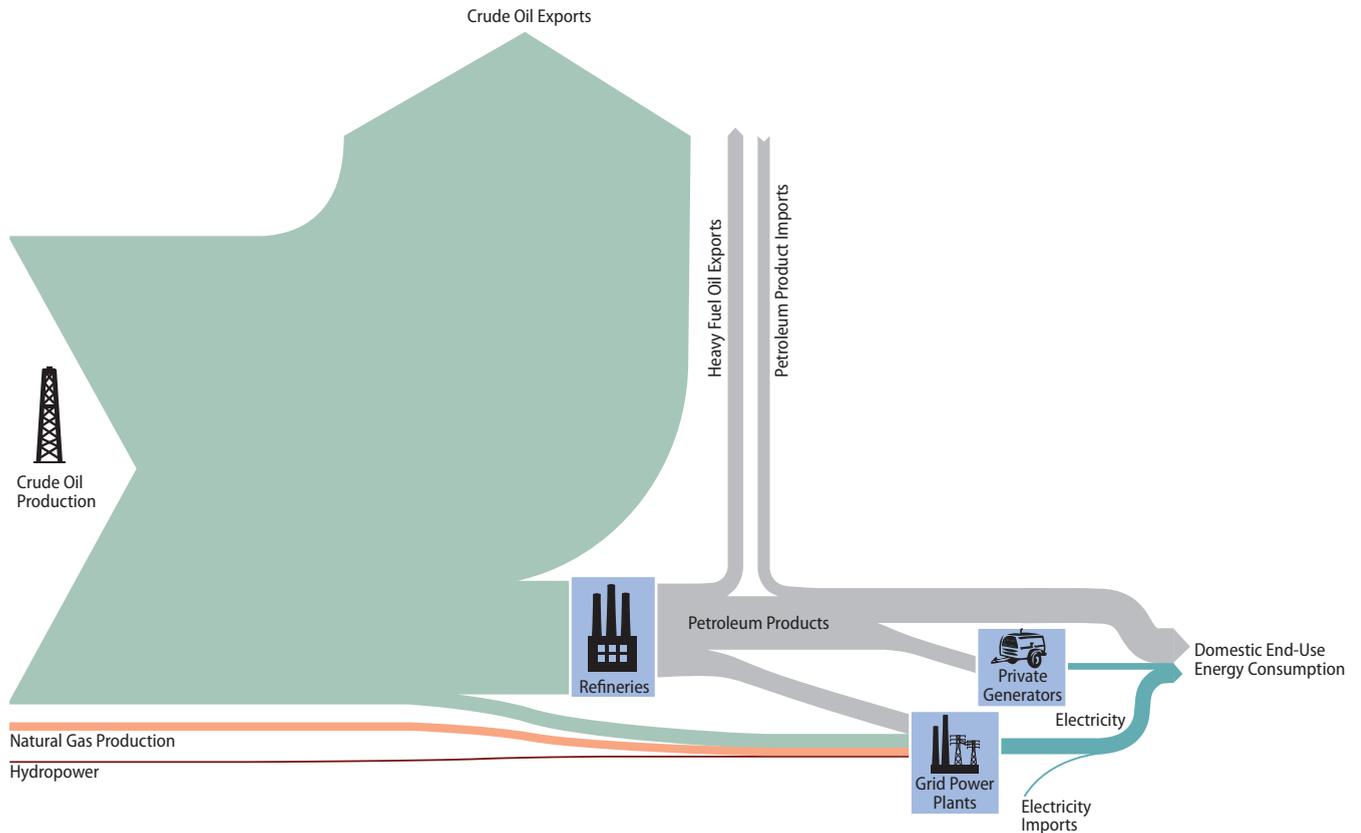
This dependence on a single resource has become a matter of increasing concern among Iraq's policy makers.

Oil and Gas

As of March 31, 2009, the United States had allocated \$2.05 billion, obligated more than \$1.93 billion, and expended more than \$1.88 billion in the oil and gas sector²²⁷ through projects to build, rehabilitate, and protect facilities and to provide technical training for Ministry of Oil employees.²²⁸ The 2009 Iraqi budget allocated \$3.2 billion to the Ministry of Oil, a 50% increase from the 2008 base budget, which is largely the result of a major increase in the operating budget.²²⁹ In 2008, the Ministry of Oil spent 16% of its \$2.6 billion allocation.²³⁰ For information on GOI spending in the oil sector, see Table 2.20.

The United States does not have any ongoing construction projects in the oil and gas sector. All assets were transferred by the close of the first quarter of 2008.²³¹ According to GRD, all of its goals for this sector have been met. Those goals included developing Iraqi capacity to produce 3 MBPD of crude oil, 3,000 metric tons of liquefied petroleum gas (LPG), and 800 million cubic feet (MCF) of natural gas per day. In addition, the United States has helped build the capacity of

FIGURE 2.26
SOURCES AND FLOW OF ENERGY IN IRAQ



Note: This graphic is a simplified depiction of average daily energy flows in Iraq during the first three months of 2009. The width of each separate energy “stream” has been scaled to reflect its relative energy content (measured in British thermal units or joules). This graphic should not be viewed as a precise illustration because, among other factors, it is based on disparate data sources, it does not include energy supplies held in storage, it does not take into account relatively minor uses and unaccounted-for losses, estimates of electricity supplied by private generators vary significantly, and the average fuel efficiency of these generators is unknown (assumed to be 300 liters of diesel fuel per MWh). Petroleum products include gasoline, kerosene, diesel, LPG, and heavy fuel oil.

Sources: NEA-I, response to SIGIR data call, 4/2/2009; ITAO/EFC, *Electric Daily Performance Reports*, 1/1/2009–3/31/2009; EFC, *Weekly Oil Report*, 1/30/2009; EFC, unpublished *Weekly Oil Report* tables provided to SIGIR, 4/4/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 1/5/2009.

TABLE 2.20
GOI ALLOCATIONS TO THE MINISTRY OF OIL

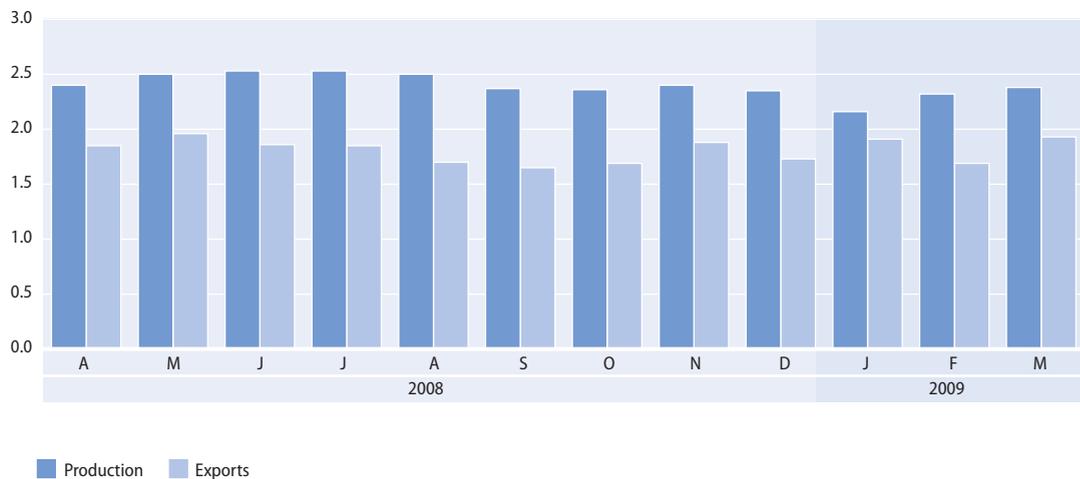
\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$103.7	\$954.4	820% ↑
Capital	\$2,000.0	\$2,206.4	<1% ↑
Total	\$2,103.7	\$3,160.8	50% ↑

Note: Numbers affected by rounding.

Source: U.S. Treasury, response to SIGIR data call, 4/9/2009.

FIGURE 2.27
CRUDE OIL PRODUCTION AND EXPORTS, 4/2008–3/2009
 Million Barrels per Day



Sources: DoS, *Iraq Status Reports*, 3/18/2009 and 4/1/2009.

the Ministry of Oil and secure Iraq’s oil infrastructure.²³² Capacity development and technical assistance continue in this sector.²³³

Increasing oil production, which will require the aid of international oil companies, will be aided by the passage of the Hydrocarbons Law, which governs oil contracting and regulation. The law has been under review in the Council of Ministers (CoM) since October 26, 2008, with no progress having been made. According to the Deputy Prime Minister, the law is not expected to pass until 2010.²³⁴

Oil Production and Exports

Average quarterly crude oil production fell to 2.28 MBPD from the 2.37 MBPD average reached last quarter and the 2008 annual average of 2.42 MBPD.²³⁵ Technical issues in the oil fields, combined with poor maintenance and reservoir management, suggest that production will continue to wane in 2009.²³⁶

Crude oil exports this quarter averaged 1.81 MBPD—a 1% increase from the fourth quarter of

2008. However, these exports were down marginally from the 2008 average of 1.83 MBPD.²³⁷ Iraq plans to develop its southern oil port infrastructure to increase exports.²³⁸ For production and export trends, see Figure 2.27.

Technical service agreements will help Iraq increase its production of crude oil in the coming years. To make these contracts more attractive to the oil companies, the GOI reportedly has proposed revising all contracts to allow for a declining baseline of oil that must be sold for the profit of the GOI; this accommodates the concern that older fields will decline and companies will be left with no method of recovering their costs. The GOI also proposed changing the required ownership structure to permit foreign companies to own up to 75% of a contract on an oil field, whereas contract terms previously required Iraqis to hold a majority share in all oil contracts.²³⁹

In January, the China National Petroleum Corporation (CNPC) agreed to begin fieldwork in Wassit under a contract with the Ministry of

Oil signed in November.²⁴⁰ The GOI also began a joint venture with Mesopotamian Oil, a British company, to drill 60 new wells a year in the south of Iraq in order to increase production.²⁴¹ Among many other tenders and signed contracts, the South Oil Company signed a contract with an international oil company to oversee two surveys and engineering design to expand the export capability of Iraq.²⁴²

Pipelines

Improved pipeline security and repair procedures have contributed to stability in producing and exporting oil. Frequent insurgent attacks on Iraqi oil pipelines before July 2007 caused interruptions that threatened the GOI budget.

To address this problem, the United States initially created Infrastructure Security Forces to guard oil pipelines and other essential components of Iraq's infrastructure. After mixed results, the United States funded Pipeline Exclusion Zones (PEZs), a security measure around each oil pipeline that provides protective berms, fences, and concertina wire, as well as gates and guardhouses.²⁴³ The PEZ program is a part of GRD's larger Infrastructure Security Protection (ISP) program, a \$217 million ESF-funded initiative to improve the security of Iraq's infrastructure.²⁴⁴

This investment has yielded great success.²⁴⁵ Since September 2007, when the Kirkuk-to-Baiji PEZ was completed, no PEZ-protected pipelines have been attacked. In contrast, from July 2007 to December 2008, nine pipelines outside of PEZ zones were attacked although these interdictions caused only minor disruptions in oil transport because teams were able to quickly repair the damage.²⁴⁶

Five of six segments of the Baiji-to-Baghdad PEZ are completed, and the remaining segment was 75% completed in March. Two of three segments of the Doura-to-Hilla PEZ have been

finalized, with the third 98% complete.²⁴⁷ The final phase of each project, in which the guard towers are assembled along the project route, is under the direction of the GOI. These towers and the barracks necessary to house guards are only 25% complete because of disagreements of the Ministries of Interior and Defense over contracts.²⁴⁸

More than 2,100 repairs have occurred on the Baiji-to-Baghdad pipeline, a central line in the country's overall network, and continued repairs are expected to increase the supply of crude oil to the Doura Refinery in Baghdad. Repairs to a product line supplying Mosul will aid the GOI in distributing refined fuel to areas in the north.²⁴⁹

Refineries and Petroleum Products

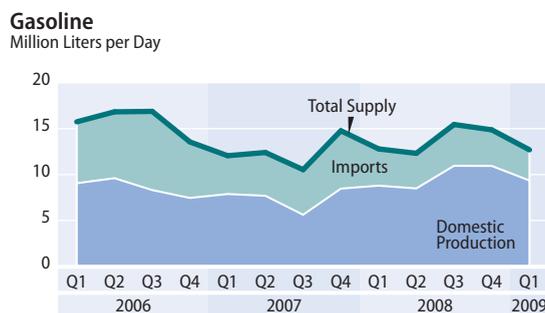
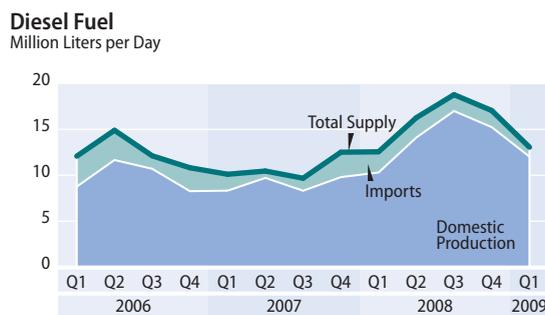
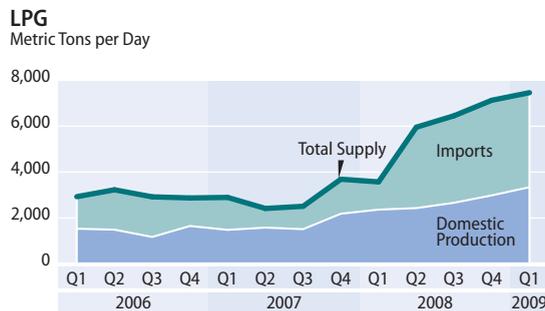
Iraq has made significant improvements in its oil infrastructure that have resulted in increased production of refined fuels. From the first quarter of 2006 to the first quarter of 2009, domestic production of LPG increased 118%, kerosene 93%, diesel 37%, and gasoline 3%. This quarter, Iraq produced more kerosene, diesel, and gasoline than it imported, but more than half of the LPG made available for consumption was imported.²⁵⁰ Iraq's refineries produce more heavy fuel oil—the lowest grade of refined products—than can be consumed domestically. This is the one refined petroleum product that the country exports. For more information on the trends in refined fuel production, see Figure 2.28.

