

RECONSTRUCTION FUNDING SOURCES AND USES

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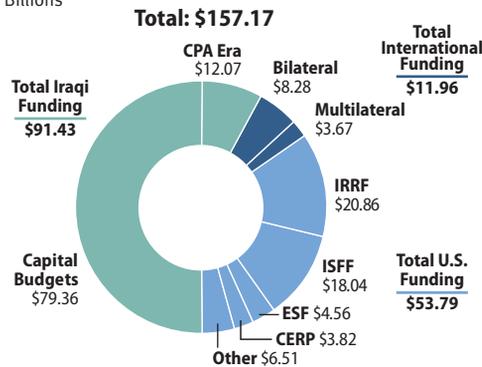
FUNDING SOURCES

As of June 30, 2010, \$157.17 billion had been made available for the relief and reconstruction of Iraq through three main sources:⁶⁰

- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and Iraqi capital budgets—\$91.43 billion
- international commitments of assistance and loans from non-U.S. sources—\$11.96 billion
- U.S. appropriations—\$53.79 billion

See Figure 2.1 for an overview of these funding sources.

FIGURE 2.1
FUNDING SOURCES, 2003–2010
\$ Billions



Note: Data not audited. Numbers affected by rounding. CPA-era Iraqi funds include \$1.72 billion in vested funds, \$0.93 billion in seized funds, \$9.33 billion in DFI, and \$0.09 billion in CERP funds provided by the Central Bank of Iraq.

Sources: GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010; DFAS, response to SIGIR data call, 4/13/2010; GOI, "Budget Revenues and Expenses 2003, July–December," 2003; GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; SIGIR, *Quarterly Report to the United States Congress*, 4/2009, p. 26; P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28; P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149; P.L. 111-117; P.L. 111-118; P.L. 111-32.

Iraqi Funding

As of June 30, 2010, Iraq had provided \$91.43 billion for relief and reconstruction: \$12.07 billion through Iraqi funding from the CPA era and \$79.36 billion through its annual capital budgets.⁶¹

2010 GOI Revenue Projections

As of June 30, 2010, the Government of Iraq (GOI) had received \$24.35 billion in oil receipts since the beginning of the calendar year. Assuming that average export volumes and prices remain the same during the second half of the year, the GOI would receive \$48.70 billion in total annual oil receipts for 2010, 32% more than the \$37.02 billion in 2009 oil receipts.⁶² Since the beginning of the year, Iraq has received an average of \$74.93 per barrel of oil exported,⁶³ well above the price of \$62.50 per barrel used to project Iraqi oil revenues for 2010.⁶⁴

The 2010 Iraqi budget projected a deficit of \$19.59 billion.⁶⁵ However, oil revenue has exceeded the GOI's projections for every month since June 2009,⁶⁶ and if current trends hold constant, Iraq will exceed its revenue projections for the year.⁶⁷ Moreover, according to the U.S. Department of Defense (DoD), delays in government formation

will slow authorization to execute capital budgets.⁶⁸ Given these trends, some observers believe Iraq will end the year with a budget surplus.⁶⁹

Outcomes were similar in 2009. For that year, the GOI projected a deficit of \$15.9 billion, primarily because of low oil prices in late 2008.⁷⁰ However, low execution rates for the annual capital budget and increased oil prices by the end of 2009 resulted in a budget surplus of \$2.5 billion.⁷¹

National Development Plan

Iraq's new *National Development Plan* (NDP), covering the period from 2010 to 2014, was publicly released on July 4, 2010. The NDP charts a course for social and economic development and environmental protection that will require a \$100 billion investment from the GOI and \$86 billion from

the private sector. The NDP assumes that Iraq will generate \$334 billion in revenue between 2010 and 2014, based on a projected average oil price of \$60 per barrel in 2010, \$63 in 2011, and \$68 in 2012–2014. For further information about the NDP and its goals, see Section 1 of this Report.⁷²

International Support

As of June 30, 2010, international (non-U.S.) donors had committed \$11.96 billion for the relief and reconstruction of Iraq: \$6.15 billion in grant assistance and \$5.81 billion in loans.⁷³ This quarter, total commitments increased by \$509.4 million (4%).⁷⁴

- Japan committed \$109.4 million in bilateral humanitarian grant assistance.
- Italy committed \$150.0 million in loans, doubling its previous commitment.
- The World Bank released the second \$250 million tranche of its Development Policy Loan for Iraq in support of the GOI's reform program, which focuses on public financial management, financial sector reform, and poverty reduction.

As of June 30, 2010, international donors had pledged \$18.10 billion: \$5.26 billion in grant assistance and \$12.84 billion in loans.⁷⁵ According to the Bureau of Near Eastern Affairs (NEA-I) at the U.S. Department of State (DoS), Iraq could take advantage of soft loans pledged by donors to maintain momentum for economic development if low oil prices result in insufficient GOI revenues.⁷⁶

Commitments total 66% of pledges, but the percentage varies considerably among donors. The commitments of some donors have exceeded their pledges. Other donors, notably in the Middle East, have committed far less than they pledged.⁷⁷ For a breakdown of pledges and commitments, by type of assistance and donor, see Figure 2.2.

UNDAF: New Framework for UN Assistance

On May 11, 2010, the United Nations Country Team (UNCT) in Iraq released the *United Nations Development Assistance Framework for Iraq 2011–2014* (UNDAF), prepared in consultation with the GOI Ministry of Planning and Development Cooperation (MoPDC).⁷⁸

The UNDAF reflects UN and Iraqi implementation of the Paris Declaration of Principles for Aid Effectiveness, which emphasizes host-country ownership of the development-assistance process. It also reflects the UN's assumption of the leading role in coordinating with the international community.⁷⁹

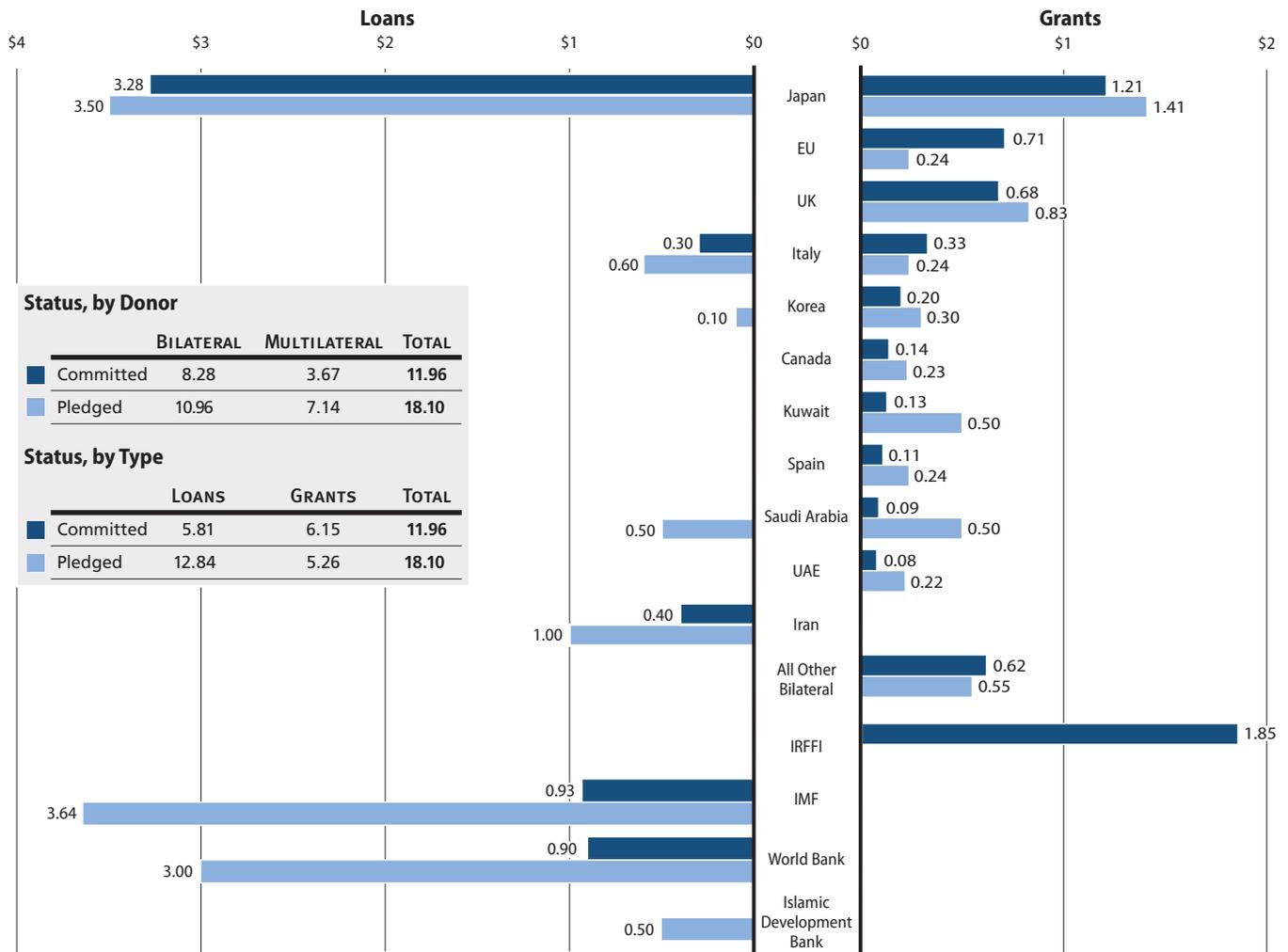
The UNDAF has much in common with the *International Compact with Iraq* (ICI), a five-year national plan—launched in 2007—that included benchmarks and mutual commitments for the GOI and the international community.⁸⁰ Like the UNDAF, the ICI was negotiated with the UN and was based, in part, on the Millennium Development Goals. The two plans contain many similar objectives and implementation mechanisms.⁸¹

The first and only ministerial-level ICI review meeting was held in May 2008. The conference report cited significant legislative progress, positive economic indicators, and consolidation of recent security gains, but noted ongoing human rights problems.⁸² An annex to the report detailed progress toward 272 benchmarks: 52 (19%) were achieved or approved; 146 (54%) were in progress, partially achieved, or near completion; 58 (21%) were not started or delayed; and 16 (6%) had no data.⁸³ Some objectives that were “not started” have since been completed, such as the creation of a national anticorruption strategy. Others that were “in progress,” such as comprehensive hydrocarbons legislation, remain unresolved.⁸⁴ According to NEA-I, subsequent reviews at the sub-ministerial and ambassadorial levels preceded the transition from the ICI to the UNDAF.⁸⁵

The commitments of some donors have exceeded their pledges. Other countries have committed far less than they pledged.

RECONSTRUCTION FUNDING SOURCES AND USES

FIGURE 2.2
INTERNATIONAL GRANTS AND LOANS, BY TYPE OF ASSISTANCE, STATUS, AND DONOR
\$ Billions



Note: Data not audited. Numbers affected by rounding. Bilateral commitments exclude IRFFI deposits. Amounts may differ from prior quarters due to changes in foreign exchange rates.

Source: NEA-I, response to SIGIR data call, 7/13/2010.

UNDAF Priorities and Available Resources

The UNDAF cites Iraq’s substantial oil revenue as a means to accelerate the nation’s recovery to middle-income status, but cautions against the potential for corruption. According to UNCT analysis, Iraq “lacks the systems necessary to ensure state accountability and transparency,” and the UNDAF concludes

that “the development process is inextricably linked with the political one.”⁸⁶

Based on the UN Millennium Development Goals, a joint UN-Iraq needs assessment, and the GOI’s five-year NDP, the UNDAF identifies five priority areas and estimates resource requirements for those areas:⁸⁷

1. improved governance, including the protection of human rights (\$299 million)
2. inclusive, more equitable, and sustainable economic growth (\$417 million)
3. environmental management and compliance with ratified international environmental treaties and obligations (\$219 million)
4. increased access to quality essential services (\$870 million)
5. investment in human capital and empowerment of women, youth, and children (\$98 million)

The total estimated cost of the UNDAF is approximately 1% of the total cost of the NDP.

The total estimated cost of the UN’s contribution to the five-year UNDAF effort is almost \$1.90 billion, of which only \$250 million was available to support the framework when it was released. The remaining \$1.65 billion had yet to be “mobilized” from donor countries.⁸⁸ According to NEA-I, donors pledged \$3.51 billion to support its precursor, the ICI: \$723 million from bilateral donors and \$2.79 billion from multilateral donors. No data is available on ICI commitments.⁸⁹

Covering a similar period of time, the total cost of the UNDAF is approximately 1% of the total cost of the NDP.⁹⁰

UNDAF Implementation Plan and Metrics

The UNDAF is a strategic framework. A national-level steering committee will periodically assess progress, but actual implementation depends on the ability of UN agencies and Iraqi partners to put the framework into action in support of Iraq’s national priorities. Working groups organized around the five priorities will focus on planning, monitoring, and evaluating programs and projects.⁹¹

The UNDAF, like the ICI, includes many metrics to assess progress toward meeting the agreed upon goals. For an example related to international funding, see Table 2.1. Additional UNDAF metrics and targets can be found throughout this Report.