According to Iraqi oil sources, the Iraqi State Company for Oil Projects has signed a \$65 million front-end engineering and design contract with a U.S. company to build a 300,000 BPD refinery in Nassriya. Three similar contracts have been signed for new refineries in Kerbala, Misan, and Kirkuk.²⁵¹

Natural Gas

Virtually all the natural gas in Iraq's vast reserves is extracted together with oil. This

FIGURE 2.28
REFINED FUEL PRODUCTION AND IMPORTS,
BY QUARTER, 2006–2009



Sources: NEA-I, responses to SIGIR data call, 1/5/2009 and 4/3/2009.

“associated” gas is then separated at oil-gas separation plants. About 253 MCF of natural gas is consumed each day for electricity generation,²⁵² but more than twice that amount, 611 MCF, is flared—burned for no productive use.²⁵³ Unlike its neighbors, Iraq did not develop its gas infrastructure because of wars and sanctions. Today, Iraq’s infrastructure, including pipelines and compressors, is not sufficient to handle the amount of gas produced.²⁵⁴

As discussed below, much of Iraq’s newest electricity-generation capacity operates inefficiently because of the lack of natural gas. The Ministry of Electricity (MOE) has combustion turbines that are not co-located with the Ministry of Oil’s gas infrastructure, forcing it to rely on fuels other than natural gas. U.S.-funded projects have provided some of these turbines but not addressed how to deliver the fuel they were designed to use. The U.S. government has spent \$246.5 million of the Iraq Relief and Reconstruction Fund (IRRF) to rehabilitate Iraq’s natural gas infrastructure and to train Iraqi personnel to operate the equipment.²⁵⁵

Electricity

For the third straight quarter, Iraq’s daily average electricity supply reached a new post-invasion high. Daily average power plant production rose to 118,485 MWh this quarter, and imports averaged 13,021 MWh per day, for a total daily average supply of 131,506 MWh, or 5,479 megawatts (MW). This was an almost 10% increase from the previous quarter and a 34% increase from the same quarter in 2008.²⁵⁶

As new generation units have come on-line, existing power plants have increased output because of better operation and maintenance and fewer fuel delivery interruptions.²⁵⁷ However, it is estimated that 100 MW of electricity capacity is lost daily due to fuel shortages and the need for rehabilitation of transmission lines.²⁵⁸

IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

TABLE 2.21
GOI ALLOCATIONS TO THE MINISTRY OF ELECTRICITY

\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$89.1	\$2,310.3	2,492% ↑
Capital	\$1,300.0	\$1,080.1	17% ↓
Total	\$1,389.1	\$3,391.1	144% ↑

Note: Numbers affected by rounding.

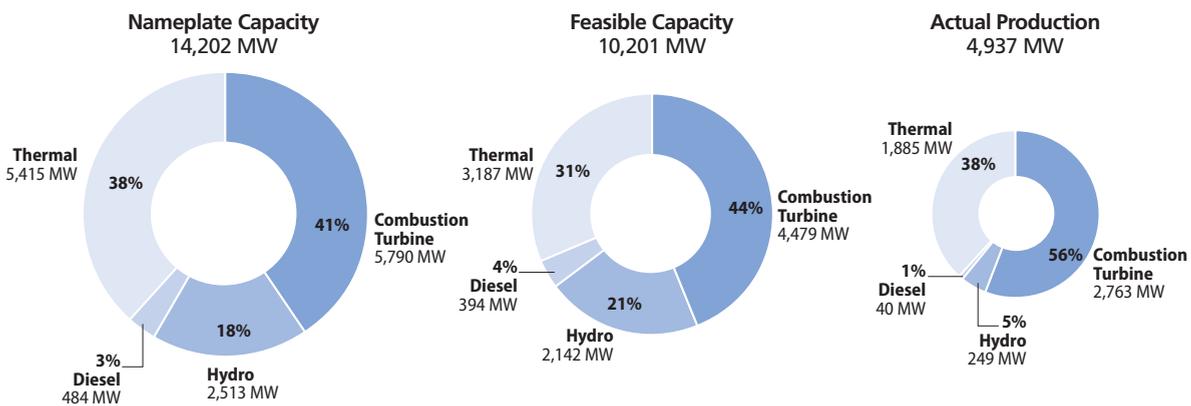
Source: U.S. Treasury, response to SIGIR data call, 4/9/2009.

To date, the United States has allocated \$5.09 billion, obligated \$4.98 billion, and expended \$4.75 billion²⁵⁹ to increase electricity production and availability in Iraq through the rehabilitation of power plants and transmission lines, the construction of new substations, as well as training and technical support.²⁶⁰ In its 2009 capital budget, the GOI has allocated \$1.1 billion to MOE, which was a 17% decrease from the previous year, when 12% of the total budget was expended.²⁶¹ For more on GOI allocations to the electricity sector, see Table 2.21.

The National Grid: Generation Capacity and Production

This quarter, Iraq’s feasible electricity generation capacity averaged 10,201 MW per day, up nearly 2% from the previous quarter and up 4% from the first quarter of 2008.²⁶² Feasible capacity is the maximum output that can be expected from a power plant taking into account ambient conditions such as weather, the type of fuel used, and the physical condition of the plant;²⁶³ it is less than the “nameplate” capacity designated by the manufacturer, which assumes

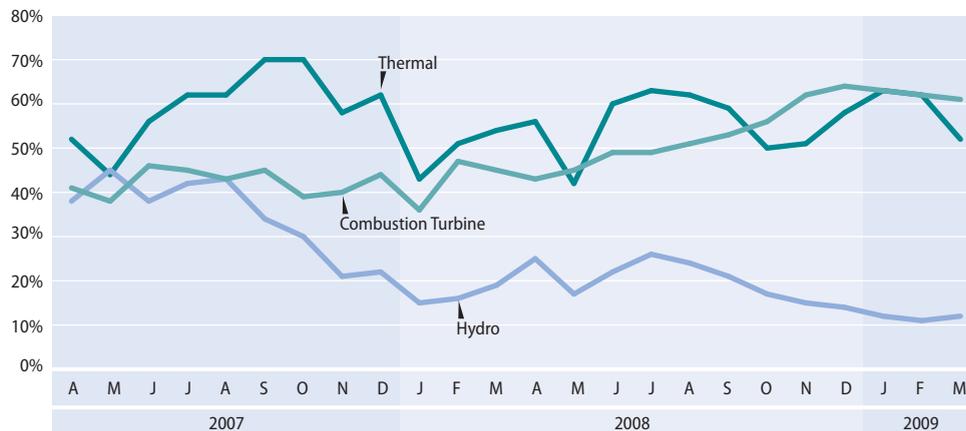
FIGURE 2.29
POWER PLANT CAPACITY AND PRODUCTION, BY PLANT TYPE
1/1/2009–3/31/2009 Averages



Note: Numbers affected by rounding.

Sources: ITAO/EFC, *Electric Daily Performance Reports*, 1/1/2009–3/31/2009.

FIGURE 2.30
POWER PLANT CAPACITY UTILIZATION, BY PLANT TYPE, 4/2007–3/2009
 Production as % of Feasible Capacity



Note: Imports not included.

Sources: ITAO/EFC, *Electric Daily Performance Reports*, 4/1/2007–3/31/2009.

optimal conditions. Although both generation capacity and actual production reached record levels, Iraq’s power plants collectively operated at slightly less than half their feasible generating capacities during this quarter (see Figure 2.29).

Of the three main types of power plants in Iraq, oil-fired thermal plants have had the greatest output relative to their capacity over the past two years. On average, they operated at about 57% of feasible capacity, though with considerable fluctuations in productivity (see Figure 2.30).²⁶⁴

U.S. investments in generating capacity have focused on combustion-turbine facilities, which are more technologically advanced than the older thermal plants and quicker to construct.²⁶⁵ Of the more than \$14 million the United States invested this quarter in power plant rehabilitation, more than half went to combustion turbines.²⁶⁶ These plants now provide the greatest share of Iraq’s generating capacity and electricity supply.

Over the past two years, combustion-turbine plants operated on average at about half their

feasible capacity, but their utilization has gradually increased and this quarter roughly equaled that of thermal plants. The potential of combustion-turbine plants is limited primarily by the unavailability of natural gas. These plants run best on natural gas, but more than half of their electricity output comes from burning crude oil and petroleum products, which reduces their capacity, increases the downtime required for maintenance, and hurts their long-term productivity.²⁶⁷

The most underutilized type of electricity generation capacity is hydro. The productivity of these plants has declined over the past two years because of the prolonged drought, and this quarter, production from hydroelectric plants averaged less than 12% of feasible capacity. The Ministry of Water Resources has notified CoM that any future releases from reservoirs will give first priority to meeting demands for potable water and irrigation. In response to Iraq’s repeated requests to Turkey for increases in the flow of water coming from that country, Turkey has indicated that its reservoirs have started to recover, allowing

increase and flow on the Euphrates.²⁶⁸ The loss in hydroelectric power due to the drought has been more than offset by the increase in average combustion-turbine generation since 2007.²⁶⁹

Efforts To Address Electricity Supply Gap

Although electricity production from central station power plants in Iraq achieved new post-

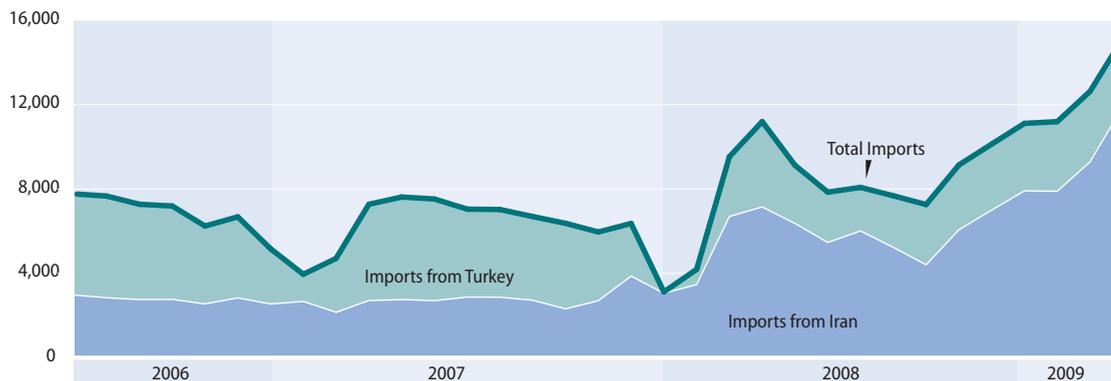
invasion highs this quarter, the output from these plants is insufficient to meet the needs of Iraq's people and its growing economy.²⁷⁰ The Iraq Transition Assistance Office (ITAO) reports that the supply on the grid, including electricity imports, met about 73% of estimated demand this quarter.²⁷¹ The exact extent of the shortage is difficult, and perhaps impossible, to

FIGURE 2.31
ESTIMATED ELECTRICITY DEMAND AND LOAD SERVED, 4/2007–3/2009
MWh



Sources: ITAO/EFC, *Electric Daily Performance Reports*, 4/1/2007–3/31/2009.

FIGURE 2.32
ELECTRICITY IMPORTS, 7/2006–3/2009
MWh



Sources: ITAO/EFC, *Electric Daily Performance Reports*, 7/1/2006–3/31/2009.

quantify. Because demand is not fully met, it cannot be directly measured but must be estimated by computer modeling or other methods. Surveys present a varied picture of electricity supply.²⁷² Oxfam International reports that 82% of the Iraqi women it surveyed in the second half of 2008 said access to electricity was more difficult or the same as it was in 2006.²⁷³ In a separate survey taken in January 2009, 43% of respondents reported they felt they could get electricity less than half of the time, a 12% decrease from 2007.²⁷⁴

Figure 2.31 shows Iraq's estimated electricity demand and load served over the past two years.

Imports

This quarter, Iraq imported 13,021 MWh (543 MW) per day, or 11% of the total electricity supplied to the grid. Last quarter, Iraq imported 10,150 MWh (423 MW), which was 8% of the total grid supply. In the first quarter of 2007, imports on average were only 5% grid supply. From July 1, 2008, to March 31, 2009, electricity imports from Turkey have increased by one-third, and the amount supplied by Iran has more than doubled. Part of the increase in Iranian imports can be attributed to a new tie line that was put into service in February.²⁷⁵ For more information on electricity imports, see Figure 2.32.

Domestic Capacity Expansion

The United States continues to support the expansion of generation capacity and enhancement of the national grid's infrastructure. GRD has several ongoing projects:²⁷⁶

- **Generation:** three projects valued at \$223.5 million
- **Transmission:** seven projects costing \$143.1 million; all projects at least 90% complete
- **Distribution:** three projects, totaling \$10.4 million, scheduled for completion in March 2009

This quarter, ITAO finished the overhaul of four turbines at the **New Mullah Power Plant**, which added 148 MW to the national grid. In addition, four pumps were delivered to the **Mussayib Thermal Plant**, which is expected to increase both output and long-term reliability. Two combustion turbines were synchronized with the national grid at the \$182 million IRRF-funded **Qudas Power Plant**, which added 180 MW of power to the country's total production. These turbines will run on crude oil, diesel, and heavy fuel oil, which will reduce their potential productivity and long-term durability. This major power-plant project will serve 180,000 homes and is scheduled to be complete by May of this year.²⁷⁷ For information about ongoing U.S. substation projects, see Table 2.22.

The refurbishment of the **Mullah Generation Plant**, which cost \$37 million, was completed this quarter. The facility has been transferred to the MOE. Additional parts necessary for the efficiency of the generator have been ordered and are scheduled to be installed by the GOI.²⁷⁸

Increases in electricity generation capacity and production have not always resulted in uniform increases in the power delivered to all Iraqis because of inadequate maintenance of the distribution system.²⁷⁹ Recognizing the need to sustain U.S.-built facilities, GRD contractors held 88 technical and management training sessions during 2007 and 2008 for more than one thousand MOE employees. Further, at the seven 132-kV substations ready for transfer, on-site training has been conducted, and one month of oversight in operations and management is planned.²⁸⁰

The MOE has also purchased five new electrical turbines, which run on either fuel oil or natural gas; they are capable of producing a total of 180 MW and are expected to be installed starting in June. The contract includes the necessary training for MOE staff to operate and maintain the turbines as well as spare parts to aid their longevity.²⁸¹

TABLE 2.22
ONGOING U.S. SUBSTATION PROJECTS

PROJECT NAME	ESTIMATED DATE OF COMPLETION; COST	BENEFITS	SUSTAINMENT ISSUES
Farabi and Jamila 132-kV substation	9/30/2009; \$48 million	Substation will provide power directly to entire city of Ramadi.	None: Training and spare parts are provided for in the contract.
Ramadi 132-kV substation	9/15/2009; \$29 million	Substation will provide power directly to entire city of Ramadi.	Connection of the station for distribution; contract difficulties resulting in lack of needed parts.
Fallujah 132-kV substation rehabilitation	5/15/2009; \$14.8 million	Substation will provide power and electrical stability to large area in Anbar.	Nassriya Water Treatment Plant relies on substation for the 24 hours of power needed to operate at full capacity.

Sources: GRD, responses to SIGIR data call, 4/3/2009 and 4/15/2009; GRD, *Weekly Situation Report*, 3/19/2009, slide 19; SIGIR PA-07-116, "Nassriya Water Treatment Plant," 4/28/2009.

The MOE is concerned about its ability to increase production capacity because the ministry was allocated only \$1 billion in the 2009 budget after requesting \$7 billion.²⁸² Further, despite the recent turbine purchases, the MOE has not procured the corresponding plant equipment or contracted for the design of the facilities to allow the new equipment to add to overall electricity production.²⁸³

Off the Grid: Private Generators

The shortfall between the demand for electricity and its supply on the grid also has led Iraqis to seek alternative sources of supply. Many supplement the subsidized electricity they get from the grid with more costly electricity from private generators powered by refined petroleum products, such as diesel fuel.²⁸⁴ Some of these generators are operated by entrepreneurs and serve whole communities, while others are portable, backyard generators that serve a single household. The exact extent of off-grid generation is unknown. By some estimates, the total generation of electricity from these private generators may be between 2,000 MW and 3,000 MW each day,²⁸⁵ or 35% to 55% of the supply on the grid.²⁸⁶ Three-fourths of the respondents in the Oxfam survey said they had access to a community or other type of private generator. Of those who do not use these generators, 45% said they could not afford the cost.²⁸⁷

SIGIR's inspection of the **Haditha Primary Healthcare Center** reported that the building received only five hours of power a day from the

national grid. The hospital then received power from on-site electricity for the remainder of the day. The automatic switches are not always functional, and a break in the supply of power could harm patients undergoing procedures.²⁸⁸

Off the Grid: Small-Scale Solar Applications

Of Iraq's available renewable resources, hydro-power makes by far the greatest contribution to electricity generation. But solar energy is starting to be harnessed to meet specific small-scale needs:

- In northwest Baghdad, 32 solar panels on the roof of the Ameriyah clinic enable the facility to treat patients and deliver babies 24 hours per day. The panels provide power to the clinic's labs, birthing section, and refrigeration units for vaccines and other medical supplies. The clinic held a ribbon-cutting ceremony on January 15, 2009.²⁸⁹
- In February 2009, Coalition forces installed a CERP-funded solar-powered water purifier in Lutifiyah, which will provide 150 to 200 people with potable water. Soldiers had previously installed six of these units at other locations and were planning additional installations.²⁹⁰
- USACE has installed solar-powered streetlights in Falluja, where there was no power at night, and MOE has installed about 5,000 solar-powered streetlights in Baghdad. Streetlights in Ramadi also are solar powered. USACE is also looking into solar-energy applications for homes in Baghdad.²⁹¹



SIGIR inspectors observe the solar panels at the Ameriyah clinic in Baghdad.

capital budget, the GOI allocated \$732 million for the Ministry of Water Resources (MWR) and \$948 million to the Ministry of Municipalities and Public Works (MMPW). In 2008, the MWR expended 48% of its budget, and MMPW expended 22%.²⁹³ From 2008 to 2009, the MWR operating budget increased 54%, and the capital budget increased 50%; the MMPW operating budget increased 1,026%, and the capital budget increased 12%. For more on GOI allocations to the MWR, see Table 2.23, and for the MMPW, see Table 2.24.

A January 2009 nationwide U.S. government survey reports that two-thirds of Iraqis state that they can get clean drinking water, but only a third are satisfied with the availability of drinking water. Both responses are lower than in the November 2007 survey.²⁹⁴ In its recent report, Oxfam said that the majority of the women it surveyed in 2008 saw no improvement in accessing clean drinking water compared with the previous two years.²⁹⁵

Water

The United States has allocated \$2.25 billion, obligated \$2.17 billion, and expended \$2.01 billion to help increase potable water and sewage treatment for the Iraqi people.²⁹² In its 2009

TABLE 2.23
GOI ALLOCATIONS TO THE MINISTRY OF WATER RESOURCES
\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$109.6	\$168.6	54% ↑
Capital	\$375.0	\$563.5	50% ↑
Total	\$484.6	\$732.1	51% ↑

Note: Numbers affected by rounding.

Source: U.S. Treasury, response to SIGIR data call, 4/9/2009.

TABLE 2.24
GOI ALLOCATIONS TO THE MINISTRY OF MUNICIPALITIES AND PUBLIC WORKS
\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$42.6	\$479.6	1,026% ↑
Capital	\$416.7	\$468.2	12% ↑
Total	\$459.3	\$947.8	106% ↑

Note: Numbers affected by rounding.

Source: U.S. Treasury, response to SIGIR data call, 4/9/2009.

Irrigation

Irrigation is vital to Iraq’s agriculture sector, which is the largest private industry employer in Iraq.²⁹⁶

Iraq continues to recover from a severe drought, which has depleted storage in water reservoirs. These reservoirs are managed by the MWR, which prioritizes potable water supply over irrigation. Increasing depletion will force tighter management of future releases from the reservoirs. As mentioned earlier in the discussion of hydroelectric power, Turkey has responded to Iraqi requests to increase the flow of water from the north into the Euphrates, though the outcome is uncertain.²⁹⁷ Syria and Iran also can control the amount of water flowing into Iraq, and Iran is reportedly limiting flow into Iraq’s eastern borders.²⁹⁸

The recent shortages have prompted action to create a sustainable private-sector water system. A discussion of the policies and issues that need to be addressed to create this system was held at a February seminar. Iraqis are looking to a Participatory Irrigation Model to cultivate the investment necessary to develop a public-private water management partnership.²⁹⁹

The **Nassriya Drainage Pump Station** (NDPS) was completed this quarter by the MWR.³⁰⁰ The NDPS is the largest of its kind in the Middle East; its 12 pumps have a capacity of 200 cubic

meters per second, which will improve drainage across 220,000 hectares of farmland that reach as far north as Baghdad. The NDPS will transport agricultural runoff collected in the Main Outlet Drain under the Euphrates River for discharge in the Persian Gulf. The drainage system is expected to increase agricultural productivity, improve the management of drainage water, and improve the overall quality of the river water.³⁰¹

Water Treatment

This quarter, U.S.-funded projects added the capacity to produce 2.4 million cubic meters of potable water per day, which can serve 8.3 million Iraqis. U.S. construction projects have also added 1.2 million cubic meters of sewage treatment capacity per day, enough to serve 5.1 million Iraqis.³⁰² For an overview of GRD work in the water sector, see Table 2.25.

Increasing water treatment capacity has been a challenge: only 46% of Iraqis report having a working sewage system, and about one-fourth report being satisfied with the sewage disposal services provided.³⁰³

The \$2.6 million **Al Hussein Water Network** is now 92% complete and will provide water to 6,000 people in a highly populated area of Kerbala. This ESF-funded project includes developmental training in operations for MWR personnel.³⁰⁴

TABLE 2.25
GRD PROJECTS IN THE WATER SECTOR

\$ Millions

PROJECT AREA	COMPLETED PROJECTS (VALUE)	STARTED PROJECTS (VALUE)	TOTAL PROJECTS PROGRAMMED (VALUE)
Potable Water	362 (\$723.1)	380 (\$803.8)	383 (\$806.1)
Sewage Treatment	14 (\$87.6)	21 (\$128.1)	24 (\$131.4)
Irrigation	6 (\$126.9)	11 (\$191)	12 (\$200.5)
Total	382 (\$937.6)	412 (\$1,123)	419 (\$1,138)

Source: GRD, *Monthly Situation Report*, 2/2009, slide 6.



The Nassriya Drainage Pump Station, which is now complete, will help drainage in up to 220,000 hectares of farmland.

Phase II of the **Falluja Wastewater Treatment System**, a project designed to provide sewage treatment service to 240,000 people in the area, was 76% complete in March. This project is funded from the IRRF, CERP, and Development Fund for Iraq (DFI) and is being constructed by multiple local contractors under the direction of GRD.³⁰⁵ An October 2008 SIGIR inspection found that this project had tripled in cost, was two years late, and required homeowners to connect their homes to the system on their own, which could damage the collection system.³⁰⁶ Delays in payments to contractors have resulted in work stoppages and slowed the project's completion.³⁰⁷

GRD reports that meeting the May 31, 2009, target for an initial working system is unlikely. There is a tacit agreement with the local sewage directorate to install entry pipes next to each property line, and homeowners will ultimately be responsible for connecting to the system. The estimated date of completion is September 22, 2009.³⁰⁸

GRD is also providing sustainment assistance through a 3-month operations and maintenance support program to support 14 Iraqi workers at the **Sadr City R3 Water Treatment Plant**. They were given instruction in all areas of operations and maintenance at the recently completed plant, which will serve 192,000 people in Sadr City.³⁰⁹

Transportation and Communications

Since 2003, the United States has allocated \$1.12 billion, obligated more than \$1.09 billion, and expended more than \$965 million to help rehabilitate Iraq's transportation and communications systems.³¹⁰

In its 2009 budget, the GOI has allocated \$534 million to the Ministry of Transportation (MOT) and \$304 million to the Ministry of Communications (MOC). For 2008, through December, the ministries reported these allocations and expenditures:³¹¹

- MOT—\$339.7 million allocated; 29% expended
- MOC—\$316.2 million allocated; 30% expended

In 2008, MOC’s capital budget was 94% of its total allocation, but in the 2009 budget, that share shrank to 71%, as the operating budget increased 500%.³¹² For more on GOI allocations to the transportations and communications sectors, see Table 2.26 and Table 2.27.

To rehabilitate and improve the transportation and communications sectors in Iraq, the United States has built roads and bridges, rehabilitated railroad facilities, helped improve the **Port of Umm Qasr**, trained GOI officials in airport operation, and helped rebuild telephone exchange infrastructure. Much of this work

has been done by GRD, which has shifted focus from major construction to OMS programs, as well as capacity development. Since 2003, GRD has invested \$308.5 million in transportation OMS programs.³¹³

The United States continues with significant assistance to the GOI in port and airport administration, as well as GRD’s work in road and telecommunications construction.

Roads and Bridges

The **Al Shirkat Bridge**, funded from a \$7.2 million grant, was started in 2005 and is now 70% complete. The 400-meter, two-lane bridge will span the Tigris River and allow for increased movement of goods and people, enhancing economic development.³¹⁴ The repair of the **Mujarrajah Canal Bridge**, which is also

TABLE 2.26
GOI ALLOCATIONS TO THE MINISTRY OF TRANSPORTATION
\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$121.6	\$209.7	72% 
Capital	\$250.0	\$324.2	30% 
Total	\$371.6	\$533.8	44% 

Note: Numbers affected by rounding.

Source: U.S. Treasury, response to SIGIR data call, 4/9/2009.

TABLE 2.27
GOI ALLOCATIONS TO THE MINISTRY OF COMMUNICATIONS
\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$14.4	\$88.2	513% 
Capital	\$250.0	\$216.1	14% 
Total	\$264.4	\$304.3	15% 

Note: Numbers affected by rounding.

Source: U.S. Treasury, response to SIGIR data call, 4/9/2009.

deemed essential to local commerce and transport, is now 85% complete, though it was scheduled to be completed at the end of this quarter.

The contract for both projects went to an Iraqi firm with work being slowed by quality assurance inspections, the suspension of construction due to unsafe work practices, and the absence of payment to the subcontractor.³¹⁵ SIGIR visited this site in February and plans to issue an inspection of the project in July 2009.

The **Al Hussainiyah Road Widening Project**, now in its early stages, involves the construction of a median, storm water drainage, and concrete sidewalks, as well as the rehabilitation of the road surface. Progress has been challenged by the pilgrimage of one million people to Kerbala in February and the need to install proper work safety procedures.³¹⁶ The **Al Tameem Road Project**, currently suspended but scheduled to be completed by June, aims to provide 36 asphalt-paved streets to improve the basic transportation infrastructure in the town.³¹⁷

The Office of Transportation Attaché (OTA) is now updating Iraqi standards for construction specifications and drawings with the GOI State Commission for Roads and Bridges. U.S. officials have also aided the commission in improving its budget planning and execution, which led to the agency spending almost its entire allocation in 2008.³¹⁸ Further, the Embassy plans to help coordinate meetings between the U.S. Federal Highway Administration and the Commission.³¹⁹

Railways

The reconstruction of the **Iraq Republic Railway (IRR)** is a success story. In 2003, neglect of rail bridges and the lack of a central communications system severely limited the number of trains that could operate in Iraq at any one time. The railroad's role in facilitating regional trade necessitated its rapid recovery.³²⁰



Newly opened rail line from Taji to Umm Qasr. (MNF-I photo)

This quarter, the United States has worked with the GOI through an Executive Steering Group (comprising an OTA representative, the Deputy Commanding General, Multi-National Force-Iraq (MNF-I), and OTA) to provide guidance for IRR, to re-open a railroad tie factory, and to create the **Digital Microwave Radio Communications Network (DMRCN)** for the IRR.³²¹

On February 10, 2009, an Army Sustainment Brigade helped re-launch a rail line from the Taji desert camp to the **Port of Umm Qasr**. This line was used for the first time since 2004 and was coordinated with a shipping line facilitated by the Iraq Transportation Network (ITN), a consortium of Iraqi-owned trucking companies. MNF-I believes this rail line will greatly boost commerce across Iraq. A fully functioning IRR, in concert with ITN, creates the potential that Iraq could become a major transportation route for goods moving from the Persian Gulf through the Port of Umm Qasr to Jordan, Syria, and Turkey.³²²

Passenger service has also increased as line breaks have been repaired on the western line, which runs from Baghdad to Falluja. Other lines that now offer passenger service include the Baghdad-to-Samarra North Line and the Baghdad-to-Basrah South Line.