UNDAF Assumptions and Risks

Iraq’s MoPDC will remain the UNCT’s primary partner,⁹² but almost every part of the Iraqi

TABLE 2.1
UNDAF TARGET FOR INTERNATIONAL AID

METRIC	BASELINE	2014 TARGET
Percentage of international aid flows which reflect development priorities of Iraq	15% (2009)	60%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

government is involved in some aspect of the framework. The UNDAF calls for particular emphasis on the increased engagement of civil society and the private sector.⁹³ The broad array of GOI partners is potentially problematic given post-election uncertainties, including the development priorities and capacities of the new ruling coalition.⁹⁴

The UNDAF identifies several overarching assumptions as necessary to successful implementation:⁹⁵

- Security and access to communities will continue to improve.
- The incoming government will honor the commitments made by the incumbent government.
- Sufficient resources will be available to realize the UNDAF.
- There will be willingness from the people of Iraq as a whole to support and be engaged in the process of their own recovery and development.

Overarching risks identified by the UNDAF include:⁹⁶

- Major shifts within ministries and other counterpart institutions following elections could delay implementation of agreed programs.
- Capacity gaps within government and social institutions may undermine governance and reform efforts.
- Relationships between central and provincial authorities regarding decentralization may remain unresolved.
- Global economic and political influences may hinder growth.

- Renewed violence may trigger population movements and create an overriding humanitarian situation.

U.S. Funding

Since 2003, the U.S. Congress has appropriated or otherwise made available \$53.79 billion for reconstruction efforts in Iraq, including the building of physical infrastructure, establishment of political and societal institutions, reconstitution of security forces, and the purchase of products and services for the benefit of the people of Iraq.⁹⁷

As of June 30, 2010, \$47.28 billion had been made available through four major funds:⁹⁸

- Iraq Relief and Reconstruction Fund (IRRF)—\$20.86 billion
- Iraq Security Forces Fund (ISFF)—\$18.04 billion
- Economic Support Fund (ESF)—\$4.56 billion
- Commander’s Emergency Response Program (CERP)—\$3.82 billion

Among the major funds, \$2.08 billion of obligated funds had not been expended as of June 30, 2010. An additional \$2.34 billion remained unobligated, but \$1.35 billion of these unobligated funds had expired. Only funds that have not yet expired—\$995 million as of June 30, 2010—may be obligated to new projects.⁹⁹

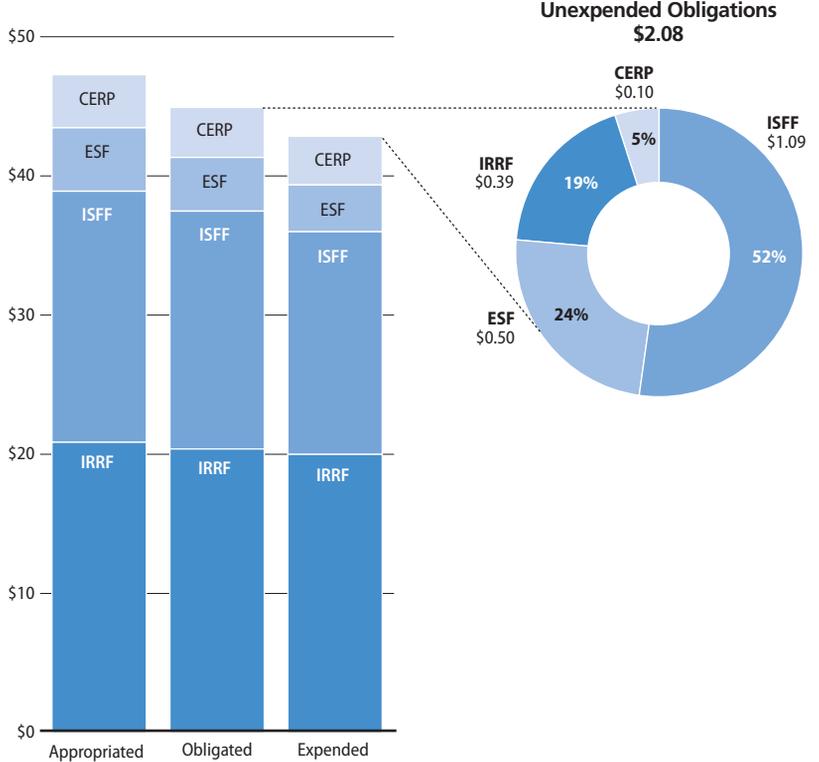
The Congress also made \$6.51 billion available through several smaller funding streams.¹⁰⁰

For an overview of U.S. appropriations, obligations, and expenditures from the four major funds, as of June 30, 2010, see Figure 2.3. For details on appropriations and the status of funds as of June 30, 2010, see Table 2.3.

FY 2010 Supplemental Request Considered by Congress

Last quarter, the Administration requested \$4.45 billion in new appropriations for Iraq reconstruction: \$1.52 billion in FY 2010 supplemental appropriations and \$2.93 billion in FY 2011

FIGURE 2.3
STATUS OF MAJOR U.S. FUNDS
\$ Billions



Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 111-117; P.L. 111-118; P.L. 111-32; DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

regular appropriations.¹⁰¹ The Administration also requested \$1.57 billion in reconstruction-related operating expenses for DoS, which were intended to support the transition of five Provincial Reconstruction Teams (PRTs) to more permanent Enduring Presence Posts (EPPs) administered by the Chief of Mission.¹⁰² The Administration’s budget requests are currently being considered by the Congress; for the status as of July 22, 2010, see Table 2.2.

On March 24, 2010, the House passed H.R. 4899, its FY 2010 supplemental appropriations bill. As

TABLE 2.2
FY 2010 SUPPLEMENTAL AND FY 2011 REGULAR APPROPRIATIONS, AS OF 7/22/2010
 \$ Millions

FUND	FY 2010 SUPPLEMENTAL				FY 2011	
	REQUEST	HOUSE	SENATE	APPROPRIATION	REGULAR REQUEST	
Foreign Assistance						
Defense	ISFF	1,000	1,000	1,000	*	2,000
	CERP					200
	Subtotal	1,000	1,000	1,000	*	2,200
Foreign Operations	ESF	0				383
	INCLE	517	650	650	*	315
	NADR	0				30
	IMET	0				2
	Subtotal	517	650	650	*	729
Total Assistance	1,517	1,650	1,650	*	2,929	
Reconstruction-Related Operating Expenses						
State	1,570	1,030	1,030	*	0	
Total Operating	1,570	1,030	1,030	*	0	

Note: Numbers affected by rounding. The table reflects the House Appropriations Committee’s July 1, 2010, amendment to H.R. 4899. The amounts passed by the House and Senate are not final. Negotiations are ongoing, and it is not known when the final bill will pass.

Sources: DoD, “Fiscal Year 2011 Budget Request: Overview,” 2/2010, Chapter 6, pp. 5, 9; DoS, “FY 2010 Supplemental Budget Justification,” 2/1/2010, p. 31; DoS, “FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables,” 3/8/2010, p. 23; H.R. 4899; Senate Report 111-188, to accompany H.R. 4899, “Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes,” pp. 25, 55, 64.

originally passed, the bill contained largely summer jobs and disaster relief provisions and did not include any funding for Iraq or DoS operations.¹⁰³

On May 27, 2010, the Senate passed its amendment to H.R. 4899.¹⁰⁴ The bill included \$1.00 billion for the ISFF, to remain available until September 30, 2011. It also included \$650 million in International Narcotics Control and Law Enforcement (INCLE) funding for Iraq: \$450 million for one-time start-up costs and limited operational costs of the Iraqi police program; and \$200 million for implementation, management, security, communications, and other expenses related to the program.¹⁰⁵ This represented a net increase of \$133 million to the Administration’s request—less money than requested for one-time start-up costs associated with DoS’s new police training responsibility, but an additional \$200 million for an unrequested, police-related “Implementation, Management, and Security” line item.¹⁰⁶

In its report accompanying the bill, the Senate Appropriations Committee allocated \$1.03 billion “to support additional personnel, temporary facility construction, and security for the transition to a civilian-led effort in Iraq.” The net recommendation for reconstruction-related operating expenses was \$540 million less than the Administration’s request. The Senate Appropriations Committee noted that it supported the placement of posts “along volatile Arab-Kurdish fault lines,” and allowed funding for temporary facility construction for that purpose, but did not recommend a requested \$527 million for “site development and construction of permanent consulates in Basrah and northern Iraq.” Instead, the committee recommended that funding requirements for these facilities be prioritized within the amounts appropriated for Embassy security, construction, and maintenance in regular appropriations acts.¹⁰⁷

RECONSTRUCTION FUNDING SOURCES AND USES

TABLE 2.3
U.S. APPROPRIATED FUNDS
\$ Millions

	APPROPRIATIONS BY FISCAL YEAR, FY 2003–FY 2008					
	P.L. 108-7, P.L. 108-11	P.L. 108-106, P.L. 108-287	P.L. 109-13	P.L. 109-102, P.L. 109-148, P.L. 109-234	P.L. 109-289, 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
	2003	2004	2005	2006	2007	2008
MAJOR FUNDS						
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2) ^a	2,475	18,389				
Iraq Security Forces Fund (ISFF)			5,490	3,007	5,542	3,000
Economic Support Fund (ESF) ^b	50			1,545	1,478	664
Commander's Emergency Response Program (CERP) ^c		140	718	649	743	986
Subtotal	2,525	18,529	6,208	5,201	7,764	4,650
OTHER ASSISTANCE PROGRAMS						
Natural Resources Risk Remediation Fund (NRRRF) ^d	801					
Iraq Freedom Fund (Other Reconstruction Activities) ^e	700					
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	1				66	278
International Narcotics Control and Law Enforcement (INCLE)	20			91	170	85
P.L. 480 Food Aid (Title II and Non-Title II)	368		3			24
Democracy Fund (Democracy)					250	75
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7		45	85
Iraq Freedom Fund (TFBSO)					50	50
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) ^f					19	16
Child Survival and Health Programs Fund (CSH)	90					
Department of Justice (DoJ)	37			5	6	10
Education and Cultural Exchange Programs (ECA) ^g				7	5	7
International Affairs Technical Assistance				13	3	
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	3	3			
U.S. Marshals Service			1	3	2	2
International Military Education and Training (IMET)					1	
Alhurra-Iraq Broadcasting		5				
Subtotal	2,049	9	14	119	618	631
RECONSTRUCTION-RELATED OPERATING EXPENSES						
Coalition Provisional Authority (CPA) ^h		908				
Project and Contracting Office (PCO) ⁱ				200	630	
USAID Operating Expenses (USAID OE)	21		24	79		46
U.S. Contributions to International Organizations (IO Contributions)						38
Iraq Freedom Fund (PRT Administrative Costs)					100	
Subtotal	21	908	24	279	730	84
RECONSTRUCTION OVERSIGHT						
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	3
USAID Office of the Inspector General (USAID OIG)	4	2	3		3	7
DoD Office of the Inspector General (DoD OIG)				5		21
DoS Office of the Inspector General (DoS OIG)				1	3	4
Defense Contract Audit Agency (DCAA)					16	
Subtotal	4	77	3	30	57	34
Total	4,599	19,523	6,249	5,629	9,169	5,399

^a The Congress initially appropriated \$18,649 million to IRRF 2, but earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. The Administration transferred another \$562 million for Iraq-related programs that could be implemented only in other accounts (such as bilateral debt forgiveness). In FY 2006, the Congress transferred roughly \$10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded \$50 million.

^b FY 2003 reflects \$40 million from the ESF base account that was not reimbursed and \$10 million from P.L. 108-11.

^c Generally, the Congress does not appropriate the CERP to a specific country, but rather to a fund for both Iraq and Afghanistan. SIGIR reports DoD's allocation to the CERP for Iraq as an appropriation. FY 2009 CERP funding was provided under P.L. 110-252.

^d Includes funds transferred from the Iraq Freedom Fund (IFF).

^e Includes funds appropriated to the IFF by P.L. 108-11, Title I, and transferred to reconstruction activities, with the exception of funds transferred to NRRRF, which are recorded under that fund.

^f The \$20 million reported for FY 2009 was appropriated by P.L. 111-8.

^g The status of funds as of 3/31/2010 for ECA was not available.

^h Excludes \$75 million for the Special Inspector General for Iraq Reconstruction under P.L. 108-106.

ⁱ Reconstruction support funding is provided for Project and Contracting Office (PCO) activities per the P.L. 109-234 and P.L. 110-28 conference reports.