Recently, the IRR was contracted by the Ministry of Defense (MOD) to transport heavy fuel oil, kerosene, gasoline, and other products from factories to various MOD locations.³²³

Ports

The United States and the GOI continue to work together to rehabilitate Iraq's main access point to overseas trade, the **Port of Umm Qasr**. The United States has provided advice and has funded the repair of loading cranes, the removal of wreckage, and dredging to improve commercial operations.³²⁴

The Commanding General in Iraq has also assembled a Port Development Advisory Team, which has helped the GOI in the following areas:³²⁵

- port security and international shipping standards
- land use around the port
- coordination of communications and information sharing

The Japan International Cooperation Agency has committed \$260 million to improve the port through civil works projects, such as wreck removal.³²⁶ Private consultants briefed the MOT this quarter about how best to expand Umm

Qasr through new piers and container ports and also how to encourage foreign investment to fund these efforts.³²⁷ The GOI has also aided increased commerce in the port by leasing out the remaining berths under the condition that the selected tenants will upgrade the facilities during their period of management.³²⁸

Aviation

Since January 1, 2009, the Iraq Civil Aviation Authority (ICAA) has run the airport towers in Baghdad and Basrah from 7 am to 7 pm, with Coalition forces controlling the towers at night. ICAA will be extending its control of these towers by four hours before the end of June.³²⁹ ICAA also controls the Baghdad Area Control Center (BACC), from which the Iraqis control all airspace in the country 24,000 feet and above, which is about 75% of the country's airspace. Remaining challenges for ICAA include reducing the dependence on contractors to aid in running BACC and the considerable progress necessary to gain compliance with International Civil Aviation Authority standards over the next two to three years.³³⁰

Over the last eight months, civilian air travel has tripled.³³¹ This quarter, the total number of aid flights was slightly higher than last quarter, with reconstruction flights increasing and humanitarian flights decreasing. Contracted military flights increased by 7% from last quarter, but have declined 23% since the beginning of 2008.³³²

Telecommunications

Since 2003, the United States has undertaken a number of initiatives to rehabilitate and improve Iraq's telecommunications systems. Currently, the IRRF-funded **Al Mamoon Telecommunications Center** is the only new facility being built to help upgrade Iraq's overall telecommunications infrastructure. The center contains four main elements:³³³

- a 7-story main office building (30% complete)
- a post office building (50% complete)
- a 250-vehicle parking garage (75% complete)
- a central plaza (65% complete)

However, the Al Mamoon Telephone Switch Building was terminated for default in November 2008. GRD plans to re-award and complete the project.³³⁴

Ministry of Communications Update

The MOC has moved forward with several telecommunications initiatives. It plans to create a national mobile telecommunications company, and it is urging agreement on the stalled telecommunications law, which would allow the ministry additional powers in contracting international companies to provide new telecommunications services.³³⁵

DoS believes that the creation of a national telecommunications company will be a disincentive for investment, improved services, and lower prices.³³⁶ Further, in DoS's view, the MOC

is supporting this telecommunication law in part because it would eventually phase out the Communications Media Commission (CMC), the independent regulator that provides transparency for the regulation of the sector.³³⁷

Phone and Internet Service

The supply of landline telephone service, a government-provided service, continues to stagnate, reporting around 1.25 million users for three consecutive quarters. In contrast, market-provided cellular telephone subscriptions have been rising steadily, reaching a new high of 17.7 million this quarter, a 32% increase since July 31, 2008. Internet subscription climbed slightly this quarter, now totaling 820,000 subscribers—a 20% increase from last quarter.³³⁸

Private investment has been taking an increasing role in driving improvement of Iraq's telecommunications sector. Two major private companies provide cellular service in Iraq—Kuwaiti-owned Zain and Qatar Telecom's Asia Cell. In 2008, Zain began work to expand service nationwide, and Qatar Telecom announced its investment of \$1 billion over two years to improve service and expand customer base.³³⁹ The Kurdistan Regional Government recently granted licenses to Mobitel, which plans to provide a 3G mobile network that features faster wireless connectivity, video phones, and international calling services.³⁴⁰ ♦

GOVERNANCE

On January 31, 2009, Iraq held its first provincial elections since 2005—an important step on the road to political stability.³⁴² For a detailed analysis of the elections, by province, see Section 3. For a timeline of Iraqi elections, see Figure 2.33.

Despite the success of the 2009 provincial elections, Iraqis must still resolve ongoing disputes over power and resource distribution before national reconciliation can be achieved. Arabs and Kurds have thus far been unable to agree on these critical issues:

- internal boundaries, including the status of Tameem
- property rights and restitution
- Kurdistan Regional Government (KRG) autonomy
- hydrocarbon policy

Moreover, Sunnis remain suspicious of links between Iran and Iraqi-Shia political parties and doubtful of the Shia-led GOI's long-term commitment to transitioning members of the Sons of Iraq (SOI) and implementing the Amnesty Law and the Accountability and Justice Law.³⁴³ Additionally, debate continues between those favoring a strong central government and those seeking increased decentralization. The GOI will also need to address more fully the

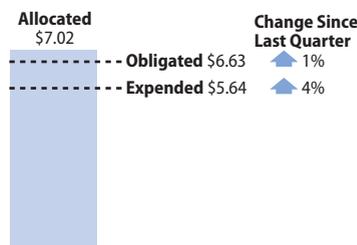
humanitarian crisis facing refugees and internally displaced persons (IDPs) if that issue is to be resolved.³⁴⁴

Since 2003, the United States has allocated approximately \$7 billion for Iraqi governance activities, including refugee assistance, programs to assist the democratic process, government capacity development, and support for public services, such as education and health care. As of March 31, 2009, more than \$6.6 billion had been obligated, and \$5.6 billion had been expended (see Figure 2.34).³⁴⁵

“NO” TO SECTARIANISM SHOULD BE COMBINED WITH SAYING “YES” TO THE LAW. WHEN WE SAY “NO” TO DIVISION, WE SAY “YES” TO UNITY. UNITY IS A BEAUTIFUL AND EASY WORD TO UTTER, BUT IT IS DIFFICULT TO BRING ABOUT.³⁴¹

—PRIME MINISTER
NOURI AL-MALIKI,
FEBRUARY 1, 2009

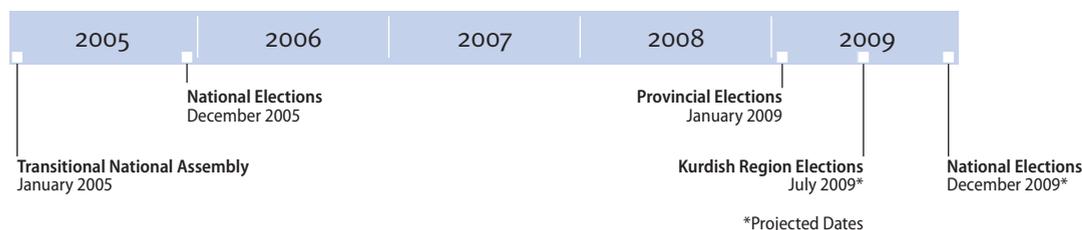
FIGURE 2.34
STATUS OF FUNDS—GOVERNANCE
\$ Billions



Note: Numbers affected by rounding.

Sources: CEFMS, *ISFF Funds Execution Report*, 4/3/2009; DoS, response to SIGIR data call, 4/5/2007; DoS, *Section 2207 Report*, 10/2008; GRD, responses to SIGIR data call, 4/2/2009 and 4/3/2009; IRMS, *MNC-1 Quarterly Report*, 4/1/2009; ITAO, *Essential Indicators Report*, 4/3/2009; ITAO, responses to SIGIR data call, 3/29/2009 and 4/7/2009; USAID, responses to SIGIR data call, 4/2/2009, 4/13/2009, 4/14/2009, and 4/16/2009.

FIGURE 2.33
TIMELINE OF IRAQI ELECTIONS



Source: OSD, response to SIGIR data call, 4/2/2009; U.S. Embassy-Baghdad, responses to SIGIR data call, 12/31/2008 and 4/15/2009.

Anticorruption

Three institutions conduct preventive and law enforcement anticorruption activities in Iraq: the Board of Supreme Audit (BSA), the Commission on Integrity (CoI), and the inspectors general (IGs). According to a 2009 report by the United Nations Office on Drugs and Crime (UNODC), the legislative framework supporting these agencies seems consistent with UN Convention Against Corruption (UNCAC) requirements. Iraq acceded to—in effect, ratified—the UNCAC in March 2008. However, issues involving provisions of Iraqi law that shield accused ministerial officials from prosecution (Article 136(b) of Iraq’s criminal code), outdated and ineffective public-finance controls, and insufficient anticorruption training and resources remain unresolved.³⁴⁷ For a detailed timeline of anticorruption related events, see Figure 2.35.

Judicial review and prosecution of corruption cases appear to offer little in the way of systemic deterrence. Recently, a former GOI anticorruption official estimated that more than 3,000 cases had been dropped or closed by the CoI due to factors that include provisions of the Amnesty Law and Article 136(b).³⁴⁸

Although Iraq has instituted many of the UNCAC framework requirements to fight corruption—such as financial disclosure for public officials—it still lacks a comprehensive corruption-prevention strategy³⁴⁹ and ranks 178 out of 180 countries profiled in Transparency International’s 2008 Corruption Perception Index.³⁵⁰ According to one Iraqi IG, “There is no real desire in Iraq to fight corruption.”³⁵¹

However, the GOI’s 2008 creation of the Institutional Strategy for the Commission on Integrity could eventually serve as a basis for a national anticorruption strategy,³⁵² including these components:³⁵³

- promoting a national culture of integrity and transparency
- ensuring the full disclosure of the financial assets of designated public servants
- providing rules of conduct for all public servants
- providing inputs for the amendment of existing legislation or the creation of new legislation to minimize corruption

Despite pessimism after decades of institutional corruption, Iraq has demonstrated some desire to resolve ongoing UNCAC compliance issues. In January 2009, the GOI participated in a UN Development Programme (UNDP) workshop—including anticorruption and UNCAC compliance training—in Amman, Jordan, as part of a joint UNDP/UNODC program to support anticorruption efforts in Iraq.³⁵⁴

To further bolster Iraq’s anticorruption capabilities, UNODC’s 2008 UNCAC Self-Assessment Checklist recommends Iraq receive assistance and support in several areas, including:³⁵⁵

- adopting a national anticorruption strategy and amending legislation to fully comply with the provisions of the UNCAC
- strengthening the oversight activities of the IGs and BSA
- increasing public awareness and cooperation in the areas of anticorruption through media outreach, public awareness, and other activities by the CoI
- strengthening the law enforcement, forensic, anti-money-laundering, and information technology (IT) capacities of CoI; the investigative skills of the staff of the IGs; and the capacity of anticorruption investigative judges
- increasing coordination and cooperation between relevant Iraqi anticorruption institutions
- strengthening the GOI’s capacity to cooperate effectively on criminal matters at the international level and participating in international anticorruption organizations

WE WILL HELP IRAQ’S INSTITUTIONS STRENGTHEN THEIR CAPACITY TO PROTECT THE RULE OF LAW [AND] CONFRONT CORRUPTION.³⁴⁶

—PRESIDENT
BARACK OBAMA,
FEBRUARY 27, 2009

Iraq is in need of a more robust anticorruption strategy. To support this end, the U.S. government has granted the UNDP and UNODC \$8 million. A draft of the revised strategy is expected in June 2009.³⁵⁶

The Ministry of Interior (MOI) Major Crimes Task Force (MCTF) is developing its capacity to investigate high-profile crimes related to corruption. The GOI assigned to the task force 12 experienced investigators from MOI's Internal Affairs and Office of the Inspector General, as well as the National Information and Investigations Agency. It also continues work to establish a dedicated tactical team—trained and advised by U.S. federal agents—to support the MCTF.³⁵⁷ Additionally, since early 2008, the U.S. Agency for International Development (USAID) has funded an anticorruption activity that builds capacity of IGs in the essential-services ministries and national anticorruption institutions.³⁵⁸

Legislation

The December 2008 resignation of Council of Representatives (CoR) Speaker Mahmoud

al-Mashhadani noticeably hampered the CoR's ability to pass outstanding legislation, delaying the release of the annual GOI budget. However, on April 19, 2009, Ayad al-Samarraie, a Sunni from the Iraq Islamic Party, was elected CoR Speaker with 153 votes.³⁵⁹ Current legislative priorities include setting a date for district and sub-district elections, passing a National Election Law to establish rules for upcoming CoR elections, and concluding the report on provincial elections in Tameem.³⁶⁰

Although some Iraqi officials are optimistic that the Hydrocarbons Law may be approved before summer 2009, Deputy Prime Minister al-Eissawi told SIGIR that he does not expect it to pass this year. Aware of the challenges that remain, al-Eissawi hopes that the law may pass in 2010.³⁶¹

The GOI and KRG continue to negotiate provisions of the election and hydrocarbon laws. Until recently, progress on the Hydrocarbons Law has been impeded by disagreements between the KRG and GOI. Iraqi politicians are working through alternate channels in an

FIGURE 2.35
ANTICORRUPTION TIMELINE



Sources: SIGIR Audits; SIGIR Investigations; SIGIR Inspections; SIGIR, *Hard Lessons: The Iraq Reconstruction Experience*, 2/2009; SIGIR, *Quarterly Reports to the United States Congress*, 3/2004–1/2009; Transparency International, *Global Corruption Report*, 2005, p. 87.

attempt to prevent stagnation; however, efforts toward resolving portions of the Provincial Election Law that affect Kurdistan and Tameem province have postponed work on the hydrocarbon legislation. Agreement on these issues will require additional negotiations.³⁶²

Amending the Investment Law

According to the GOI's Council of Ministers (CoM), the current Investment Law does not meet several requirements necessary for facilitating foreign investment in Iraq. This quarter, Prime Minister al-Maliki's cabinet sent amended legislation to the CoR that would address these requirements.³⁶³ If passed, the law is expected to increase foreign investment in Iraq and strengthen non-oil-based economic sectors.³⁶⁴ In 2008, the Iraqi federal budget derived at least 90% of its revenue from crude oil exports.³⁶⁵

The Investment Law establishes basic investment rules and provides guarantees and protections; however, land issues remain unresolved, and foreign investors are prohibited from owning property in Iraq. Even if the GOI passes

amendments to allow ownership of land by foreign investors, housing projects likely will continue to be exempt from these provisions.³⁶⁶

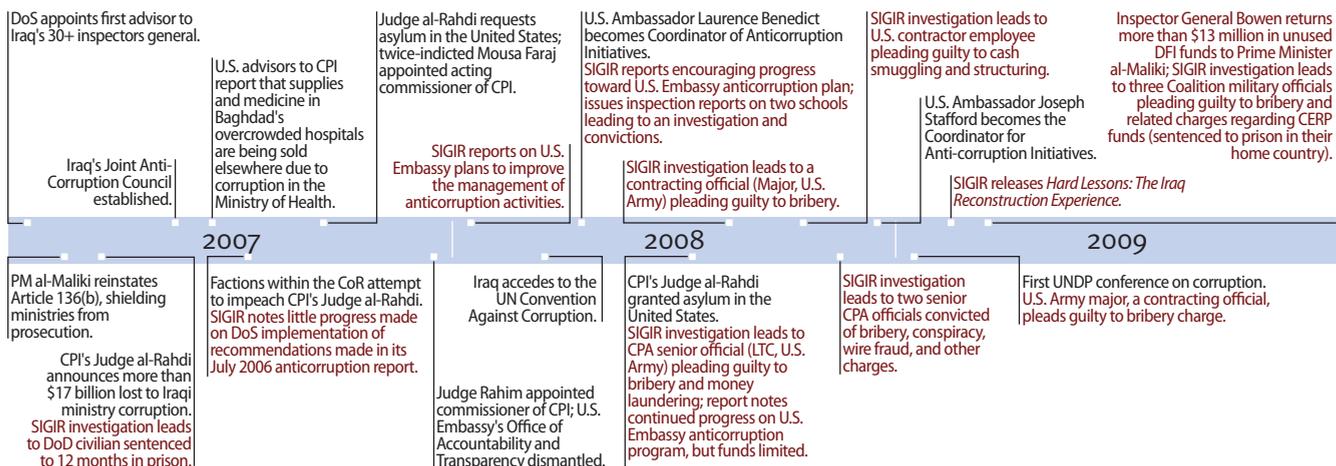
Accountability and Justice Law

Despite the January 2008 passage of the Accountability and Justice Law, which provides a framework for Iraq's ongoing de-Ba'athification effort, the GOI has not begun to implement it. The CoM has yet to nominate individuals to the new De-Ba'athification Commission, leaving the original Coalition Provisional Authority-appointed commission in place, but with no real authority.

Even with agreement that the law needs to be amended, neither the CoM nor the CoR has made efforts to introduce the necessary legislation.³⁶⁷

Provincial Powers Law

The Provincial Powers Law, approved by the CoR in February 2008, took effect with the seating of new Provincial Councils in March. The law transfers additional authority from the central government to the councils, which can approve



provincial budgets, nominate or dismiss senior provincial officials, and remove corrupt officials. It also grants Provincial Councils direct authority over non-federal security forces and provides for district and sub-district council authority to oversee administration, budget, and other governance issues within their jurisdictions.

Notwithstanding these legislative authorities, the Provincial Powers Law also mandates the creation of a Higher Board for the Provinces to coordinate administration. Chaired by the Prime Minister, this board would include provincial governors and heads of the Provincial Councils. In its assessment, the Department of Defense (DoD) believes that cooperation between the provinces and the central government, and their combined ability to govern, will indicate whether these power-sharing efforts are successful.³⁶⁸

U.S. Governance Programs

USAID and the Department of State (DoS) continue to support democracy-building activities in Iraq, funded primarily by the Economic Support Fund (ESF). For an overview of ongoing ESF-funded programs, see Table 2.28.

In preparation for the provincial elections of 2009, USAID provided assistance to the Independent High Electoral Commission (IHEC), through an agreement with the International Foundation for Electoral Systems (IFES), to help the GOI conduct credible and legitimate elections. The long-term pact between USAID and IFES is budgeted at \$102 million. This assistance takes into account the evolving needs of an election operation that is now led and managed by Iraqis, with additional support from the UN, international donors, and others working with IHEC and civil society groups. The GOI has also provided funding to IHEC.³⁶⁹

Voter education was offered by civil-society and non-governmental organizations (NGOs) trained

under USAID's Iraq Rapid Assistance Program (IRAP). More than 290,000 Iraqis attended NGO-led activities, and an estimated 4 million Iraqis received information from print and broadcast media. These efforts resulted in outreach to one-third of the 14 million eligible voters.³⁷⁰

Tatweer: New Dimension of Provincial Outreach

The **Tatweer Program** (Arabic for “development”) has focused solely on capacity development within Iraq's civil service, providing training for ministerial staff at the local, provincial, and central government levels. Technical assistance through Tatweer aims to enhance civil-service standard operating procedures and internal systems—specifically, as they relate to project management and budgetary processes—and introduce best practices to promote better service delivery to the provinces. Recent projects have begun to focus on more practical and hands-on mentoring techniques, utilizing 2009-2010 capital budget projects as case studies in ongoing training.³⁷¹

USAID has begun tailoring its Tatweer activities to cover more geographical territory and reach larger numbers of GOI civil servants. Plans include continued assistance for core public administration areas and, in particular, public management areas associated with budget execution, strategic budget planning and accountable fiscal management, transparent and efficient procurement, and effective project management.³⁷²

Tatweer's provincial rollout aims to provide assistance to key ministries with high public-service visibility—Health, Water Resources, Agriculture, Electricity, Municipalities, and Public Works—and oil operating companies in the north and south. These projects work to improve the ability of these ministries and companies to effectively provide their customers with needed resources and to increase transparency and efficiency of processes.³⁷³

TABLE 2.28
ONGOING ESF GOVERNANCE PROGRAMS
\$ Millions

PROGRAM	TOTAL OBLIGATIONS AND EXPENDITURES	PROGRAM UPDATE
Community Action Program II and III (CAP)	<p>Obligated \$264.96 Expended \$155.30</p>	<p>Description: Program helps create and train community action groups, which are responsible for identifying and prioritizing community needs and mobilizing community resources to strengthen the capacity of local government. CAP also includes the Marla Ruzicka Fund, which aids victims of war. At least 350,000 people have been directly assisted since 2003, and 1.5 million have indirectly benefited from more than 630 individual and community projects.</p> <p>Status:</p> <ul style="list-style-type: none"> • Direct beneficiaries: 19,430,550 • Short-term jobs created: 47,850 • Long-term jobs created: 16,644 • Number of projects completed since October 2007: 1,239
Local Governance Program II and III (LGP)	<p>Obligated \$355.50 Expended \$255.28</p>	<p>Description: Program works closely with provincial governments in 11 provinces. Builds the capacity of Provincial Councils, governors, and their staffs to carry out functions according to the new Provincial Powers Law. Includes training, mentoring, coaching, and orientations for the 11 newly seated Provincial Councils.</p> <p>Status:</p> <ul style="list-style-type: none"> • Expanded training sessions to include the entire province of Diyala. • Concluded training initiative in Diyala focused on discussing new legislation with local leadership. • Currently offers local training on more than 100 topics.
Community Stabilization Program (CSP)	<p>Obligated \$646.50 Expended \$554.00</p>	<p>Description: Short-term projects in neighborhoods and districts, employing Iraqi youth in public works, generating employment, developing businesses, and providing job training. Out of the 18 original cities where CSP operated, only five remain open as of April 1, 2009: Baghdad (Sadr City), Ninewa (Mosul), Diyala, Salah Al-Din (Samarra, Tikrit, and Baiji), and Basrah; completion is expected by October 31, 2009.</p> <p>Status:</p> <ul style="list-style-type: none"> • CSP has about 1,600 projects, including cleaning campaigns, small-scale water/sewerage services, renovation of health clinics, schools and parks, canal cleaning, and street repair. • Through March 2009, almost 316,000 youths had participated in CSP-sponsored activities, including sports, cultural events, the arts, life-skills training, and other efforts that promote reconciliation and conflict mitigation. • Through CSP vocational training and apprenticeship efforts, 40,300 Iraqis have graduated from Vocational Training workshops, 10,000 have been placed in ongoing apprenticeships to improve their employability, and almost 14,600 have successfully completed business skills training.
PRT Quick Response Fund	<p>Obligated \$170.05 Expended \$94.06</p>	<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:</p> <ul style="list-style-type: none"> • As of March 31, 2009, new grants were still being forwarded to QRF/IRAP. • QRF has recommended that each PRT reprioritize all QRF proposals. In light of near-complete obligation of funds, QRF plans to release a package of information redefining the competition process for funding.

Note: Numbers affected by rounding.

Sources: USAID, responses to SIGIR data call, 4/7/2009, 4/14/2009, and 4/16/2009; ITAO, *Essential Indicators Report*, 4/3/2009.

TABLE 2.29
CURRENT TATWEER TRAINING COURSES

TRAINING TYPE	DESCRIPTION
Leadership and Communications	Tatweer's Leadership and Communication course comprises two 5-day modules: Leading Your Team and Leading Change; Making and Taking Decisions.
Budget Training Course	The second version of Tatweer's Budget Course was developed in conjunction with the GOI's National Center for Consultancy and Management Development; available in Baghdad and Erbil with plans for Ninewa.
Procurement	This course introduces participants to practical concepts in international and local procurement and basic international best practices and standards.
Advanced Procurement	A continuation of the original Procurement training course already available, this course more fully explores the scope of Coalition Provisional Authority (CPA) Order 87.

Source: USAID, www.tatweer-iraq.com/section/training/courses, accessed 4/8/2009.

The project's emphasis for provincial expansion is shifting from individual capacity development to institutional development. In addition to operations in Baghdad, Ninewa, Erbil, and Basrah, Tatweer is establishing regional offices in Babylon, Anbar, and Kirkuk to work with the ministerial directors general in the provinces on budgeting and procurement issues, project management, and human resource development. Emphasis is on the mapping of operating procedures, reducing process cycle time, and establishing customer-driven process performance measures.³⁷⁴

For information on current Tatweer training courses, see Table 2.29.

Disputed Boundaries, Refugees, and Human Rights

As the December 31, 2007, deadline approached for resolution of disputed internal boundaries, per Article 140 of the Constitution, Iraqi political leaders had not reached consensus on a way forward. The UN Assistance Mission for Iraq (UNAMI) offered to produce reports on each of the disputed territories, providing a factual baseline and potential starting point for political negotiations. In June 2008, UNAMI released to mixed reactions its first round of reports on the districts of Akre and

Al-Hamdaniya, in Ninewa; Makhmur, in Tameem; and the Mandali sub-district of Baladrooz, in Diyala.³⁷⁵

UNAMI plans to release its entire collection of reports on Iraq's disputed boundaries, including new drafts of the first four reports, in April 2009. For the four disputed districts that make up Kirkuk province, UNAMI is preparing a list of potential outcomes to be considered by the parties involved. Regarding other geographical areas, reports are expected to produce findings but not suggest preferred outcomes. UNAMI officials are currently discussing how to use the reports' release to foster political dialogue on other areas of dispute between Arab and Kurdish leaders, and DoS is examining ways to best support UNAMI's efforts.³⁷⁶

Refugees and Internally Displaced Persons

The International Organization for Migration (IOM) estimates that more than 2.8 million Iraqis remain displaced inside Iraq.³⁷⁷ In FY 2008, the U.S. government contributed \$398.3 million for humanitarian assistance inside Iraq and the region.³⁷⁸

- USAID's Office of Foreign Disaster Assistance contributed \$75 million, primarily for assistance to IDPs.

- USAID's Food for Peace Program contributed \$36.4 million in food assistance in Iraq and for Iraqi refugees in Syria.
- DoS's Bureau of Population, Refugees, and Migration (PRM) contributed \$287 million to the UN and other international organizations and NGOs to assist IDPs and Iraqi refugees.