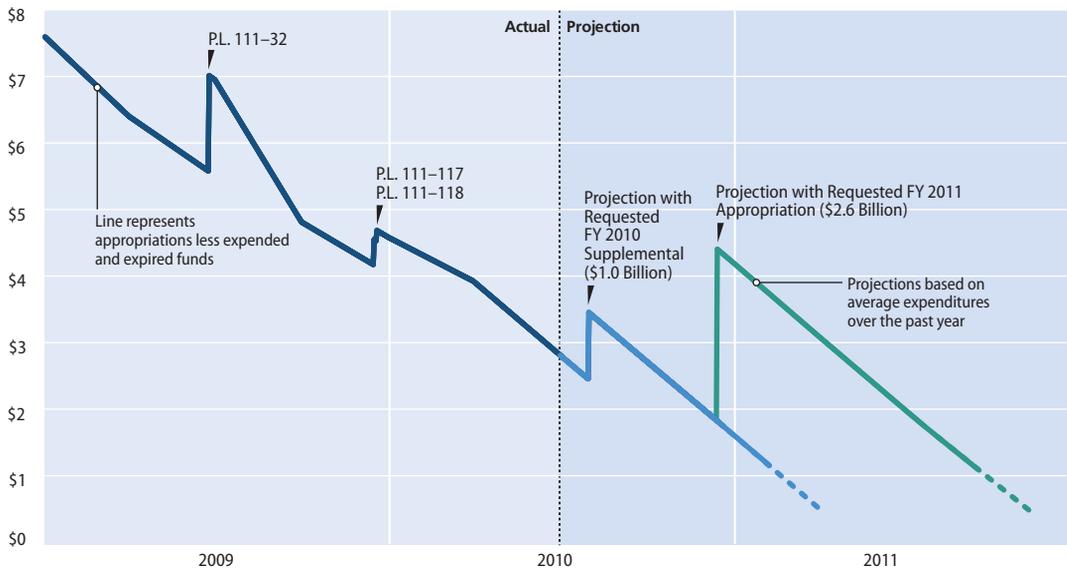
	FY 2009		FY 2010		TOTAL APPROPRIATED	STATUS OF FUNDS		
	P.L. 110-252, P.L. 111-32		P.L. 111-117	P.L. 111-118		OBLIGATED	EXPENDED	EXPIRED
	6/24/09	12/16/09	12/19/09					
MAJOR FUNDS								
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)					20,864	20,385	19,991	479
Iraq Security Forces Fund (ISFF)	1,000				18,039	17,091	16,003	483
Economic Support Fund (ESF)	439	383			4,559	3,857	3,361	254
Commander's Emergency Response Program (CERP)	335		245		3,816	3,601	3,502	134
Subtotal	1,774	383	245		47,278	44,934	42,857	1,349
OTHER ASSISTANCE PROGRAMS								
Natural Resources Risk Remediation Fund (NRRRF)					801	801	801	
Iraq Freedom Fund (Other Reconstruction Activities)					700	680	654	
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	260				604	592	546	
International Narcotics Control and Law Enforcement (INCLE)	20	52			438	368	240	
P.L. 480 Food Aid (Title II and Non-Title II)					395	395	395	
Democracy Fund (Democracy)					325	265	197	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	51	6			219	215	194	
Iraq Freedom Fund (TFBSO)	74				174	86	50	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	36	30			101	62	62	
Child Survival and Health Programs Fund (CSH)					90	89	89	1
Department of Justice (DoJ)	4	3			65	58	36	
Education and Cultural Exchange Programs (ECA)	7	7			33			
International Affairs Technical Assistance					16	16	14	
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)					16	16	10	
U.S. Marshals Service	1				9	9	9	
International Military Education and Training (IMET)	2	2			6	6	3	
Alhurra-Iraq Broadcasting					5	5	5	
Subtotal	454	101			3,996	3,663	3,304	1
RECONSTRUCTION-RELATED OPERATING EXPENSES								
Coalition Provisional Authority (CPA)					908	832	799	
Project and Contracting Office (PCO)					830			
USAID Operating Expenses (USAID OE)	52	57			279			
U.S. Contributions to International Organizations (IO Contributions)	30	33			101			
Iraq Freedom Fund (PRT Administrative Costs)					100			
Subtotal	82	90			2,218	832	799	
RECONSTRUCTION OVERSIGHT								
Special Inspector General for Iraq Reconstruction (SIGIR)	44	23			203	185	173	
USAID Office of the Inspector General (USAID OIG)	4	7			29			
DoD Office of the Inspector General (DoD OIG)					26			
DoS Office of the Inspector General (DoS OIG)	6	7			21			
Defense Contract Audit Agency (DCAA)					16			
Subtotal	54	37			295	185	173	
Total	2,364	610	245		53,787	49,614	47,133	1,350

Sources: BBG, response to SIGIR data call, 3/31/2010; DoJ, Justice Management Division, response to SIGIR data call, 4/1/2010; DoS, DRL, response to SIGIR data call, 4/2/2010; DoS, INL, response to SIGIR data call, 4/14/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; DoS, responses to SIGIR data calls, 4/5/2007 and 3/17/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OMB, response to SIGIR data call, 6/21/2010; OSD, responses to SIGIR data calls, 4/10/2009, 4/15/2010, 4/19/2010, 7/13/2010, and 7/14/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 10/3/2009 and 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/international-affairs/assistance/, accessed 10/16/2009; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, 4/14/2010, 7/8/2010, and 7/13/2010; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query/do?_program=eads/gbk/countryReport&unit=N, accessed 4/15/2010; USTDA, response to SIGIR data call, 4/2/2009.

FIGURE 2.4

PROJECTION OF U.S. FUNDS AVAILABLE FOR IRAQ RECONSTRUCTION FROM THE IRFF, ISFF, ESF, AND CERP

\$ Billions



Note: Data not audited. Numbers affected by rounding. Projections include IRFF, ISFF, ESF, and CERP. Lines represent appropriations less expended and expired funds. The projected expenditure rate is equal to the average expenditure rate, by fund, over the previous year. Projected expired funds are equal to expired funds, as of June 30, 2010. Both projections assume that Congress will appropriate the entire \$1.00 billion in FY 2010 supplemental appropriations for ISFF. The second projection also assumes that the Congress will appropriate the entire \$2.58 billion for ISFF, CERP, and ESF for FY 2011.

Sources: P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 111-117; P.L. 111-118; P.L. 111-32; DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; SIGIR; *Quarterly and Semiannual Reports to the United States Congress, 3/2004–4/2010*.

On July 1, 2010, the House agreed to the Senate’s amendment to H.R. 4899 (with its own amendment related to other accounts) and formally supported the Senate’s \$2.68 billion in FY 2010 supplemental appropriations for Iraq.¹⁰⁸ On July 22, the Senate rejected the House amendment, returning the bill to the House.¹⁰⁹

The amounts passed by the House and Senate are not final, and negotiations are ongoing. As of July 22, it is not known when the supplemental appropriations legislation will pass.

U.S. Appropriations Remaining for Iraq Reconstruction

Based on historical expenditure rates and anticipated appropriations, SIGIR estimates that the major

U.S. reconstruction funds so far appropriated and requested will be largely expended at some point during the next two years. Figure 2.4 shows two projections, based on the following scenarios:¹¹⁰

- full appropriation of the Administration’s request for the FY 2010 supplemental
- full appropriation of the Administration’s requests for the FY 2010 supplemental appropriation and FY 2011 regular appropriation

SIGIR Forensic Audit

In July, SIGIR released the fourth interim report on its forensic audit of Iraq reconstruction funds, identifying additional instances of questionable financial activity. This quarter, SIGIR reviewed an additional 25,000 transactions valued at \$3.8 billion, bringing

SIGIR estimates that the major U.S. reconstruction funds so far appropriated and requested will be largely expended at some point during the next two years.

TABLE 2.4
IRRF: STATUS OF FUNDS, BY APPROPRIATION AND SECTOR
 \$ Millions

APPROPRIATION	SECTOR	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
IRRF 1	Subtotal	2,258.7	2,248.5	-2.1 (0%)	-0.3 (0%)
IRRF 2	Security & Law Enforcement	4,929.6	4,892.5	-1.4 (0%)	
	Electric Sector	4,102.6	4,057.6	2.8 (0%)	6.5 (0%)
	Justice, Public Safety Infrastructure, & Civil Society	2,313.8	2,209.2	-0.2 (0%)	2.2 (0%)
	Water Resources & Sanitation	1,968.0	1,944.6	-3.5 (0%)	17.6 (1%)
	Oil Infrastructure	1,604.3	1,592.5	0.1 (0%)	-0.1 (0%)
	Private Sector Development	860.0	830.0		
	Health Care	816.8	801.5	14.9 (2%)	19.1 (2%)
	Education, Refugees, Human Rights, Democracy, & Governance	519.6	447.6		
	Transportation & Telecommunications Projects	466.6	452.8	-0.3 (0%)	13.0 (3%)
	Roads, Bridges, & Construction	279.8	267.1	-0.2 (0%)	
	Administrative Expenses	219.5	217.9		
	ISPO Capacity Development	45.4	28.8	-3.1 (-6%)	2.2 (8%)
	Subtotal	18,126.0	17,742.0	9.1 (0%)	60.5 (0%)
Total		20,384.6	19,990.6	7.0 (0%)	60.2 (0%)

Note: Data not audited. Numbers affected by rounding. The sector previously called "ITAO Capacity Development" has been renamed "ISPO Capacity Development."

Sources: DoS, response to SIGIR data call, 4/5/2007; NEA-I, response to SIGIR data call, 7/6/2010; OSD, response to SIGIR data call, 4/10/2009; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data calls, 4/13/2009 and 7/8/2010; USTDA, response to SIGIR data call, 4/2/2009.

the total transactions reviewed to 108,000 valued at \$35.8 billion. The effort has yielded 49 criminal investigations, including 4 opened this quarter. For more information, see Section 3 of this Report.

Iraq Relief and Reconstruction Fund

The IRRF has been the largest source of U.S. reconstruction funds, comprising \$20.86 billion made available through two appropriations: IRRF 1 (\$2.48 billion) and IRRF 2 (\$18.39 billion).¹¹¹

As of June 30, 2010, \$394 million of obligated funds had not been expended: \$10 million from IRRF 1 and \$384 million from IRRF 2. An additional \$479 million remained unobligated; however, these funds have expired, and they may not be obligated to new projects.¹¹²

IRRF 1 was canceled on September 30, 2009, five years after the end of the period during which it was permissible to make new obligations; consequently, there is no longer authority to obligate or expend any funds from IRRF 1.¹¹³

For the status of the IRRF, as of June 30, 2010, see Table 2.4.

Iraq Security Forces Fund

Since 2005, the Congress has appropriated \$18.04 billion to the ISFF to support Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF).¹¹⁴

As of June 30, 2010, \$1.09 billion of obligated funds had not been expended. An additional \$949 million remains unobligated, but \$483 million of this amount has expired. This leaves \$466 million,

RECONSTRUCTION FUNDING SOURCES AND USES

appropriated by P.L. 111-32 for FY 2009/2010, available for obligation to new projects. Funds appropriated to the ISFF by P.L. 111-32 expire on September 30, 2010, after which time they cannot be obligated to new projects.¹¹⁵

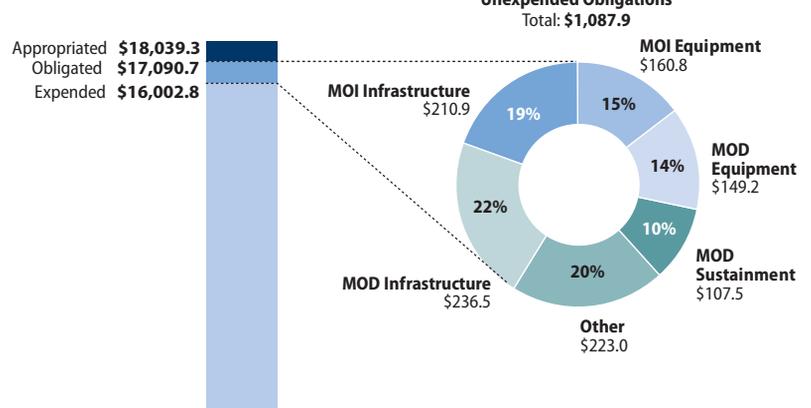
For the status of the ISFF, including a breakdown of unexpended obligations, as of June 30, 2010, see Figure 2.5.

ISFF Quarterly Obligations and Expenditures

As of June 30, 2010, \$17.06 billion (95%) of the \$18.04 billion appropriated to the ISFF had been allocated to four major sub-activity groups: Equipment, Infrastructure, Sustainment, and Training. The remaining \$976 million (5%) of the ISFF has been allocated to smaller sub-activity groups. Collectively termed “Related Activities,” they include the ISFF Quick Response Fund and construction of detention centers and rule-of-law complexes.¹¹⁶

For the status and quarterly change of the ISFF, by ministry and sub-activity group, as of June 30, 2010, see Table 2.5.

FIGURE 2.5
ISFF: STATUS OF FUNDS
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; 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; P.L. 111-32; OSD, response to SIGIR data call, 7/13/2010.

This quarter, USF-I obligated \$49.9 million of the ISFF, the lowest amount obligated in any quarter since the ISFF was established and less than 6% of average quarterly ISFF obligations.¹¹⁷ Unless the Congress extends the period of obligation for funds

This quarter, USF-I obligated \$49.9 million of the ISFF, the lowest amount obligated in any quarter since the ISFF was established.