Since the program's inception in FY 2007, 23,482 Iraqi refugees have been admitted for resettlement in the United States; and in FY 2009, the United States plans to admit at least 17,000 Iraqi refugees.³⁷⁹ As of December 2008, the United States had issued 1,311 special immigration visas to Iraqis.³⁸⁰

As of March 31, 2009, the United States plans to contribute \$150 million in FY 2009 funds to help Iraqis still displaced due to the war.³⁸¹ This year's funding supported the 2009 United Nations Consolidated Appeal for Iraq and the region, as well as key international NGOs.³⁸² In 2008, the Ministry of Displacement and Migration spent \$182.2 million on payments made to IDPs and returnees.³⁸³

U.S. government contributions to support other IDP and refugee programs include:³⁸⁴

- United Nations High Commissioner for Refugees (UNHCR)—\$90 million
- United Nations Children's Fund (UNICEF)—\$15.5 million
- World Health Organization—\$3.1 million
- World Food Programme—\$8 million
- Other international organizations and NGOs—\$34 million

U.S. funding has been planned to support a range of services for displaced Iraqis and conflict victims, including:³⁸⁵

- continued provision of emergency relief supplies to the most vulnerable Iraqis
- rehabilitation of water systems for IDPs and local communities in Iraq

- informal education activities for Iraqi students unable to attend public schools in Jordan and Syria
- school construction to support the influx of Iraqi students into Syrian public schools
- mental health services for displaced Iraqis
- repairs to clinics in Iraq, including donation of medical equipment
- mobile health units for Iraqi refugees in Jordan and Syria

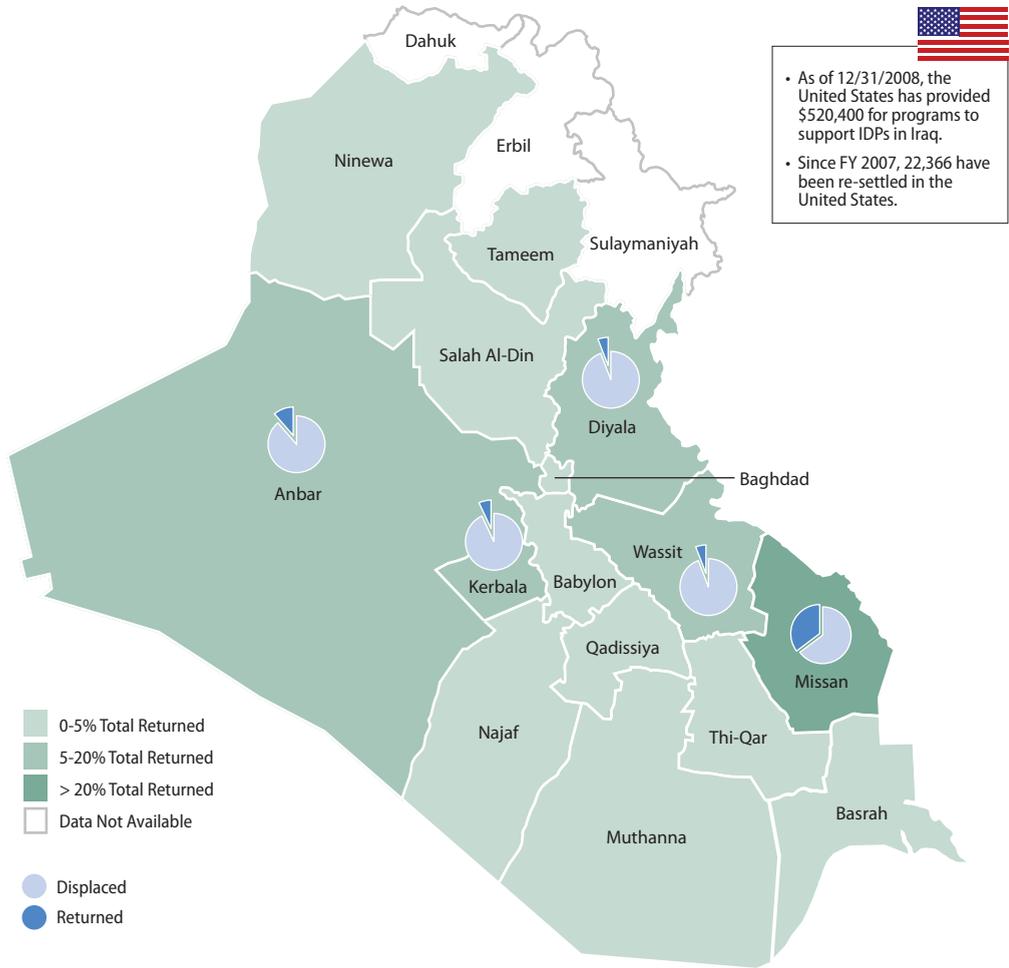
UNHCR is the lead agency coordinating international action to resolve IDP and refugee problems in Iraq. UNHCR monitors and assesses the needs of displaced Iraqis and provides IDPs and refugees with protection, non-food items, and shelter. The World Food Programme supports displaced Iraqis with food assistance, mainly to those IDPs who cannot access benefits provided to them through Iraq's Public Distribution System. UNICEF delivers water, medical supplies, and hygiene support to Iraq's most vulnerable children and women, including many who are displaced. All of these agencies also work with the GOI to strengthen its capacity to provide for its people.³⁸⁶

For the rate of return of IDPs and refugees, see Figure 2.36.

Human Rights

Iraq's framework for the exercise of human rights was bolstered by the passage of the Provincial Election Law in September 2008—calling for provincial elections in 14 provinces on January 31, 2009, and elections later in the year in Kurdistan and Tameem. In addition, the November 2008 adoption of the law authorizing the establishment of the Independent High Commission for Human Rights marked a step toward protecting those rights.³⁸⁷ But human rights problems—including issues stemming from violence, discrimination and intolerance,

FIGURE 2.36
RATE OF IDP AND REFUGEE RETURN



Note: As of December 2008, 4.4% of displaced persons have returned out of the total of 5,268,894.

Sources: UNHCR, 9/2008; IOM, September and 12/2008.

crime, and corruption—continue to exist in Iraq. Continuing constraints on activities and investigations by international organizations and NGOs prevent many human rights abuses from coming to light.³⁸⁸

Public Services

U.S. programs continue to support public services, including health care, education, fire services, civic cleanup, and maintenance activities. As of March 31, 2009, \$1.88 billion had been allocated, \$1.86 billion obligated, and \$1.68 billion expended in the public services sector.³⁸⁹

Health Care

Since 2003, the United States has allocated \$933 million, obligated \$911 million, and expended \$847 million³⁹⁰ to construct specialty hospitals, clinics, and primary healthcare centers (PHCs) in Iraq and to provide vaccination programs, medical equipment, and technical training.³⁹¹ However, U.S. health-care projects in the public services sector are threatened by:³⁹²

- inconsistent asset transfer, resulting in poor service from U.S.-funded facilities
- poor maintenance, leading to the partial deterioration of projects
- the inability of Iraqis to operate U.S.-purchased equipment due to lack of technical knowledge

Delivery of health care in Iraq has improved, but the needs of the people require more funding, staffing, training, supplies, and access to essential services (water, electricity, and sewage).³⁹³

Polling indicates that only 26% of Iraqis are somewhat or very satisfied with health care in their country, which is unchanged from the previous quarter, but down 11% from the previous year. More than 40% of the women surveyed for the Oxfam report said their access to quality health care worsened from 2006 to

2008 due to insecurity, lack of facilities, and economic hardship.³⁹⁴

U.S. Health Care Projects

Most major U.S. health care projects are winding down,³⁹⁵ and the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers has shifted remaining resources to capacity development, sustainment, and operations. For example, a \$16.5 million sustainment initiative aims to bolster the Ministry of Health's ability to maintain facilities and build on the long-term results achieved by U.S.-constructed facilities. The project also provides training on biomedical systems and x-ray equipment.³⁹⁶

The **Basrah Children's Hospital**, a modern pediatric oncology center, was 99% complete as of March 2009. The U.S. Ambassador participated in a signing ceremony, transitioning the project to the GOI, which has already taken measures to provide security as well as new projects to bring water, electricity, and sewerage to the site.³⁹⁷ Funded from multiple sources, this \$165.6 million hospital is expanding training for health-care professionals and alleviating the shortage of health services in Iraq.³⁹⁸

For examples of ongoing U.S. projects in health care, see Table 2.30.

Primary Healthcare Center Program

This quarter, SIGIR published another audit addressing construction of PHCs. In March 2004, the U.S. Army issued a contract to Parsons Delaware, Inc., with subsequent task orders under the contract, providing for the design and construction of 150 PHCs. Two years later, the U.S. government terminated the PHC task orders when PHCs throughout Iraq were in various stages of construction. In an audit released in 2006, SIGIR reported on the need for a strong management team, in cooperation with the Ministry of Health (MOH), to complete the

TABLE 2.30
U.S. PROJECTS IN HEALTH CARE

Project	Status	Cost	Remaining Challenges/Benefits
Ba'quba General Hospital	35% complete (scheduled to be 65% complete; planned completion: 9/14/2009)	\$7.4 million	Ensure that the contractor meets USACE requirements; improve documentation and quality-control process.
Renovation of Wards at Sulaymaniyah General Hospital	Complete	\$3.2 million	Rehabilitation helps alleviate an acute shortage of in-patient care, with capacity to serve 100,000 area residents.
Humer Kwer Clinic	75% complete (scheduled completion: 5/7/2009)	\$542,000	This 650-square-meter health-care clinic has capacity to provide service to 30,000 local residents.
Diwaniyah Primary Healthcare Center (PHC)	Complete	\$500,000	The facility includes rooms for vaccinations, a pharmacy, medical and dental care, and an x-ray machine.

Sources: GRD, *Monthly SITREP*, 2/2009, slide 7; GRD, *Weekly SITREP*, 3/9/2009, slide 8; GRD, *Weekly SITREP*, 2/9/2009, slide 10; GRD *Essays Forward*, Al Bahrani, A., "Umm Qasr residents get new medical facility," vol. 6, no. 2, 2/2009; Embrey, Alicia, "Diwaniyah Welcomes New Primary Healthcare Center," GRD news release, 3/12/2009.

partially constructed PHCs. GRD and the Iraq Transition Assistance Office (ITAO) managed the program to complete the PHCs.³⁹⁹ The objectives of SIGIR's April 2009 audit were to determine the costs and outcomes of U.S.-funded efforts to complete the PHCs, the extent to which completed PHCs have been transferred to the MOH, and the operational status of the PHCs.

SIGIR found that GRD has completed construction of many of the PHCs despite poor security conditions that led to incidents such as bombing of some facilities. GRD awarded follow-on construction contracts to Iraqi contractors to complete PHCs partially constructed under the Parsons design-build contract and now reports that most construction is complete. Further, GRD estimates that the completed facilities will provide outpatient treatment for more than 4 million Iraqis annually. However, the program has cost substantially more than planned, taken much longer to complete, and produced fewer facilities:

- The program has cost about \$345 million—\$102 million more than the \$243 million estimate when the Parsons contract was terminated.
- PHCs have been transferred to the MOH years later than planned.
- The original 150 PHCs were reduced to 142 during the Parsons contract, and 9 additional sites were removed, leaving 133.

Management problems significantly burdened the program. GRD did not draft its program management plan until about six months after most contracts to complete the partially constructed PHCs were awarded and failed to finalize it. The program had six different managers in three years. ITAO, which had key oversight and coordination responsibilities with MOH, did not have adequate resources to meet these responsibilities.

Although GRD now reports that 133 PHCs have been completed and transferred to the MOH, not all of these facilities are complete and open to the public. Further, GRD and ITAO experienced problems in transferring PHCs to the MOH, and they do not have accurate data on the number of PHCs actually open and operating. Both are aware of operational and sustainability issues at the PHCs, and MOH officials also stated that construction and equipment issues exist with the transferred PHCs.

In May 2008, a contract was awarded for the sustainment of health projects. The scope of work included assessments of equipment and systems at selected facilities. The contract amount is limited to the \$16.5 million of available funds and will not provide for an assessment of all PHCs. GRD reports that 6 detailed assessments are under review and 28 preliminary assessments are complete. GRD and ITAO officials

state that there are no plans or funds for further actions to assess PHCs.

GRD and ITAO have not provided sufficient accountability and transparency on the status of the PHC program as it nears completion. Millions of dollars were spent on the program; however, available data indicates that the construction, the installation of equipment, and the needed training were not completed for a significant number of PHCs. Without sufficient accountability and transparency on the current PHC program status, the U.S. government does not have the information essential for a policy determination as to whether any further U.S. management attention is needed to prevent some or all of its PHC investments from being wasted.⁴⁰⁰

This quarter, SIGIR also conducted a sustainment assessment of the **Hai Tiseen PHC** to determine whether the facility was operating at the capacity called for in the original contract. Hai Tiseen—which cost \$465,015—was turned over in July 2007 and currently serves about 200 patients daily, including 30 to 40 for dental services. SIGIR observed that the facility was relatively clean, and the pharmacist was dispensing medication. The facility was handed over without documentation that the required pre-final or final inspections had been performed. SIGIR inspectors observed that the x-ray room's exterior doors and darkroom

door appeared to be standard wooden doors, not the lead-lined doors required by the design. Moreover, health technicians at the facility have not been trained on the use of the U.S.-funded x-ray equipment, so those services are not yet available to patients. SIGIR recommends that GRD direct that all installation of and training on the medical equipment currently at the Hai Tiseen PHC be performed.⁴⁰¹

SIGIR also inspected the **Shiqaq Hai Mus-alla PHC** in Kirkuk. Completed at a cost of \$304,540, the facility was turned over on July 19, 2007, and has the capacity to serve the same number of patients as the Hai Tiseen PHC. GRD did perform regular site inspections of the facility, but again, no documentation was available to confirm that a pre-final or final inspection had been made, and deficiencies left unresolved at handover remained outstanding. In addition, the contractor did not perform the three-phase quality-control program specified in the design plans. One of the two heating, ventilation, and air-conditioning units in the building was not operational at the time of inspection, and some electrical wiring did not comply with the International Electrical Code.⁴⁰²

The final PHC project, the \$1.6 million **Diyala Primary Healthcare Center**, was completed in February and will serve about 100 patients per day. This project is typical of the program; MOH staff have occupied the building, and according

TABLE 2.31

GOI ALLOCATIONS TO THE MINISTRY OF HEALTH
\$ Millions

BUDGET TYPE	2008	2009	% CHANGE	
Operating	\$1,872.8	\$3,095.0	65%	↑
Capital	\$83.3	\$408.1	390%	↑
Total	\$1,956.1	\$3,503.1	79%	↑

Note: Numbers affected by rounding.

Source: U.S. Treasury, response to SIGIR data call, 4/9/2009.

TABLE 2.32

ONGOING PROJECTS IN THE EDUCATION SECTOR

\$ Millions

PROJECT NAME	TOTAL COST	FUND TYPE	PROVINCE	PROJECT START	FORECASTED COMPLETION
Electrical Engineering College Building Project, Kufa University	\$3.62	ESF	Najaf	11/12/2008	11/5/2009
PRDC—Design and Construct Abu Ghraib Secondary Boys School Campus	\$1.88	ESF	Baghdad	7/30/2008	7/21/2009

Note: Numbers affected by rounding.