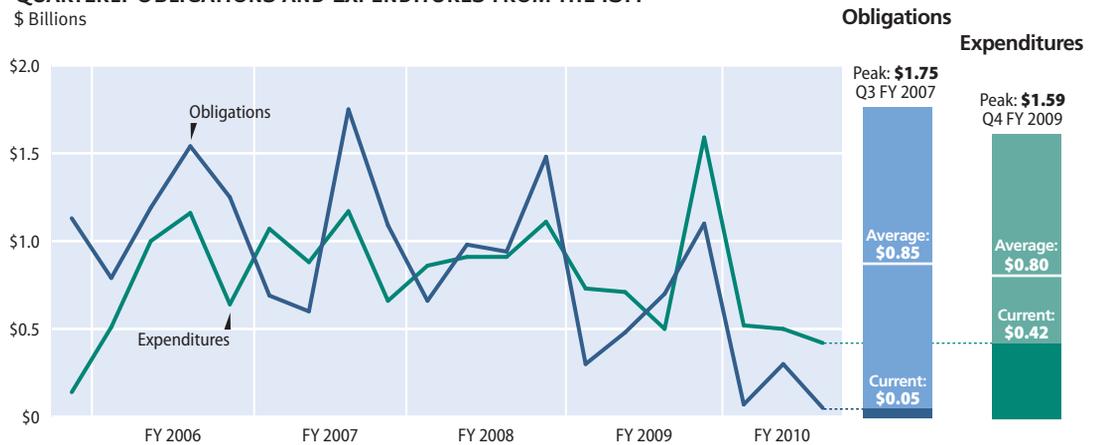
TABLE 2.5
ISFF: STATUS OF FUNDS, BY MINISTRY AND SUB-ACTIVITY GROUP
\$ Millions

MINISTRY	SUB-ACTIVITY GROUP	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Defense	Equipment	4,621.7	4,472.5	29.4 (1%)	87.8 (2%)
	Infrastructure	3,075.5	2,839.0	-13.1 (0%)	76.1 (3%)
	Sustainment	1,882.9	1,775.4	4.8 (0%)	66.6 (4%)
	Training	466.2	423.0	15.0 (3%)	27.2 (7%)
	Subtotal	10,046.3	9,509.8	36.1 (0%)	257.6 (3%)
Interior	Training	2,449.2	2,387.4	20.8 (1%)	13.8 (1%)
	Equipment	1,753.7	1,592.9	2.6 (0%)	56.0 (4%)
	Infrastructure	1,374.9	1,164.0	-4.1 (0%)	56.1 (5%)
	Sustainment	595.2	554.2	-0.3 (0%)	7.5 (1%)
	Subtotal	6,172.9	5,698.6	19.0 (0%)	133.3 (2%)
Varies	Related Activities	871.5	794.5	-5.2 (-1%)	28.1 (4%)
Total		17,090.7	16,002.8	49.9 (0%)	419.0 (3%)

Note: Data not audited. Numbers affected by rounding.

Sources: OSD, responses to SIGIR data calls, 4/12/2010 and 7/13/2010.

FIGURE 2.6
QUARTERLY OBLIGATIONS AND EXPENDITURES FROM THE ISFF
 \$ Billions



Note: Data not audited. Numbers affected by rounding.

Sources: OSD, response to SIGIR data call, 7/13/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 10/2005–4/2010.

appropriated to the ISFF under P.L. 111-32, any of the \$466 million in available funds that are not obligated before September 30, 2010, will expire.¹¹⁸ Most of the new obligations this quarter were for MOD and MOI equipment.¹¹⁹

This quarter, USF-I expended \$419.0 million, the lowest amount expended since the first quarter the ISFF was available and barely 50% of average quarterly ISFF expenditures. Most of the new expenditures were for the MOD.¹²⁰

For an overview of quarterly obligations and expenditures from the ISFF, see Figure 2.6.

Economic Support Fund

Since 2003, the Congress has appropriated \$4.56 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.¹²¹

As of June 30, 2010, \$496 million of obligated funds had not been expended. An additional \$702 million remains unobligated, but \$254 million of this amount has expired. This leaves \$448 million, appropriated by P.L. 111-32 and

P.L. 111-117, available for obligation to new projects. Funds appropriated to the ESF by P.L. 111-32 expire on September 30, 2010, after which time they cannot be obligated to new projects.¹²²

This quarter, SIGIR released an audit of ESF obligations and liquidations, which includes discussion of funds that have been de-obligated and their potential reprogramming. Funding totals in SIGIR's audit differ from those reported in this section because the audit is more narrowly focused and analyzes financial records, not agency-reported values. For a summary of SIGIR's findings and recommendations, see Section 3 of this Report.

For the status of the ESF, including a breakdown of unexpended obligations, as of June 30, 2010, see Figure 2.7.

ESF Quarterly Obligations and Expenditures

The ESF has been allocated to programs in three tracks: Security, Political, and Economic. The majority of ESF allocations have been made to the Security track each year.¹²³

For the status and quarterly change of the ESF, by track and program, as of June 30, 2010, see Table 2.6.

The majority of ESF allocations have been made to the Security track each year.

This quarter, there were \$110.7 million in net obligations from the ESF. The vast majority were made for programs in the Security Track, including \$57.5 million for the PRT Quick Response Fund (PRT/QRF) and \$40.0 million for PRT/Provincial Reconstruction Development Council (PRT/PRDC) projects. There were net de-obligations for programs in the Economic Track.¹²⁴

This quarter, there were \$241.1 million in net expenditures from the ESF. As with obligations, the majority of expenditures were for programs in the Security Track, including \$49.8 million for the Local Governance Program and \$45.8 million for the PRT/QRF.¹²⁵

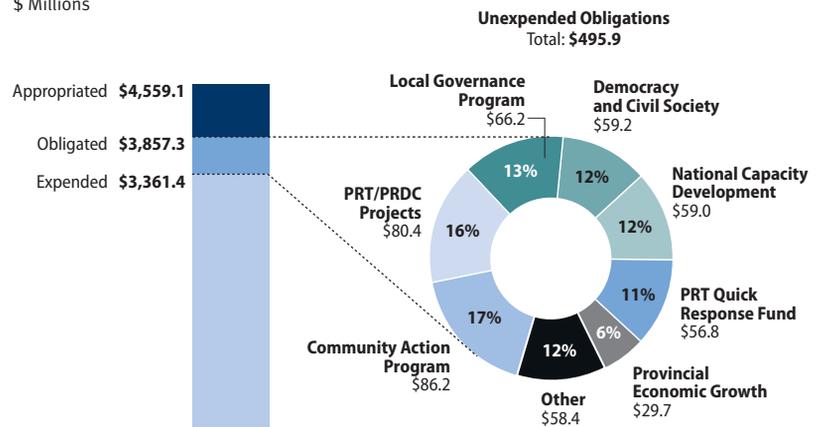
PRT/QRF: Project Approval, Administration, and Assessment

The PRT/QRF is an ESF-funded program that DoS initiated in August 2007 to provide PRTs and embedded PRTs with a flexible funding mechanism to support short-term, high-impact economic, social, and governance projects.¹²⁶ PRTs work with local groups to develop project proposals to address needs in their communities.¹²⁷ QRF is, in some respects, analogous to DoD's CERP,¹²⁸ but has been funded at much lesser levels: \$303 million allocated to PRT/QRF versus \$3.82 billion allocated to CERP.¹²⁹ According to USAID, grants aim to "advance peaceful democratic change," and may focus on high-risk issues or activities not currently being funded by others.¹³⁰

According to NEA-I, \$154.5 million of the \$266.4 million in PRT/QRF obligations has been provided to beneficiaries in the form of grants. There are two types of PRT/QRF grants:¹³¹

- Small grants are administered by DoS and the U.S. Embassy-Baghdad Office of Provincial Affairs (OPA). They are limited to \$100,000, and account for \$64.6 million (24%) of PRT/QRF obligations.
- The Iraq Rapid Assistance Program (IRAP), administered by USAID and its contractor, Development Alternatives International, Inc. (DAI), comprises the large grant component of the QRF.

FIGURE 2.7
ESF: STATUS OF FUNDS
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/13/2010.

Large grants are limited to \$500,000, and account for \$89.9 million (34%) of PRT/QRF obligations.

Of the remaining \$111.9 million obligated, at least \$50.8 million (19%) in funded contract costs and fees are paid to DoS and USAID contractors.¹³² SIGIR did not receive reporting from NEA-I and USAID on the use and disposition of the remaining \$61.1 million (23%) of PRT/QRF obligations. At least some of that money may have been used by USAID to fund IRAP subcontracts.¹³³

Using grant and procurement authority, DoS and USAID provide assistance to U.S., Iraqi, and third-country non-governmental organizations (NGOs), Iraqi provincial and municipal governments, business and professional associations, charitable organizations, and educational institutions.¹³⁴ Grants transfer cash or goods to an entity to carry out an activity. The grant performance period cannot exceed twelve months.¹³⁵ Procurement authority is used to acquire goods and services required by the U.S. government to support PRT projects, and may be transferred to the grantee.¹³⁶

All QRF grant proposals are reviewed by the Embassy Technical Evaluation Committee

QRF is, in some respects, analogous to DoD's CERP, but has been funded at much lesser levels.

TABLE 2.6
ESF: STATUS OF FUNDS, BY TRACK AND PROGRAM
 \$ Millions

TRACK	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Community Stabilization Program	619.3	619.0		
	PRT/PRDC Projects	548.5	468.1	40.0 (8%)	32.1 (7%)
	Local Governance Program	410.5	344.3	3.0 (1%)	49.8 (17%)
	Community Action Program	388.9	302.6	6.8 (2%)	34.4 (13%)
	PRT Quick Response Fund	266.4	209.6	57.5 (28%)	45.8 (28%)
	Infrastructure Security Protection	187.7	183.9	3.7 (2%)	2.1 (1%)
	Subtotal		2,421.2	2,127.4	111.0 (5%)
Political	National Capacity Development	309.4	250.4		-1.2 (0%)
	Democracy and Civil Society	238.0	178.8	3.8 (2%)	23.2 (15%)
	Iraqi Refugees	95.0	90.6		
	Economic Governance II, Policy and Regulatory Reforms	85.0	85.0		
	Ministerial Capacity Development	41.0	30.0		
	Regime Crimes Liaison Office	28.5	28.0	-1.6 (-5%)	-0.4 (-1%)
	Elections Support	13.9	13.8		0.4 (3%)
	Monitoring and Evaluation	7.5	3.2	-0.1 (-2%)	2.7 (575%)
	USAID Program Expenses	0.0	0.0	-0.2 (-100%)	-0.1 (-100%)
Subtotal		818.3	679.8	1.9 (0%)	24.6 (4%)
Economic	O&M Sustainment	267.6	266.6	-4.4 (-2%)	-4.2 (-2%)
	Inma Agribusiness Development	124.0	115.3		32.7 (40%)
	Provincial Economic Growth	85.8	56.1		18.0 (47%)
	Targeted Development Program	57.4	36.9		5.5 (18%)
	Plant-Level Capacity Development & Technical Training	50.1	47.9	2.2 (5%)	0.1 (0%)
	Izdihar	32.8	31.4		
	Subtotal		617.7	554.1	-2.3 (0%)
Total		3,857.3	3,361.4	110.7 (3%)	241.1 (8%)

Note: Data not audited. Numbers affected by rounding. The program formerly known as "USAID Program Expenses" has been reclassified as "Monitoring and Evaluation."

Sources: NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 6/30/2010, and 7/8/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 4/8/2010, 7/14/2010, and 7/16/2010; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, response to SIGIR data call, 7/13/2010.

(ETEC) in Baghdad. If valued at more than \$25,000, they are forwarded to the Washington Technical Evaluation Committee (WTEC) for further review. Once approved, the Baghdad QRF team can write the grant and release the funds.¹³⁷ Purchase requests under \$25,000 are approved and executed by PRTs.¹³⁸ Purchase requests over \$25,000 are no longer supported by the QRF.¹³⁹

Small Grants

Small grants (less than \$100,000) and small procurements (less than \$25,000) are administered by DoS and OPA, which provide policy guidance and support to PRTs in Iraq. Small grant proposals originate from the PRTs and are submitted through the QRF Database, a web-based application managed by DoS/OPA's contractor, Management Systems International, Inc. (MSI). PRTs must

input grant or procurement proposal details into the database and upload a detailed budget along with any other forms required by the particular funding mechanism.¹⁴⁰

Small grant performance is monitored and evaluated by the sponsoring PRT, using metrics recorded in the MSI-managed grants database.¹⁴¹ Performance metrics for each small grant are unique to the nature of the project.¹⁴²

Large Grants

According to USAID, although the IRAP will continue until September 30, 2010,¹⁴³ it is currently in its close-out phase, and USAID will no longer approve any new grants using the QRF.¹⁴⁴ IRAP grants—which constitute the “large grants” portion of the QRF—were designed, and beneficiaries selected, by USAID’s PRT/QRF contractor, DAI, with input from the sponsoring PRT.¹⁴⁵ According to USAID, DAI provided technical assistance and reviewed all grant proposals before submitting them for ETEC review to ensure they were consistent with USAID policies and procedures, grant format, and disposition of property.¹⁴⁶ After approval by ETEC—and WTEC if in excess of \$25,000—IRAP proposals are submitted to the USAID contracting officer’s technical representative and the contracting officer for review and approval.¹⁴⁷

Large grant performance is monitored and evaluated by DAI and the sponsoring PRT,¹⁴⁸ which maintain contact with the beneficiary throughout the grant performance period and occasionally conduct site visits.¹⁴⁹ Grant deliverables and overall performance are tracked using a grants database.¹⁵⁰ As with small grants, metrics for each grant are unique.¹⁵¹ DAI establishes performance indicators at the beginning of the project, tracks progress throughout the grant performance period, and produces a final report at the end of the project.¹⁵² The IRAP program has an overall performance and monitoring plan, with targets and indicators against which DAI reports.¹⁵³ USAID also conducts mid-term and final evaluations of all grant agreements.¹⁵⁴

Priorities and Patterns in QRF Grant Distribution

According to NEA-I, both the DoS/OPA and USAID/DAI QRF grant programs have recently emphasized assistance to minority communities, in accordance with a congressional directive that earmarked \$10 million of the \$382.5 million FY 2010 ESF appropriation for that purpose.¹⁵⁵ As of June 30, 2010, \$9.79 million had been obligated to projects intended primarily to benefit minorities, most of which had already been completed.¹⁵⁶

More than 80% of ongoing and completed minority projects—valued at nearly 99% of total obligations—were implemented through the IRAP.¹⁵⁷ IRAP support of Iraqi minorities has focused on areas of Ninewa predominantly populated by certain minority groups, including Shabak, Turkmen, Christian, and Yazidi groups. According to a USAID/DAI report, the effort’s “distinctive nomenclature” at times led grantees and others to claim that an activity was specified for their particular ethnic or religious group, even though DAI’s selection of beneficiaries was not intended to disqualify any non-minority individual or group residing in the target area. This confusion was especially evident during the site selection process for IRAP grant-supported school construction, as various political affiliations among local leaders caused conflicts between need-based decisions and those strictly made out of religious or ethnic concerns.¹⁵⁸

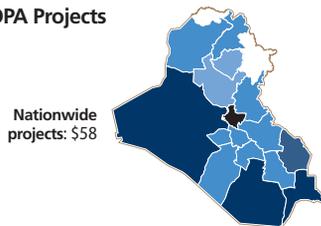
According to U.S. Embassy-Baghdad, the primary remaining goal of the DoS/OPA small grants program is to fund short-term (less than one-year) projects, implemented by provincial governments and other beneficiaries, which support the strategic objectives outlined in the *PRT Work Plan* and *Joint Campaign Plan* (JCP). DoS/OPA priorities include providing technical training and resources to Provincial Councils. This quarter, QRF supported an eGovernment initiative in Najaf, an information technology capacity-building project in Babylon, and a provincial Gazette in Anbar.¹⁵⁹ Nearly 60% of ongoing DoS/OPA grants support Education.¹⁶⁰

Various political affiliations among local leaders caused conflicts between need-based decisions and those strictly made out of religious or ethnic concerns.

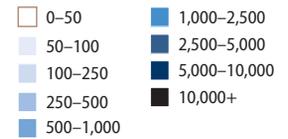
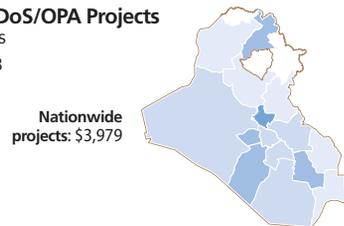
FIGURE 2.8
PRT/QRf PROJECTS, AS OF 6/30/2010
 \$ Thousands

THEME	CUMULATIVE DoS/OPA OBLIGATIONS, BY RECIPIENT TYPE					DISTRIBUTION OF PROJECT SIZES
	NGO	GOVERNMENT	BUSINESS	OTHER	TOTAL	
Education	3,411	6,275	2,915	1,093	13,695	
Agriculture/Environment	2,972	3,121	598	2,909	9,600	
Governance Issues	830	6,432	626	602	8,490	
Civil Society	3,031	1,903	947	2,002	7,883	
Health	598	3,382	464	564	5,007	
Economic Development	1,469	1,745	765	557	4,537	
Women's Programs	2,613	179	90	520	3,402	
Youth Programs	959	1,005	219	1,100	3,283	
Not Applicable	2	2,935	2	90	3,030	
Business Development	1,347	213	1,056	220	2,835	
Rule of Law	385	1,736	171	467	2,758	
Minorities' Earmark	50	46	0	7	103	
Total	17,668	28,973	7,852	10,130	64,624	

Completed DoS/OPA Projects
 \$ Thousands
 Total: \$57,126

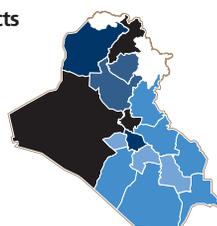


Ongoing DoS/OPA Projects
 \$ Thousands
 Total: \$7,498

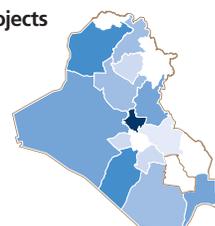


THEME	CUMULATIVE USAID/DAI OBLIGATIONS, BY RECIPIENT TYPE					DISTRIBUTION OF PROJECT SIZES
	NGO	GOVERNMENT	BUSINESS	OTHER	TOTAL	
Governance Issues	5,962	8,628	47	152	14,790	
Civil Society	11,117	409	0	925	12,451	
Economic Development	8,801	1,112	702	100	10,715	
Minorities' Earmark	7,271	2,222	0	190	9,683	
Health	6,008	3,208	0	0	9,216	
Education	3,364	4,757	114	518	8,753	
Women's Programs	5,216	468	101	0	5,784	
Agriculture/Environment	2,686	2,599	0	226	5,510	
Rule of Law	2,849	2,103	0	242	5,195	
Business Development	4,116	499	250	35	4,900	
Youth Programs	2,648	0	0	22	2,670	
Not Applicable	0	200	0	0	200	
Total	60,039	26,206	1,214	2,410	89,868	

Completed USAID/DAI Projects
 \$ Thousands
 Total: \$77,266



Ongoing USAID/DAI Projects
 \$ Thousands
 Total: \$12,603



Note: Data not audited. Numbers affected by rounding. Nationwide projects refer to DoS-managed projects that are not being implemented within a particular province. Projects represented on maps are coded by the province in which the implementing PRT/ePRT is located. Some PRTs implement projects outside the province in which they are located, notably Erbil, which serves as a regional reconstruction team and implements projects in Dahuk and Sulaymaniyah (which are coded as having no projects, using this methodology) in addition to Erbil. Project location data was not available. Most of the project themes coded by DoS/USAID as "Not Applicable" were described as road or building construction projects.

Source: NEA-I, response to SIGIR data call, 7/13/2010.

The IRAP is currently in its close-out phase. The deadline for new grant proposals was the end of April 2010.¹⁶¹ Ongoing USAID/DAI projects are more thematically mixed than those supported by DoS/OPA; in terms of grant obligations, the focus is on projects supporting Health (20%), Minorities (18%), Education (13%), Agriculture/Environment (12%), and Women's Programs (11%).¹⁶²

For details about completed and ongoing QRF grants, see Figure 2.8.

PRT/QRF grant information is available from NEA-I and USAID in a database that is accessible to PRT members who request access.¹⁶³ Details include proposal name, administering agency (DoS or USAID), PRT sponsor, amounts obligated and disbursed, theme, and recipient type.¹⁶⁴ According to NEA-I, project start and completion dates and objectives and measures of progress for individual grants are not yet available in a report format.¹⁶⁵

Overhead Costs

DoS/OPA's contract with MSI is funded by approximately \$2 million from the PRT/QRF, which equals roughly 3% of the total cost of PRT/QRF grants provided through the DoS/OPA small grants program.¹⁶⁶ NEA-I did not provide information on whether funding for the PRTs from other sources offset the cost of implementing the DoS/OPA small grants program.

The costs and fees associated with DAI's contract total \$48.8 million, or roughly 54% of the total cost of PRT/QRF grants provided through USAID's large grants program.¹⁶⁷

Overhead costs for the DAI contract include security,¹⁶⁸ which according to USAID has not been and will not be affected by the withdrawal of U.S. forces.¹⁶⁹ DAI also provides field staffing, administrative offices, logistics and communications, procurement of office equipment and vehicles, and finance support.¹⁷⁰

Commander's Emergency Response Program

Since 2004, the Congress has provided \$3.82 billion in CERP funding for the purpose of enabling military commanders in Iraq to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility.¹⁷¹

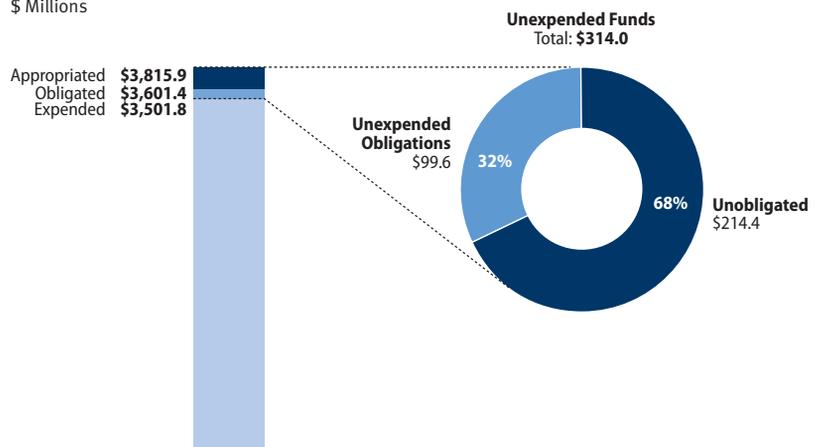
As of June 30, 2010, \$100 million of obligated funds had not been expended. An additional \$214 million remains unobligated, but \$134 million of this amount has expired. This leaves \$81 million, appropriated by P.L. 111-118 for FY 2010, available for obligation to new projects. Funds appropriated to the CERP by P.L. 111-118 expire on September 30, 2010, after which time they cannot be obligated to new projects.¹⁷²

For the status of the CERP, including a breakdown of unexpended funds, as of June 30, 2010, see Figure 2.9.

CERP Quarterly Obligations and Expenditures

In this Report, as in the past, SIGIR is unable to provide a full project-level accounting of the CERP with data supplied by the DoD Office of the Under

FIGURE 2.9
CERP: STATUS OF FUNDS
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: OSD, response to SIGIR data call, 7/13/2010; IRMS, USF-I CERP Category Report, 7/2/2010.

The Committee noted a lack of project justification and oversight and a “rush to spend” hundreds of millions of dollars.”

Secretary of Defense(Comptroller) (OUSD(C)). This is because OUSD(C) does not report quarterly obligations and expenditures, by project or project category, for prior fiscal year CERP appropriations.

On June 2, 2010, the Inspector General discussed this issue with the Deputy Secretary of Defense, who promised to help SIGIR obtain access to the needed data. Subsequently, on July 19, OUSD(C) wrote to SIGIR offering access to project-level CERP data maintained by the Defense Finance and Accounting Service (DFAS). According to OUSD(C), DFAS maintains updated project-level data on obligations and expenditures from 2005 to the present. OUSD(C) has assured SIGIR that it is working with DFAS to provide the information in a format that would enable SIGIR to analyze the data by project category, although the fields necessary for sorting projects conducted before 2008 may be inconsistent.¹⁷³

When SIGIR gains access to the project-level CERP data maintained by DFAS, SIGIR will attempt to use it to update project and project-category data for the CERP. Presumably, this will result in a different—but more accurate—accounting of CERP obligations and expenditures, compared with what SIGIR has been able to report up to now. However, until SIGIR obtains the DFAS data, it will continue to rely on the Iraq Reconstruction Management System (IRMS) to meet its congressional reporting mandate to provide CERP obligation and expenditure data by project category for all fiscal year appropriations. As discussed in prior SIGIR Quarterly Reports, the IRMS does not account for all obligations and expenditures reflected in top-line CERP data provided by DFAS.¹⁷⁴ Furthermore, IRMS is scheduled to be shut down on September 1, 2010.¹⁷⁵

For the status and quarterly change of the CERP, using IRMS data, as of June 30, 2010, see Table 2.7.