Source: IRMS, *Global Benchmark*, 1/6/2009; ITAO, response to SIGIR data call, 4/13/2009; GRD, response to SIGIR data call, 4/14/2009.

to GRD, the post-handover deficiencies have been corrected, but the paperwork of acceptance from the GOI remains outstanding.⁴⁰³

GOI Health Care Initiatives

The MOH was allocated \$3.5 billion in Iraq’s 2009 base budget, a 79% increase over 2008.⁴⁰⁴ For more on GOI allocations to the health care sector, see Table 2.31.

Overall, the MOH has experienced success in both its health awareness initiatives and response to outbreaks. For example, cholera cases were reduced 80% since 2007.⁴⁰⁵ Although immunization programs were occurring throughout Iraq, more than 6,000 cases of measles were reported in 9 provinces in 2008. The outbreak continued in 2009, spreading into 5 more provinces, putting 800,000 additional children at risk. The MOH plans to re-start the Expanded Program of Immunization to increase vaccinations against the disease.⁴⁰⁶

Shortage of Doctors

The shortage of doctors continues to strain health services in Iraq. In 2007, the MOH reported nearly 16,000 doctors working in Iraqi hospitals, which accounts for an approximate average of 5.3 physicians for every 10,000 people. This compares with 24.5 per 10,000 people in Jordan.⁴⁰⁷ Iraqi doctors fled once conditions

became too dangerous, but the GOI has been making attempts to bring them back. Approximately 1,000 doctors returned in 2008, and 325 returned in 2009.⁴⁰⁸

Education

Iraq’s education system has been battered by more than two decades of war and underinvestment. Iraq’s 2010 budget funds programs to address the development of skills critical for employment, democratic participation, and peaceful conflict resolution. These measures aim at preventing Iraqi schools from becoming institutions of sectarian extremism influenced by violent ideologies. Iraqi reconstruction planners have set goals around a long-term commitment to education that diminishes the underlying conditions terrorist groups seek to exploit.⁴⁰⁹

U.S. programs continue to support construction and rehabilitation of schools in Iraq. As of March 31, 2009, \$389 million had been allocated, \$388 million obligated, and \$321 million expended in the education sector.⁴¹⁰ Table 2.32 updates major ongoing projects.

This quarter, SIGIR conducted three inspections of U.S.-funded school rehabilitation and expansion projects to determine whether the projects were operating at the capacity stated in the original contracts. In general, the schools were deemed to be adequately constructed and

operating at capacity; however, inspectors noted some deficiencies. ESF and the Commander's Emergency Response Program (CERP) funded these projects.

The inspection of the **Khandek Intermediate School** found the facility, once in a state of major disrepair, running at full capacity and providing educational services to approximately 300 students. However, SIGIR advised USACE of several problems, including a significant crack in a reinforced concrete beam and a problem stemming from inadequate power supply that affects the pumping of water to the restrooms.⁴¹¹

In Anbar province, the **Sagrah School** has been reconstructed (after damage from an insurgent attack) to provide a secure educational environment. SIGIR found that the new

and rehabilitated portions of the structure were largely sound and capable of serving the needs of students without overcrowding. The only significant issues were likely the result of post-reconstruction abuse affecting lavatories.⁴¹²

SIGIR's inspection of the **Suroor Elementary School** revealed an adequate renovation that largely satisfied the contract requirements. However, a backup generator for lights, ceiling fans, and air conditioning would provide a stable electricity supply, thus creating an environment more conducive to learning. Overcrowding, a lack of routine maintenance, and an inadequate septic system that overflows into neighboring areas continue to be problems.⁴¹³

For more detailed information about these inspections, see Section 4. ♦



A plaque on a school in Dahuk pays tribute to the people of the United States for their help in the reconstruction process.

ECONOMY

Although the private sector has continued to grow, Iraq's economy remains highly statist. Government-owned companies run the oil sector,⁴¹⁵ which provided 90% of GOI revenue in 2008 and is expected to provide over 85% of revenue in 2009.⁴¹⁶ The largest banks in Iraq are also state owned.⁴¹⁷ Consequently, Iraq's economy is intertwined with the GOI's ability to obtain revenue and spend its budget. As of March 31, 2009, the United States had allocated \$1.47 billion, obligated \$1.42 billion, and expended \$1.25 billion for economic development efforts in Iraq.⁴¹⁸

Figure 2.37 shows the status of U.S. funds used to support Iraq's economy.

The sharp decline in oil prices at the end of 2008 has forced the GOI to become more fiscally conservative,⁴¹⁹ cutting the initial draft of the 2009 budget to \$58.6 billion—a 25.8% reduction from the original budget plan of \$79.8 billion.⁴²⁰ The final 2009 budget is still an increase from the base 2008 budget of \$49.9 billion, but the capital budget is down slightly (from \$13.1 billion in the 2008 base budget to \$12.7 billion in 2009).⁴²¹

The Economist Intelligence Unit (EIU) estimates that Iraq's real gross domestic product (GDP) growth strengthened from an estimated 6% growth in 2007⁴²² to 7.8% in 2008, in part due to the improved security situation, which also enhanced private-sector activity—especially in the oil industry. However, if the fluctuation in oil prices continues, EIU expects that the GDP growth rate will drop to 5.7% in 2009.⁴²³

Iraq's dependence on oil-export revenue is aggravated by the continuing challenges of security, corruption, and lack of regulatory laws to protect investors—all limitations to attracting foreign investment.⁴²⁴ Although the United States continues to fund economic support programs for Iraq, reports indicate that the GOI has failed to establish the systems necessary to facilitate investment and encourage economic development.⁴²⁵

THE U.S.-IRAQI PARTNERSHIP TO STRENGTHEN THE BANKING SECTOR AND ENGAGE THE PRIVATE SECTOR WILL PROVIDE THE BUILDING BLOCKS FOR A BROADER ECONOMIC ROLE FOR IRAQ IN THE REGION AND THE WORLD.⁴¹⁴

—AMBASSADOR
MARC WALL,
COORDINATOR
FOR ECONOMIC
TRANSITION IN IRAQ,
JANUARY 28, 2009

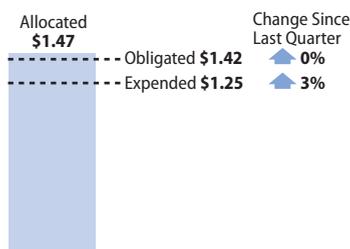
Iraqi Budget

On April 2, 2009, the Presidency Council ratified Iraq's 2009 annual budget,⁴²⁶ which totals \$58.6 billion, including \$45.9 billion for operating expenses and \$12.7 billion for capital expenditure. While the capital budget dropped slightly from the 2008 base budget, the operating budget increased by almost 25%.⁴²⁷

The final 2009 budget is also well below the GOI's first submission of \$79.8 billion in September 2008.⁴²⁸ The Minister of Finance and the Iraqi Prime Minister both lobbied against the budget reduction, cautioning that the cuts could reduce Iraq's ability to bolster electricity and agricultural production.⁴²⁹

Because oil exports account for such a large portion of Iraq's revenue, any substantial downturn in oil prices will damage the GOI budget.⁴³⁰ As of April 3, 2009, a barrel of Kirkuk crude oil

FIGURE 2.37
STATUS OF U.S. FUNDS—ECONOMY
\$ Billions



Note: Numbers affected by rounding.

Sources: DoS, *Section 2207 Report*, 10/2008; GRD, response to SIGIR data call, 4/2/2009; IRMS, *MNC-1 Quarterly Report*, 4/1/2009; ITAO, response to SIGIR data call, 3/29/2009; Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 4/7/2009 and 4/13/2009; USDA, response to SIGIR data call, 4/2/2009.

was selling for \$48 per barrel;⁴³¹ the new 2009 budget assumes a fixed price of \$50 per barrel,⁴³² and older versions of the budget had assumed prices as high as \$80 per barrel.⁴³³

This quarter, total GOI oil revenue dropped substantially—to \$5.8 billion from the \$9.8 billion posted last quarter.⁴³⁴

Figure 2.38 tracks the changes in GOI oil revenue, by month, from 2008 to 2009.

Budget Execution

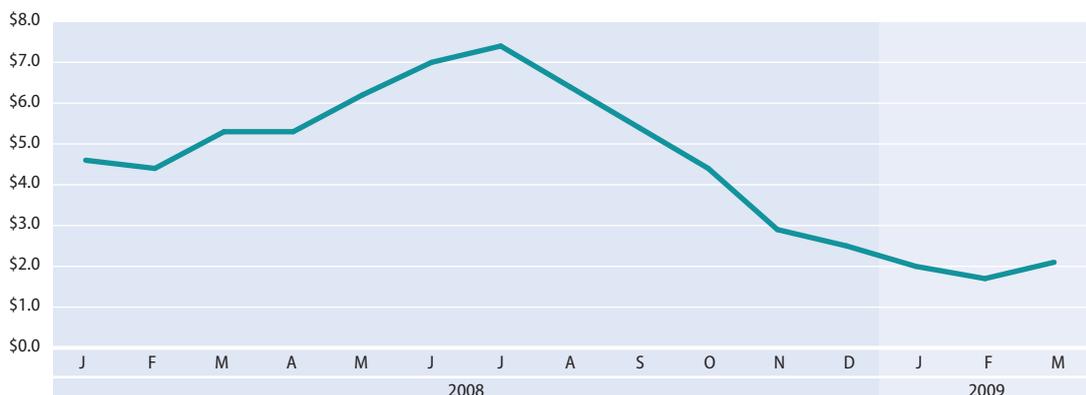
GOI budget execution increased significantly in 2008—overall spending rose from \$2.2 billion per month in 2007 to \$4.1 billion per month in 2008.⁴³⁵ Out of the \$21.1 billion capital budget in 2008 (including base and supplemental),⁴³⁶ expenditures totaled \$8.5 billion, with an additional \$8.2 billion in committed funds. These commitments, also called “advances,” usually represent open letters of credit that the GOI has yet to pay. The U.S. Treasury recognizes committed funds as a crucial step toward better budget execution, but also reports that letters of credit can stymie ministry capital budgets if they are not paid on time.⁴³⁷

Provincial budget execution also improved in 2008. The 15 provinces outside of Kurdistan expended \$2.2 billion and committed an additional \$743 million in 2008 capital budget funds, compared with a combined \$870 million (committed and expended) in 2007. Kurdistan spent \$3.7 billion—almost 100% of its capital allocation.⁴³⁸ For more information on provincial budget execution see Section 3 of this Report.

The United States has been providing support to improve national and provincial budget execution by transitioning the GOI to a financial management system and through the support of the Public Finance Management Action Group (PFMAG).⁴³⁹

Iraq Financial Management Information System
SIGIR has reported several times on the challenges associated with developing a fully functioning Iraq Financial Management Information System (IFMIS).⁴⁴⁰ A functional, integrated financial-management program could increase the efficiency of GOI operations by centralizing and computerizing key budget execution and accounting procedures. The program began in

FIGURE 2.38
MONTHLY GOI OIL REVENUE
\$ Billions



Source: U.S. Treasury, response to SIGIR data call, 4/10/2009.

July 2003, but was suspended early after several large-scale problems, including the lack of coordination between U.S. government agencies and the reluctance of Iraqi ministries to work with the system.⁴⁴¹

The IFMIS initiative was re-launched in January 2008, and the Ministry of Finance anticipates that all GOI spending units will be using the system by June 1, 2009. As an incentive to initiate system use across the government, the minister issued a directive mandating compliance, stating that ministries will not receive their monthly budgets until they have complied.⁴⁴²

As of March 27, 2009, only 52 of 250 GOI spending units had entered transactions into IFMIS.⁴⁴³ Since the “restart,” IFMIS project costs are estimated at almost \$9.7 million. As of April 11, 2009, the United States had invested more than \$31.8 million in the IFMIS project,⁴⁴⁴ and Iraq has invested \$168,000.⁴⁴⁵

Public Finance Management Action Group

PFMAG was established in June 2008 to assist the Iraqi government with its budget execution at both the national and provincial levels. As of March 2009, PFMAG is planning to expand its training programs to include workshops on letters of credit and budget training for newly elected and appointed provincial officers.⁴⁴⁶

Macroeconomic Trends

As of April 2, 2009, the Iraqi dinar (ID) exchange rate was 1,170 ID to one U.S. dollar (USD)—a 2.7% appreciation from April 2008, when the dinar was valued at 1,203 ID per USD. In addition, core inflation has stabilized to near 0%.⁴⁴⁷ Dinar appreciation has strengthened purchasing power in Iraq and contributed to declining inflation, providing a more stable environment for private-sector growth.⁴⁴⁸

In the past, Iraq had considered rebasing the Iraqi dinar to bring its base value closer to that



An Iraqi dock worker ices his catch. (Navy Visual News Service photo by Eric Harris)

of one USD. However, recent data indicates that the venture would prove too costly to make rebasing worthwhile, and the U.S. Treasury reports that there are currently no specific plans to rebase the dinar.⁴⁴⁹

For Iraqi interest, exchange, and inflation rates between 2004 and 2009, see Figure 2.39.

Employment

Population demographics indicate that the Iraqi labor pool is growing at a rate of more than 200,000 people per year. This rate of growth could greatly increase the number of Iraqis unemployed in the coming years, a continuing concern for the nation.⁴⁵⁰

The DoS Bureau of Near Eastern Affairs-Iraq (NEA-I) reports that the number of unemployed Iraqis is extremely difficult to quantify.⁴⁵¹ EIU has reported unemployment rates between 30% and 50%, the United Nations (UN) reports 18%, and the GOI reports 15%.⁴⁵² If the unemployment rate included “discouraged workers,” the UN Assistance Mission for Iraq (UNAMI) estimates that the number would increase “significantly.” Discouraged workers are employable

FIGURE 2.39
INTEREST, EXCHANGE, AND INFLATION RATES IN IRAQ

Lending Interest Rate (Policy Rate)

Interest rate paid by Central Bank of Iraq (CBI) for commercial bank deposits.



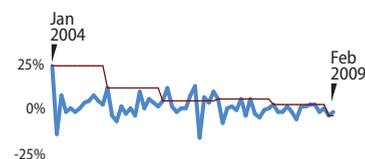
Exchange Rate

Average for the Iraqi dinar exchange rates against the U.S. dollar in the daily CBI auction.