Use and Justification of the CERP

The Congress required that \$500 million of the FY 2010 appropriation for the CERP be withheld pending submission of a “thorough review” of the program.¹⁷⁶ In its report on H.R. 3326, the

DoD appropriations bill for FY 2010, the House Appropriations Committee stated that “it is deeply concerned that CERP has grown from an incisive counter-insurgency tool to an alternative U.S. development program with few limits and little management.” It noted a lack of project justification and oversight and a “rush to spend’ hundreds of millions of dollars.”¹⁷⁷

The public law’s explanatory statement stipulated that the CERP review should include:¹⁷⁸

- an assessment for Iraq (and a separate one for Afghanistan) of the goals, purpose, and expected requirement for CERP funds in the coming year
- the process by which CERP budget requests are generated and justified
- existing management and oversight of CERP funds and contracts by the Department of the Army, OUSD(C), and U.S. Central Command
- the coordination process of projects with other U.S. government agencies and NGOs carrying out projects in Iraq (and Afghanistan)
- the requirements for the sustainment of projects carried out under the CERP
- the procedures for ensuring that projects carried out under the CERP are coordinated with the host governments and local community leaders
- the process and systems for tracking projects carried out under the CERP

The Congress also requested that DoD report on the advisability of establishing a program office for the CERP to be responsible for the development of budgets, strategic plans, program controls, requirements for program coordination, and standards for training.¹⁷⁹

CERP Review Conclusions and Corrective Actions

OUSD(Policy) and OUSD(C) co-led the review, and key CERP stakeholders from across the DoD provided input. The DoD’s report, issued in July 2010, concluded that its management of the CERP was satisfactory, but that there was significant room for improvement. According to its report,

RECONSTRUCTION FUNDING SOURCES AND USES

TABLE 2.7
CERP: STATUS OF FUNDS, BY PROJECT CATEGORY
\$ Millions

PROJECT CATEGORY	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Water & Sanitation	690.2	625.7	1.8 (0%)	
Protective Measures	476.8	440.4	0.5 (0%)	
Electricity	381.5	330.7	1.3 (0%)	0.5 (0%)
Transportation	357.2	303.9	3.1 (1%)	
Education	339.9	297.1	3.4 (1%)	
Civic Cleanup Activities	207.5	192.9	0.2 (0%)	
Other Humanitarian and Reconstruction Projects	174.0	137.0	8.6 (5%)	
Economic, Financial, and Management Improvements	137.2	114.7	0.3 (0%)	0.2 (0%)
Agriculture	122.3	109.5	1.5 (1%)	
Law & Governance	120.6	110.9	0.4 (0%)	
Healthcare	112.6	104.1	0.3 (0%)	
Civic Infrastructure Repair	104.5	100.0	0.3 (0%)	
Condolence Payments	50.8	48.8		
Battle Damage	44.1	37.7		
Telecommunications	32.6	28.3		
Civic Support Vehicles	24.6	23.3		
Food Production & Distribution	17.4	16.1	0.6 (3%)	
Detainee Release Payments	1.4	1.3		
Subtotal	3,395.5	3,022.6	22.2 (1%)	0.7 (0%)
Unaccounted-for CERP Allocations	205.9	479.3		
Total	3,601.4	3,501.8	51.5 (1%)	72.2 (2%)

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections. Also, quarterly change figures displayed in this table may understate actual quarterly changes. "Unaccounted-for CERP Allocations" is the difference between top-line values provided by OSD and project data available from IRMS.

Sources: OSD, responses to SIGIR data calls, 4/13/2010 and 7/13/2010; IRMS, *USF-I CERP Category Report*, 7/2/2010.

DoD initiated corrective action immediately as issues were identified. Key reforms identified by the report include:¹⁸⁰

- better coordination between USF-I and PRTs on the nomination, development, and execution of CERP projects
- emphasis on consultation with the GOI, especially with regard to project sustainment
- focus on capacity building through requirements for local contractor participation
- new limits on the number of active projects under each project manager and project purchasing officer

- monthly reviews at the command level of all open and closed projects
- new training standards for key CERP personnel
- improved project data-integration capabilities

Most of the reforms identified by DoD are consistent with SIGIR recommendations.

Project Thresholds and Approval Authority

CERP funds a variety of project types, and actual project costs vary distinctly between them. Each

project type has its own defining characteristics and set of project cost thresholds. As project costs increase beyond prescribed limits, they require higher levels of approval authority.

General guidance from USF-I maintains that CERP is for sustainable projects that cost less than \$500,000. Projects in excess of \$500,000 are expected to be relatively few in number; however, “essential” projects of that size may be approved by the USF-I Deputy Commanding General for Operations (DCG-O) “on an exception basis.”¹⁸¹ Projects in excess of \$50,000 must be coordinated with PRTs, and such coordination must be noted in the project documentation.¹⁸²

Some projects fall in categories that give local commanders greater flexibility—and speed—in project design and approval. However, these special categories are narrowly defined and carry stricter cost limits:

- Condolence payments can be paid to express sympathy or provide urgently needed humanitarian relief. Payments for death or injury generally can be authorized up to \$2,500. Death or injury of a head of household could result in a maximum payment of \$5,000. In extraordinary cases, payments of \$10,000 per incident and \$50,000 per event can be made with higher-level approval.¹⁸³
- Battle damage payments reimburse Iraqis for incidents of property damage caused by U.S. or Iraqi forces. Amounts generally do not exceed \$2,500, but can be approved up to \$10,000 per incident and \$50,000 per event in extraordinary cases. There is no limit for Battle Damage payments when caused by ISF actions.¹⁸⁴
- Iraqi Hero payments are made to the surviving spouse or next of kin of ISF personnel or (in extraordinary cases) government civilians who were killed as a result of incidents caused by U.S. forces. Commanders making Iraqi Hero payments must coordinate any assistance with the Ministries of Interior and Defense, which manage their own long-term assistance programs.¹⁸⁵

- Micro-grants provide financial assistance to “disadvantaged entrepreneurs,”¹⁸⁶ which USF-I defines as experienced business owners who lack access to sufficient business credit at commercially reasonable terms. In-kind distributions are preferred, as they help to ensure that grants will not be lost to corruption or diverted to insurgents.¹⁸⁷

For details on project thresholds and the number and value of FY 2010 projects in each tier, see Figure 2.10. Project thresholds are per requirement, not per item or project. Project splitting—whereby multiple procurements related to the same requirement are made to stay below prescribed limits—is prohibited.¹⁸⁸

CERP projects are clustered near prescribed limits. For example, as of March 31, 2010, 85% of all FY 2010 micro-grants fall just under the \$2,500 limit for a “typical” project or just under the \$5,000 limit to what a Brigade Commander can approve.¹⁸⁹

Similarly, there is a \$1 million limit to reconstruction projects that can be approved by the USF-I DCG-O; projects in excess of \$1 million must be approved by the Secretary of Defense.¹⁹⁰ As of June 30, 2010, there were no FY 2010 projects in excess of \$1 million, but six projects with values between \$950,000 and \$1 million each.¹⁹¹ For details on these large projects, see Table 2.8.

According to the MAAWS, projects in excess of \$950,000 should include a project de-scoping plan that can be executed in the event of cost increases that would bring the total cost of the project over \$1 million. The de-scoping plan should identify facets or components of the project that may be removed or down-sized to decrease cost, while still meeting the overall intent of the project. The presence of a de-scoping plan “hedges against potential project cancellations.”¹⁹²

The large number of very small projects (particularly micro-grants)—and the small number of very large projects—skew the distribution of CERP project costs. For example, nearly 69% of FY 2010 CERP projects are valued at less than \$5,000. However, the existence of very large

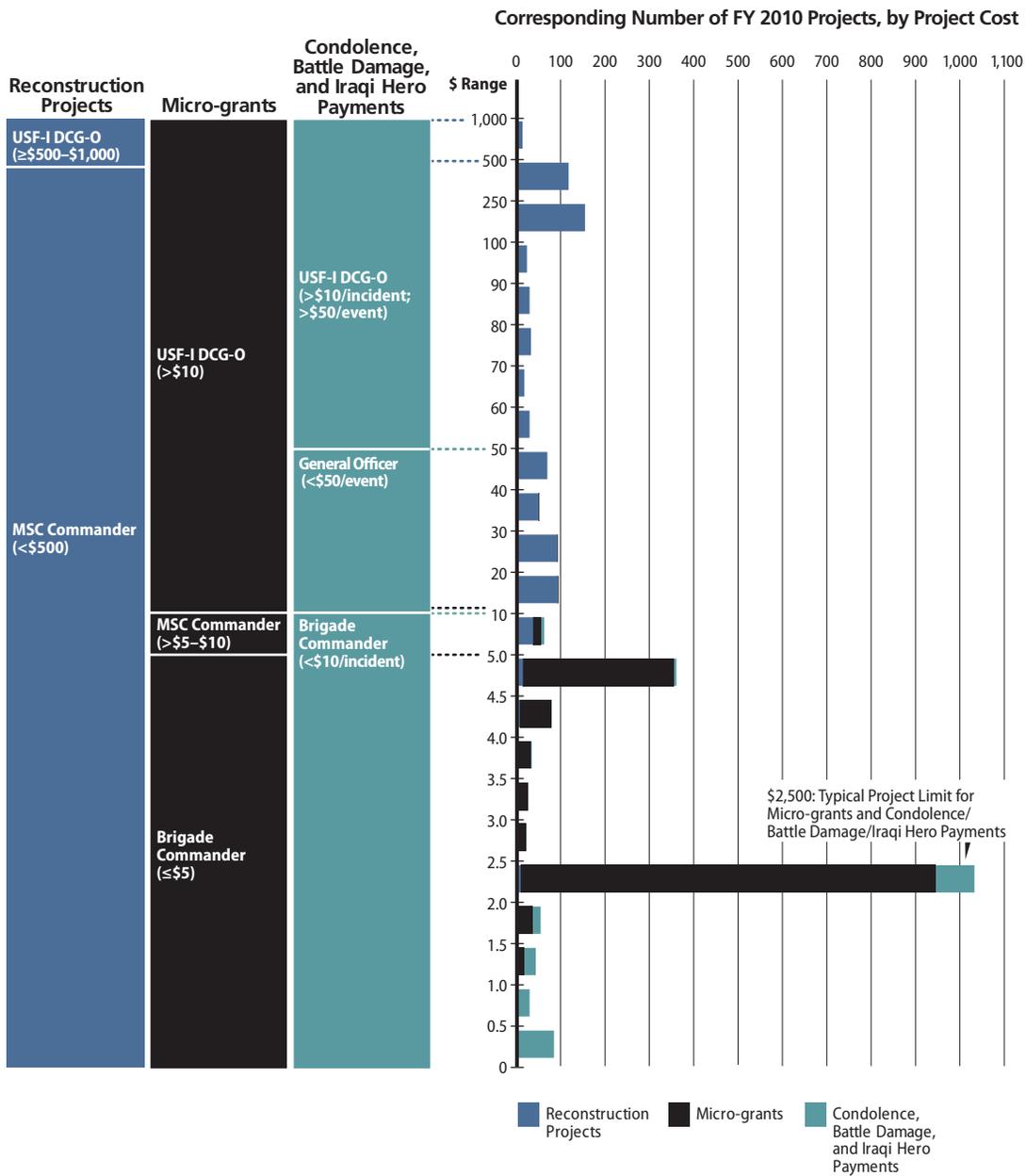
As of March 31, 2010, 85% of all FY 2010 micro-grants fall just under the \$2,500 limit for a “typical” project or just under the \$5,000 limit to what a Brigade Commander can approve.

RECONSTRUCTION FUNDING SOURCES AND USES

FIGURE 2.10

CERP AWARD AUTHORITY THRESHOLDS AND CORRESPONDING NUMBER OF FY 2010 PROJECTS

\$ Thousands



Note: Data not audited. The "Reconstruction Projects" category does not include micro-grants, condolence payments, battle damage payments, or Iraqi Hero payments. The Secretary of Defense can approve projects in excess of \$2,000,000, but must notify the Congress within 15 days. There is an Aggregate Brigade Limit of \$250,000 for micro-grants, which triggers a halt and review process. There is no limit for Battle Damage payments when caused by ISF actions. DCG-O = Deputy Commanding General for Operations. MSC = Major Subordinate Command.

Sources: USF-I, *Money as a Weapon System (MAAWS)*, 3/1/2010, Appendix B and Annex B-2; OSD, response to SIGIR data call, 7/15/2010.

reconstruction projects results in a mean project size of \$40,964—more than 12 times the median. A similar relationship has held over the life of the CERP program, as shown in Figure 2.11. In general, a small number of very large projects accounts for most CERP obligations. In FY 2010, 10% of the projects accounted for 74% of obligations.¹⁹³

The last time SIGIR reported the historical distribution of CERP project sizes (in April 2009), it appeared that there was a strong trend toward smaller CERP projects.¹⁹⁴ However, that apparent decrease was due primarily to a high number of reported micro-grants and incomplete data, and the trend was not maintained. The first quarter of

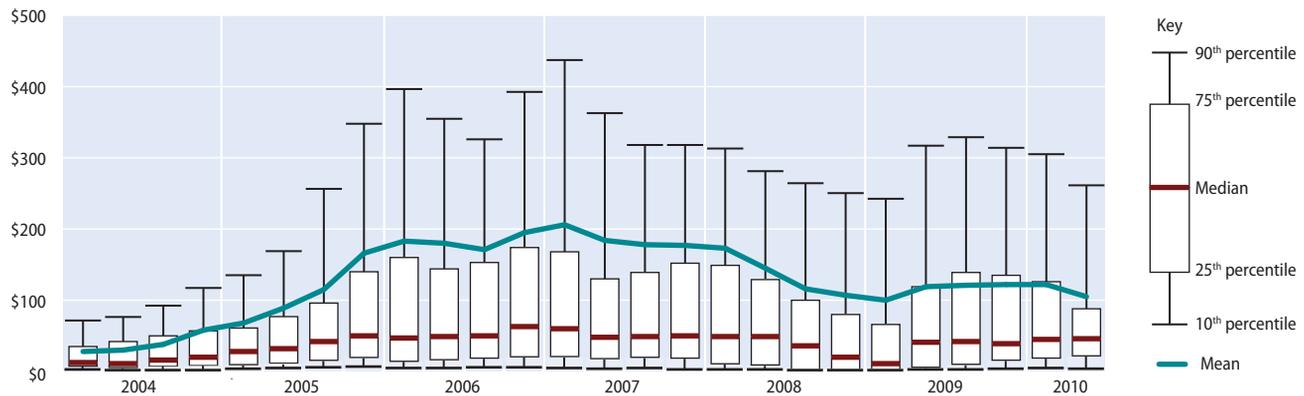
TABLE 2.8
FY 2010 CERP PROJECTS IN EXCESS OF \$950,000
\$US

PROJECT TITLE	PROVINCE	U.S. COST	GOI COST	DESCRIPTION
Al-Zubair Water Treatment Facility	Basrah	995,287	1,500,000	Provision of material, equipment, and labor to complete a water treatment facility that will provide safe, clean water to 150,000 people.
Diwaniyah Water Treatment Facility Pump Station Refurbishment	Qadissiya	989,000	5,400,000	Restoration of water treatment facility's pumping stations, sedimentation tank, and dosing station to provide a reliable water supply for 500,000 people.
Haditha Biological Lagoon	Anbar	983,883	585,000	Provision of labor, materials, and equipment to construct a biological lagoon treatment facility that will benefit 100,000 residents.
Habbaniya Biological Lagoon	Anbar	981,951	675,000	Provision of labor, materials, and equipment to construct a biological lagoon treatment facility that will benefit 100,000 residents.
Hammad Shebab Hospital Refurbishment	Baghdad	979,953	200,000	Refurbishment of a wing of the Hammad Shehab Hospital to provide a maternity ward and emergency medical care services to 1,000,000 residents.
Al-Qaim Biological Lagoon	Anbar	972,291	750,000	Provision of labor, materials, and equipment to construct a biological lagoon treatment facility that will benefit 500,000 residents.
Total		5,902,366	9,110,000	

Note: Data not audited. Numbers affected by rounding.