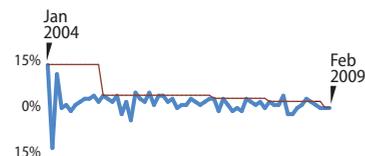
Overall Price Inflation (% change)

Monthly (blue) and year-on-year (red) inflation rates for overall consumer price index.



Core Inflation (% change)

Monthly (blue) and year-on-year (red) inflation rates for core consumer price index that excludes the costs of fuel, electricity, transportation, and communications.



Note: Numbers affected by rounding. Inflation rate is calculated as the average consumer price index over the month, as compared to the previous month.

Source: CBI, *Key Financial Indicators*, 3/25/2009, www.cbi.iq, accessed 4/3/2009.

people who have given up trying to find a job because they found no suitable employment options or were unsuccessful when applying for positions.⁴⁵³ Despite the challenges in quantifying the actual rate of unemployment, Iraqi survey data issued in April 2009 indicates that the unemployment rate is dropping.⁴⁵⁴

The UN estimates that young men aged 15–29 make up at least 57% of total unemployed Iraqis. The last two years saw an increase in hiring for men older than 46, leaving fewer jobs for younger men.⁴⁵⁵ Iraqi women face employment challenges as well—more than half the women surveyed by Oxfam International in the second half of 2008 reported being unemployed. Of those who were unemployed, 17% indicated that they were not allowed to work, and 7% reported that they did not work because it was not safe.⁴⁵⁶

With approximately 2.9 million Iraqis (nearly 40% of the total workforce) working in the GOI,

the public sector remains the largest employer.⁴⁵⁷ However, the salaries of these employees are highly dependent on government revenue. Lower oil prices mean fewer opportunities for those looking for employment in the GOI.⁴⁵⁸

Foreign Investment

In 2008, Iraq signed contracts for approximately \$2.3 billion in foreign direct investment, mostly in oil contracts. Iraq has also signed a \$3 billion deal with the China National Petroleum Corporation to develop the Adhab oil field in central Iraq.⁴⁵⁹

Although the U.S. Embassy reports that Iraq has made some progress toward encouraging foreign investment in Iraq, the overall investment environment remains “unfriendly.”⁴⁶⁰ In 2009, Iraq fell 6 places in the World Bank’s *Ease of Doing Business* report—it now ranks 152 out of 181 world economies.⁴⁶¹ Despite its success

with oil contracts, the GOI has consistently failed to pass laws that would protect investors, and it has yet to comply with international investment guidelines.⁴⁶²

Investors still cite security as the primary obstacle to investment in Iraq;⁴⁶³ however, the U.S. Embassy recognizes several other challenges that have impeded foreign investment, including:⁴⁶⁴

- cumbersome requirements to register a new business
- prohibition of land ownership by foreigners
- unreliable dispute-resolution mechanisms
- poor enforcement of property ownership and collection laws
- insufficient access to water, electricity, and sewer services
- prevalence of corruption

The National Investment Law of 2006 included incentives for foreign investors; however, many of these have yet to be implemented or have had limited success, and the law does not apply to investments in oil, banking, and insurance.⁴⁶⁵

One of the main components of the National Investment Law was a planned “one-stop shop” for foreign investors. The law mandated the establishment of a National Investment Commission and Provincial Investment Commissions, designed to provide everything a foreign investor needed to work in Iraq. The commissions were expected to provide information, sign contracts, and facilitate registration for new companies. In practice, however, the commissions struggled with unclear leadership, budget restrictions, poor training, and inadequate standard operating procedures. Many of the investments announced by the commissions failed to break ground.⁴⁶⁶

The National Investment Commission website is accessible to both English and Arabic speakers, with data on private sectors in Iraq, including:⁴⁶⁷



Students attend a business startup course at the Small Business Development Center in Najaf. (OPA photo)

- agriculture and livestock
- construction materials
- financial services and banking
- logistics and transport
- oil and gas
- petrochemicals and plastics
- pharmaceuticals and medical equipment
- telecommunications
- tourism

The National Investment Commission website (www.investpromo.gov.iq) discusses history and development for each sector and includes links to related topics, as well as metrics. For example, the construction-materials page includes an overview of the government’s investment in the sector, a discussion of the raw materials available for production in Iraq, labor supply, and links to UN, World Bank, and GOI reports on construction. The site also provides provincial profiles, identifies Iraqi laws that affect investment, and provides application forms for investment licenses.⁴⁶⁸

In April 2008, a World Trade Organization (WTO) working party assigned to assess Iraq’s trade and economic policies supported the country’s request for WTO membership. The working party stated that a speedy accession into WTO would bolster the country’s integration with the

world economy.⁴⁶⁹ However, in the last year, Iraq's plan to achieve WTO accession was delayed.⁴⁷⁰

WTO accession requires the nation in question to have laws that protect the public from unfair business practices (such as price-fixing and bid rigging). Iraq had planned to send laws banning both practices to the Council of Representatives in 2008; however, the U.S. Embassy reports that both have been delayed.⁴⁷¹

Foreign Investment in Kurdistan

Investment regulation is not exclusively a federal power in Iraq. In keeping with regional independence, Kurdistan has its own investment legislation—Law 89, passed in 2004.⁴⁷² According to the U.S. Treasury, anecdotal evidence has shown that Kurdistan receives a higher per capita volume of investment than the rest of Iraq, attributable mainly to contracting in the oil sector.⁴⁷³

Banking

The Iraqi banking system includes 45 banks, with more than 800 banking branches throughout Iraq.⁴⁷⁴ Although the majority of Iraqi banks (38 of 45) are privately owned,⁴⁷⁵ state-owned banks are much larger.⁴⁷⁶ In 2007, the U.S. Central Intelligence Agency estimated that the two largest state-owned banks (Rafidain and Rasheed) accounted for 86% (or \$1.8 billion) of all the assets in the Iraqi banking system.⁴⁷⁷ Rafidain and Rasheed are currently being restructured with support from the U.S. Treasury and the World Bank.⁴⁷⁸ Assessments of the two banks found substantial operational problems, including no documented objectives, strategy, or business plan; no formally recognized risk management function; and inadequate or outdated information technology and infrastructure.⁴⁷⁹

As discussed below, private banks are receiving support from the Task Force to Improve Business and Stability Operations (TF-BSO).⁴⁸⁰

TABLE 2.33

IRAQ'S REMAINING ESTIMATED DEBT

CREDITOR	ESTIMATED DEBT OWED
Gulf Cooperation Council (GCC)	\$26.9 – \$52.2
Non-Paris Club Countries without Bilateral Agreements	\$13.6 – \$16.3
Paris Club	\$7.6
Non-Paris Club Countries with Signed Bilateral Agreements	\$0.7

Note: Numbers affected by rounding. All numbers are estimates.

Source: U.S. Treasury, response to SIGIR data call, 4/15/2009.

Reports indicate that private banking is growing—many banks are expanding into new provinces. Although Baghdad still boasts the most banking branches by far (with a total of 326), each province has several banks with branches in their area. Muthanna has the fewest, with only seven branches.⁴⁸¹

Debt Relief

As of April 15, 2009, approximately \$74.1 billion in Iraqi debt has been forgiven. Paris Club creditors have forgiven \$42.3 billion in debt, but Iraq still owes the Club approximately \$7.6 billion.⁴⁸² Additional debt forgiveness to Iraq includes \$20.9 billion from commercial creditors, \$12 billion from Russia, and \$7 billion from the United Arab Emirates.⁴⁸³

Iraq still owes its largest debts to Saudi Arabia (\$15.7 billion–\$39 billion), China (approximately \$8.5 billion), and Kuwait (\$8.2 billion).⁴⁸⁴ Although Saudi Arabia has publicly committed to forgiving 80% of Iraq's debt, the amount of interest owed remains in contention.⁴⁸⁵

On March 6, 2009, Iraq signed a debt relief agreement with Tunisia for \$187 million. Based on Paris Club terms, Iraq agreed to pay 10.25% of the debt up front in exchange for a cancellation of the rest of the amount owed.⁴⁸⁶ Table 2.33 shows Iraq's estimated remaining debt.

Economic Development

The Iraqi Prime Minister recognizes that GOI dependence on oil revenue leaves Iraq vulnerable to the vicissitudes of the global market. In February 2009, he announced plans to use funds from oil revenue to invest domestically in existing industries to expand Iraq's revenue base. Diversifying Iraq's sources of revenue would leave the country less vulnerable to the fluctuation of oil prices.⁴⁸⁷

Agriculture

As the second-largest private industry in Iraq, representing between 5% and 10% of the national GDP, the agriculture industry has seen an influx of support from both the United States and the GOI. It is also a leading employer of Iraqis, employing approximately 25% of the Iraqi workforce.⁴⁸⁸

Approximately 30 million acres of Iraq's land (out of 108 million in the nation) is suitable for agricultural development—20 million acres of agriculturally viable land is irrigable; the other 10 million acres are rain-fed. Irrigation systems throughout Iraq have suffered from nearly two decades of neglect, which has limited agricultural water supply.⁴⁸⁹ Iraqi agriculture is also still suffering from the after-effects of the 2008 drought, which has significantly limited agricultural production.⁴⁹⁰

Inma Agribusiness Program

The U.S.-funded Inma Agribusiness Program supports the development of Iraq's annual horticulture, perennial horticulture, fish and poultry, and beef and lamb agricultural markets.⁴⁹¹

This quarter, Inma provided \$4.1 million in agricultural production micro-credits to support rural entrepreneurship. The Izdiharona Micro-Finance Institution in Babylon will issue \$1.1 million, and the Al-Thiqa Micro-Finance Institution in Ninewa will issue \$3 million in

micro-credits.⁴⁹² Other Inma initiatives this quarter included:

- Orchard Revitalization: Inma provided \$800,000 to finance the importation of 61,000 grape vines and fruit tree stock.⁴⁹³ The plants were nursery-grown in California and then distributed to Iraqi farming families.⁴⁹⁴
- Irrigation Forum: A conference in March titled "Reviving Irrigation Districts" provided Iraqi leaders in agricultural research, economics, and policy with an opportunity to discuss irrigation issues.⁴⁹⁵

Iraq Agricultural Extension Revitalization Project

The U.S.-funded **Iraq Agricultural Extension Revitalization (IAER) Project** aims to bolster rural economic development. The U.S. Department of Agriculture (USDA) manages the effort, and with help from five land-grant universities, IAER has been working to increase the capacity of the Iraqi Ministries of Agriculture and Higher Education⁴⁹⁶ by providing training sessions on management, production, and marketing for Iraqi nationals.⁴⁹⁷ The project focuses on five major agricultural extension areas:⁴⁹⁸

- horticulture production
- livestock and animal health
- agribusiness and post-harvest activities
- arid crop production
- water resource management

As of March 16, 2009, IAER had conducted 21 agricultural extension seminars to train nearly 500 Iraqi extension personnel. In addition, IAER has provided micro-grants and support to farmers who use the skills learned in their seminars.⁴⁹⁹

The U.S. Department of State (DoS) has provided \$12.2 million to fund the project.⁵⁰⁰ Since its inception in 2006, \$11.8 million has been released to the USDA Cooperative State Research, Education, and Extension Service

(CSREES)⁵⁰¹ for use on this program; the remaining \$400,000 is currently budgeted for CSREES overhead expenses.⁵⁰² The program is expected to be completed in 2010.⁵⁰³

Task Force to Improve Business and Stability Operations

Last quarter, the Iraqi Minister of Planning and Development Cooperation stated that privatization would be key to the success of state-owned enterprises;⁵⁰⁴ however, NEA-I reports that privatization has been slow to take effect.⁵⁰⁵

TF-BSO initiatives focus on revitalizing state-owned enterprises to stimulate the Iraqi economy and create jobs. Although it had planned to complete at least seven joint ventures, only one “signed and functioning” joint venture existed between state-owned factories and multi-national private investment consortiums, as of April 2009.

MNC-I reports that, until recently, another venture was in process, but it was canceled after German-led investors were confronted with

limited cooperation by the GOI, an unreliable power supply, and an uncooperative workforce. Since the termination of the venture, the GOI director of the project has been removed. Three more ventures currently await signature by investors, two are awaiting GOI approval, and two are under negotiation.⁵⁰⁶

TF-BSO has also supported the revitalization of 66 state-owned factories. Newer projects are focused in Basrah, Tameem, and Ninewa. As of March 2009, 30 factory revitalization efforts are ongoing.⁵⁰⁷

TF-BSO has been working with private banks to establish a retail payments consortium. The consortium allows banks to use debit cards both domestically and internationally. As of March 2009, nearly 200 private bank branches had been automated and linked to international financial systems. Approximately \$4.2 million has been obligated to TF-BSO for this project.⁵⁰⁸ Table 2.34 provides further information on project outcomes. ♦

TABLE 2.34

TASK FORCE TO IMPROVE BUSINESS AND STABILITY OPERATIONS EFFORTS WITH PRIVATE BANKS

Electronic Funds Transfer	<ul style="list-style-type: none"> Nearly \$1 billion in cash has been removed from the battlefield since inception of the Joint Contracting Command-Iraq (JCC-I) mandatory electronic funds transfer (EFT) pay policy in October 2007. Approximately 50% of these electronic payments have gone to Iraqi banks. TF-BSO has staffed its EFT Assistance Center with Iraqis to facilitate payment to host-nation contractors as a means of supporting a policy of prompt electronic payment through Iraqi private banks.
Financial Consortium Creation and Point-of-Sale (POS) Devices	<ul style="list-style-type: none"> The task force has supported the creation of AMWAL, a financial services consortium of private Iraqi banks. AMWAL has deployed POS machines at major hotels, duty-free stores, carpet shops, specialty shops, and restaurants in Baghdad, Erbil, and Sulaymaniyah. The POS devices acquire transactions from MasterCard and JCB debit and credit cards recently issued by Iraqi banks. AMWAL member banks are now licensed to issue MasterCard debit and credit cards and connect their Automated Teller Machines to the Visa and MasterCard networks, enabling international travelers to withdraw money at Iraqi banks.

Source: TF-BSO, response to SIGIR data call, 4/6/2009.