Source: USF-I, response to SIGIR data call, 7/1/2010.

FIGURE 2.11
DISTRIBUTION OF CERP OBLIGATIONS FOR ONGOING PROJECT ACTIVITIES, BY QUARTER, 2004–2010
\$ Thousands



Note: Data not audited. Quarterly values include obligations from all ongoing projects. Projects are considered ongoing if they started before the quarter ended and were completed after the quarter started (or have not yet been completed).

Source: IRMS, CERP Category Report, 7/2/2010.

2009 now appears to have been a low point. Project sizes have since increased, especially at the lower end of distribution.¹⁹⁵

Coordinating the CERP Drawdown in Iraq

The USF-I DCG-O recently held a meeting with division commanders and comptrollers to discuss FY 2010 CERP execution and requirements for FY 2011 CERP funds. USF-I and the new CENTCOM Contracting Command (C³) are developing recommended time lines for the drawdown of the CERP and revising project authorization rules to require increased approval authority for high-risk projects. In addition, USF-I planned to host a conference on July 7–8, 2010, where representatives from U.S. Embassy-Baghdad, OPA, the PRTs, USAID, and USF-I were to develop a mutually supporting plan for the use of CERP to support civil capacity building and stability operations during the drawdown.¹⁹⁶

Smaller Funds

The Congress has appropriated, or otherwise made available, nearly \$6.51 billion in smaller funding streams for Iraq reconstruction. SIGIR has classified these funding streams into three categories:¹⁹⁷

- Other Assistance Programs—\$4.00 billion
- Reconstruction-related Operating Expenses \$2.22 billion
- Reconstruction Oversight—\$0.29 billion

As of June 30, 2010, at least \$4.68 billion (72%) of these funds had been obligated, and at least \$4.28 billion (66%) had been expended.¹⁹⁸ For details on the status of funds, see Table 2.3. ♦

RECONSTRUCTION FUNDING MANAGEMENT AND USES

The U.S. role in Iraq continues to evolve from the current emphasis on U.S.-funded capacity development and an “advise and assist” security arrangement to a long-term partnership focused on bilateral economic, diplomatic, cultural, and security relations. This quarter, numerous organizational changes consolidated the U.S. presence on the ground.

Evolving Missions Shape Organizational Changes

On June 28, 2010, President Obama nominated Ambassador James Jeffrey to succeed Ambassador Christopher Hill as the U.S. Chief of Mission to Iraq.¹⁹⁹ Ambassador Jeffrey is currently serving as the U.S. Ambassador to Turkey.²⁰⁰ From June 2004 to March 2005, he served as the Deputy Chief of Mission to Iraq under Ambassador John Negroponte. After Ambassador Negroponte’s departure in March 2005, Ambassador Jeffrey served as the U.S. chargé d’affaires to Iraq until June 2005.²⁰¹

On July 8, 2010, Secretary of Defense Robert Gates recommended General James Mattis to be the new commander of U.S. Central Command (CENTCOM). He will replace General David Petraeus, who now commands U.S. and NATO troops in Afghanistan. General Mattis is currently the commander of U.S. Joint Forces Command.²⁰²

On May 18, 2010, Secretary Gates nominated Lieutenant General Lloyd Austin to succeed General Raymond Odierno as the USF-I commander.²⁰³ He was confirmed by the Senate on June 30, 2010.²⁰⁴

As of July 15, there were approximately 75,000 U.S. troops in Iraq²⁰⁵—less than half the approximately 176,000 U.S. troops that were in Iraq at the height of the U.S. “surge” in October 2007.²⁰⁶ By September 2010, USF-I anticipates that there will be 49,392 U.S. troops in Iraq.²⁰⁷

ISPO: Replacing ITAO

On May 10, 2010, President Obama issued an executive order to establish a temporary organization called the Iraq Strategic Partnership Office (ISPO), within DoS, to support executive departments and agencies “in facilitating the strategic partnership between the U.S. Government and the Republic of Iraq, in further securing and stabilizing the country, and in continuing an effective diplomatic presence in Iraq.”²⁰⁸ The executive order stipulates that ISPO shall:²⁰⁹

- assist with and coordinate the drawdown of Provincial Reconstruction Teams (PRTs)
- support and create a sustainable rule-of-law mission in Iraq, including the Police Development Program (PDP)
- complete any remaining coordination, oversight, or reporting functions for IRRF monies
- assume any remaining functions assigned to the Iraq Transition Assistance Office (ITAO)
- perform such other functions related to its purpose as the Secretary of State may assign

According to the executive order, ISPO was also to inherit all of ITAO’s personnel, assets, liabilities, and records.²¹⁰ Among the inherited records are those contained in the Iraq Reconstruction Management System (IRMS),²¹¹ which is scheduled to be shut down on September 1, 2010.²¹² When that occurs, ISPO plans to utilize the *Iraq Status of Construction* (ISOC) report to track ongoing projects. The ISOC is a compilation of project data that has been prepared and distributed by the U.S. Army Corps of Engineers (USACE) for many years.²¹³

Regarding the rule-of-law mission, ISPO is currently involved in completing or repairing substandard ITAO construction projects, such as courthouses and other judicial facilities. ISPO’s involvement in the PDP is limited to assisting INL to hire Section 3161 employees (temporary

As of July 15, there were approximately 75,000 U.S. troops in Iraq—less than half the number that were in Iraq at the height of the U.S. “surge.”

U.S. government employees). According to U.S. Embassy-Baghdad, employment of 3161s should help redress the problem of contractors overseeing the work of other contractors.²¹⁴ The U.S. Embassy-Baghdad's Rule of Law Coordinator (RoLC) has not been included in any discussion or planning regarding ISPO's rule-of-law mission.²¹⁵ RoLC works with counterparts in relevant Iraqi institutions to coordinate rule-of-law activities throughout Iraq.²¹⁶

ISPO is headed by an acting director. The Baghdad office is currently staffed by 11 personnel: 9 Section 3161 employees, a U.S. military advisor, and a contracted interpreter/cultural advisor. Among the Section 3161 employees are three senior consultants who work with Embassy staff on issues of electricity generation, electricity transmission, and water sanitation and environmental issues. The staff will draw down as ISPO's projects are completed and its ministerial advisory function is terminated. Currently, all projects are expected to be completed and all ISPO Baghdad employees are expected to have departed by July 2011.²¹⁷

INL: Planning the New Police Development Program and Assuming Control of Anticorruption Efforts

The DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) is scheduled to assume full responsibility for the PDP on October 1, 2011, as the U.S. military's withdrawal nears conclusion.²¹⁸ As of June 30, 2010, INL was working with other DoS bureaus and elements of U.S. Embassy-Baghdad on operational and logistics planning.²¹⁹

To prepare for the transition of police-training responsibility from DoD to INL, the Administration requested \$832 million in FY 2010 supplemental and FY 2011 regular appropriations for the INCLE.²²⁰ The request was almost double the cumulative appropriations to the INCLE for Iraq from FY 2003 through the regular FY 2010 appropriation, which totaled \$438 million.²²¹

In late April 2010, the Assistant Secretary of State for INL traveled to Iraq to hold joint planning meetings with Iraqi counterparts in Baghdad, Erbil, and

Basrah provinces on the transition to a civilian-led PDP.²²² On April 26, at a roundtable meeting at the U.S. Embassy-Baghdad, INL and GOI officials outlined a program that might last three to five years.²²³ For details of the ongoing security assistance mission and planned programmatic changes, see the Security subsection of this Report.

As of mid-June, the U.S. Embassy-Baghdad Anti-Corruption Coordination Office (ACCO) will report directly to the INL director stationed in Baghdad. Previously, the ACCO reported to the Assistant Chief of Mission.²²⁴ According to U.S. Embassy-Baghdad, ACCO will remain a separate office, and its programs will build on past work.²²⁵ For more information on U.S. and GOI anticorruption activities, see the Governance subsection of this Report.

U.S. Embassy-Baghdad: Consolidating and Securing PRTs

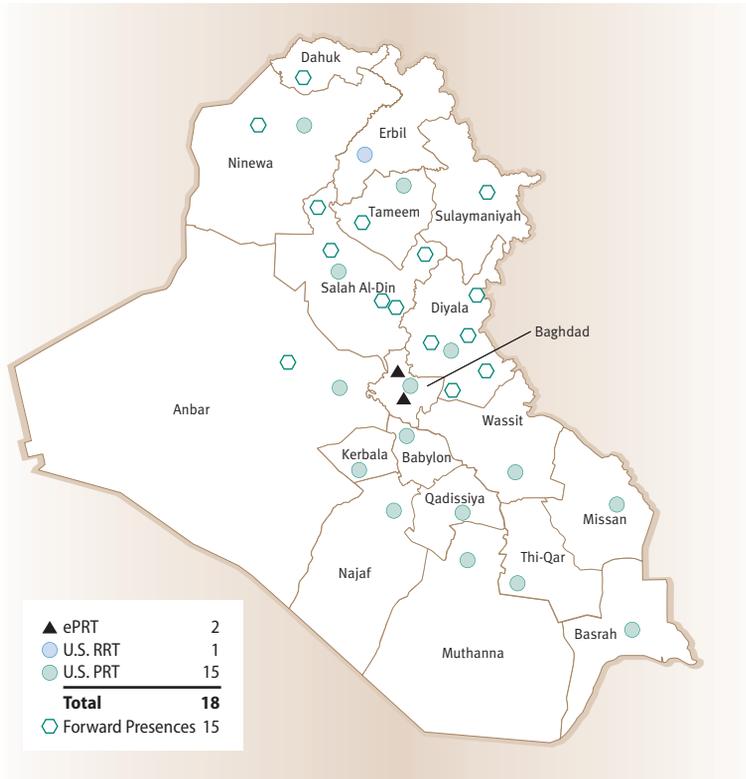
Last quarter, the Administration requested \$1.57 billion to transition five PRTs to more permanent Enduring Presence Posts (EPPs), located in Basrah and along the Arab-Kurd "fault line" of Ninewa, Erbil, Tameem, and Diyala provinces.²²⁶

Funding has not yet been approved by the Congress; and according to U.S. Embassy-Baghdad, planning will not be completed until the final appropriations are known.²²⁷ As of June 30, 2010, the PRT footprint comprised 18 teams: 15 PRTs, 1 Regional Reconstruction Team (RRT) and 2 embedded PRTs.²²⁸ Six months ago (as of December 31, 2009), there were 22 teams.²²⁹ Satellite offices have been re-designated as "Forward Presences." As of June 30, there were 15 "Forward Presences," down from 22 satellite offices six months ago.²³⁰ For the current PRT footprint, see Figure 2.12. For the number of personnel, by PRT, see Table 2.9. For more information on PRT activities, see the Governance subsection of this Report.

To support and protect its personnel working around Iraq, DoS has reportedly requested 24 UH-60 helicopters, 50 bomb-resistant vehicles, heavy cargo trucks, fuel trailers, and high-tech surveillance systems. According to the OUSD(P),

According to U.S. Embassy-Baghdad, employment of 3161s should help redress the problem of contractors overseeing the work of other contractors.

FIGURE 2.12
PROVINCIAL RECONSTRUCTION TEAM FOOTPRINT, AS OF 6/30/2010



Sources: U.S. Embassy-Baghdad, responses to SIGIR data call, 7/5/2010 and 7/12/2010.

TABLE 2.9
NUMBER OF PERSONNEL, BY PRT

PRT	PERSONNEL
Anbar	64
Anbar al-Asad	6
Babylon	34
Baghdad Central	93
Baghdad North	14
Baghdad South	11
Baghdad West	8
Basrah	49
Diyala	100
Erbil	55
Kerbala	30
Missan	25
Muthanna	35
Najaf	27
Ninewa	61
Qadissiya	25
Salah Al-Din	45
Tameem	60
Thi-Qar	57
Wassit	34
Total	833

Note: Data not audited. Includes military and civilian personnel.

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 7/5/2010.

GRD is currently exploring options for handling projects that will not be completed before USACE leaves Iraq.

this equipment would complement DoS-sourced security efforts and help reduce risk.²³¹

DoS has also requested that it be allowed to use the Logistics Civil Augmentation Program (LOGCAP) III to support its operations in Iraq beyond December 2011. As of June 30, 2010, however, Kellogg, Brown and Root, Inc. (KBR)—the sole LOGCAP III contractor—is scheduled to remain in Iraq only until the end of 2011.²³² According to U.S. Embassy-Baghdad, it does not have a plan to meet its support requirements if KBR pulls out.²³³

USACE: Transferring GRD Command and Exploring Options for Ongoing Projects

On July 9, 2010, Colonel Jon Christensen replaced Colonel Dionysios Anninos as commander of the

USACE Gulf Region District (GRD). USACE anticipates that Colonel Christensen will be the final commander of GRD, which is scheduled to stand down in late 2011.²³⁴

GRD is currently exploring options for handling projects that will not be completed before USACE leaves Iraq.²³⁵ As of July 1, 2010, USACE had completed 4,855 projects at a construction cost of \$7.8 billion; and it had 261 projects ongoing, at a construction cost of \$1.0 billion.²³⁶ One option, “aggressively” promoted by USACE, is the hiring and training of local Iraqi engineers and support personnel. As of June 8, 2010, USACE had 233 Arabic-speaking personnel enrolled in the Iraqi Associates Program (IAP), a \$10 million contract funded by the ESF to teach international building

standards and safety. The contract personnel associated with the IAP provide a variety of services on USACE projects, including administrative and engineering support.²³⁷

JCC-I/A: Transitioning to CENTCOM Contracting Command

On June 11, 2010, CENTCOM transitioned the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) to the CENTCOM Contracting Command (C³). The change was made to facilitate expansion of the organization's oversight to all contingency operations in CENTCOM's area of operations—including Kuwait and Pakistan—in accordance with joint doctrine, "which has evolved to consider complex long-term contingencies."²³⁸

To that end, C³ will relocate to Qatar and reassess its staffing requirements.²³⁹

In addition to contract oversight, C³'s responsibilities in Iraq will include liaising with the armed services' contracting organizations, providing monthly contractor census and SPOT data, and establishing and chairing a joint contracting support board to coordinate the enforcement of contracting and payment procedures.²⁴⁰

Recordkeeping Issues

Preserving Reconstruction Records

Reporting requirements and practices have changed continually since the start of the U.S. reconstruction effort in Iraq in 2003, as metrics evolved and as responsibility was transferred to succeeding reconstruction management and contracting agencies.

Most major reports, including SIGIR's *Quarterly and Semiannual Reports to the United States Congress*, OMB/U.S. Embassy-Baghdad's Section 2207 Report, and DoD's *Measuring Stability and Security in Iraq*, are required by law. Others, including some weekly and monthly status reports, were created by the agencies. Responsibility for some reports, such as the *Iraq Status Report*, changed hands several times. The metrics



The former commander of the Gulf Region District reviews a site plan for the al-Alil Training Center in Mosul with a contractor and an Iraqi associate from the Mosul Resident Office. (USACE photo)

evolved accordingly as policy priorities and data availability changed. Some metrics changed over time to better serve policymakers or in response to recommendations provided by oversight agencies. For example, ISF metrics were subject to significant revision, successively featuring forces on duty, forces trained and equipped, unit readiness assessments (Transition Readiness Assessments), and assessments of the ISF's ability to control territory (Provincial Iraqi Control).²⁴¹ Other metrics were dropped because they were no longer tracked by the U.S. government, such as the ISF training numbers formerly published in DoD's *Measuring Stability and Security in Iraq*.

As the U.S. reconstruction effort draws down, U.S. agencies are involved in fewer activities and are staffed by fewer personnel. At the same time, reporting has been reduced. In the past year, agencies stopped producing or distributing several prominent reports:

- *ITAO Essential Indicators Report*
- *GRD Weekly and Monthly Situation Reports (SITREPs)*
- *Iraq Energy Analysis Overview*
- *ITAO Weekly Electricity Report*
- *Energy Fusion Cell Oil Report*

The audit found that DoD, DoS, and USAID have not fully implemented procedures for preserving their Iraq reconstruction records. This situation leaves the U.S. government vulnerable to waste and theft.

In addition, release of DoD's *Measuring Stability and Security in Iraq* has become less predictable. For example, the March 2010 issue was not released until April 29, 2010.²⁴² Finally, the IRMS, which has been the central repository of data regarding U.S.-funded reconstruction projects since its inception in late 2005, will be shut down on September 1, 2010.²⁴³

This quarter, SIGIR issued an audit report on DoD, DoS, and USAID plans to preserve Iraq reconstruction program and contract records. Although these agencies have records management policies and procedures, the audit found that they have not fully implemented those procedures for preserving their Iraq reconstruction records. This situation leaves the U.S. government vulnerable to waste and theft as it may not have the necessary information to pursue potential cases of fraud and/or to perform audits of reconstruction activities. SIGIR's

review showed a range of progress in preserving the records. Further details on this audit are in Section 3 of this Report.²⁴⁴

Property Control at U.S. Embassy-Baghdad

In April 2010, the DoS Office of Inspector General (OIG) released its "Audit of Property Accountability at Embassy Baghdad." Conducted in June 2009, the audit evaluated DoS's controls for inventorying, recording, and safeguarding U.S. government equipment and property in Iraq.²⁴⁵ For details on key findings from the audit and U.S. Embassy-Baghdad's response, see Table 2.10.

The audit acknowledged that, although violence has decreased, Iraq remains a challenging post: tours of duty are shorter than normal, the Embassy continues to rely on the U.S. military for transportation and logistics, and the environment is

TABLE 2.10
PROPERTY CONTROL AT U.S. EMBASSY-BAGHDAD

DoS OIG FINDING	U.S. EMBASSY-BAGHDAD RESPONSE
U.S. Embassy-Baghdad possessed approximately 1,168 vehicles; 159 of them, valued at \$18.5 million, could not be accounted for. Additionally, 282 vehicles valued at \$40.4 million were not entered in the motor vehicle database.	From December 2009 to March 2010, U.S. Embassy-Baghdad conducted a thorough inventory of DoS-owned vehicles in Iraq. They were unable to account for 27 vehicles, some of which may never have arrived in-country. All vehicles are now entered into the database, and better tracking processes have been established to avoid confusion in the future.
A comparison of inventory records with physical inventories of three Embassy buildings revealed \$2.3 million in missing nonexpendable property. Additionally, \$2.25 million in property found during the inventories had not been recorded. An estimated \$1.3 million worth of expendable supplies were issued without proper documentation, were not recorded in the appropriate inventory system, were missing, or were of unknown disposition.	In February 2010, U.S. Embassy-Baghdad developed standard operating procedures governing the expendable supply program. As of April 4, 2010, the Embassy implemented eServices as the sole mechanism to request, issue, and track expendable supplies.
Nearly 20% of items recorded in the Embassy medical unit's inventory system were not found.	U.S. Embassy-Baghdad enters all medications into its inventory system, and as of September 2009, staff members taking medications out of the pharmacy have provided consistent documentation. However, medical supplies are not entered, because to do so would create an "inordinate amount of meaningless double-entry work." Instead, the Embassy maintains a list of medical supplies in an Excel spreadsheet, based on orders submitted.
U.S. Embassy-Baghdad had approximately 1,000 excess hand-held radios valued at \$936,000.	New military interoperability requirements required U.S. Embassy-Baghdad use of 59 compatible radios; 80 more were transferred to U.S. Embassy-Cairo. Current planning for EPPs may require use of all remaining radios, and further transfers have been put on hold.
U.S. Embassy-Baghdad spends approximately \$830,000 on cell phone lines annually. Nearly half of the 4,568 cell phones at the Embassy remained unassigned, yet they were incurring \$268,000 in charges per year.	On May 19, 2010, U.S. Embassy-Baghdad issued written cellular phone policies. It also inventoried excess cellular phones and is in the process of disposing of them. New user-request forms clearly state the user limit per billing cycle of \$100 (unless an increase is authorized) and describe personal liability for unauthorized use. International calling capabilities are only available if authorized by supervisors with written justification.

Sources: DoS OIG Report Number MERO-A-10-07, "Audit of Property Accountability at Embassy Baghdad," 4/2010, p. 1; U.S. Embassy-Baghdad Information Memorandum to DoS OIG, "Response to MERO Audit of Property Accountability at Embassy Baghdad (MERO-A-10-07)," 6/8/2010.

TABLE 2.11
U.S.-FUNDED CONTRACTORS AND GRANTEES IN IRAQ, AS OF 6/30/2010

AGENCY	PURPOSE	U.S. CITIZEN	THIRD-COUNTRY NATIONAL	IRAQI NATIONAL	TOTAL
DoD	Non-security	31,071	13,467	44,913	89,451
	PSCs	1,365	14,136	1,311	16,812
	Subtotal	32,436	27,603	46,224	106,263
DoS	PSCs	1,202	2,491	1,177	4,870
	Non-security	*	*	*	*
	Subtotal	1,202	2,491	1,177	4,870
USAID	Non-security	157	1,190	138	1,485
	PSCs	3	541	487	1,031
	Subtotal	160	1,731	625	2,516
Total		33,798	31,825	48,026	113,649

Note: Data not audited. SIGIR did not receive reporting from DoS on the number of non-security contractors and grantees.

Sources: U.S. Embassy-Baghdad, RSO, response to SIGIR data call, 7/1/2010; USF-I, response to SIGIR data call, 7/1/2010; USAID, response to SIGIR data call, 7/2/2010; USACE, response to SIGIR data call, 7/3/2010.

“transient and unstable.”²⁴⁶ Additionally, according to the DoS OIG, the “significant size and sheer number of personnel” means that U.S. Embassy-Baghdad owns a considerable amount of property. Coupled with the complexities of moving to the New Embassy Compound (NEC) over a short period of time, the Embassy had been unable to properly monitor or control its inventory.²⁴⁷

By law, U.S. government agencies must maintain adequate inventory controls and property records. DoS policies require that embassies conduct annual physical inventories and certify the results by March 15 of each year. U.S. Embassy-Baghdad received a waiver of this requirement in 2004, which was extended each year through 2009.²⁴⁸ U.S. Embassy-Baghdad completed its first annual inventory certification—covering FY 2009—on June 17, 2010. The report cited \$17.85 million in nonexpendable inventory on hand (6.0% short of the total reflected in its inventory records), and \$1.61 million in expendable inventory on hand (3.6% more than its records indicated).²⁴⁹ However, U.S. Embassy-Baghdad noted that the inventory of information technology equipment had not yet been certified.²⁵⁰

Contractor and Grantee Support

As of June 30, 2010, there were 113,649 contractor and grantee personnel supporting U.S. efforts in Iraq.²⁵¹ For a breakdown of contractors and grantees—by agency, purpose, and national origin—see Table 2.11.

Contractors provide a variety of services. According to the most recent DoD census of its contractors in Iraq, roughly 65% performed base support functions,²⁵² such as maintaining the grounds, running dining facilities, and providing laundry services.²⁵³ Comparable data was not available from DoS or USAID.

The profile of DoD contractors in Iraq has changed over time. The number of contractors providing base support has generally paralleled the number of U.S. troops in Iraq. Meanwhile, as the focus of the U.S. assistance program shifted away from large-scale infrastructure projects, the number of construction contractors has declined and the percentage of contractors providing security has increased. Third-country nationals currently make up a larger percentage of total DoD contractors than they have at any previous time, and the

Third-country nationals currently make up a larger percentage of total DoD contractors than they have at any previous time.

percentage of Iraqi nationals has declined to its lowest point yet.²⁵⁴

For details on the types of service provided by DoD contractors, and their national origin, see Figure 2.13.

Tracking Contractors and Grantees in Iraq

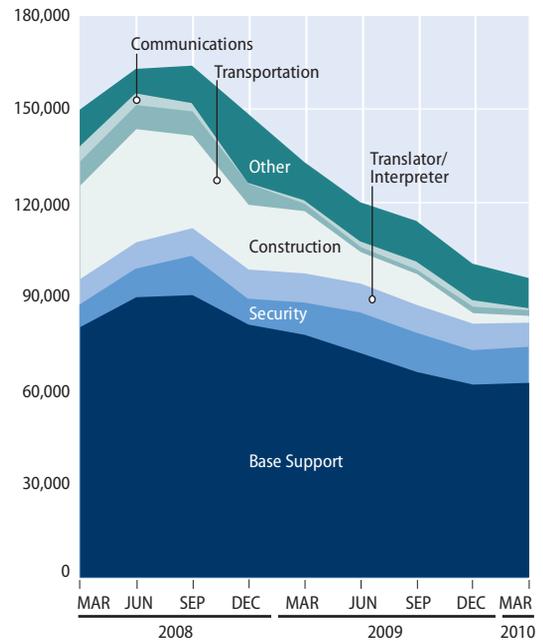
On March 23, 2010, the House Armed Services Committee’s Subcommittee on Oversight and Investigations held hearings on grants and contracts in Iraq and Afghanistan. Among the topics discussed was the ongoing development of the Synchronized Predeployment and Operational Tracker (SPOT) database, which is intended to serve as a coordination tool for U.S. government agencies, contractors, and grantees.

Representatives of DoD, DoS, USAID, and GAO stated the following:

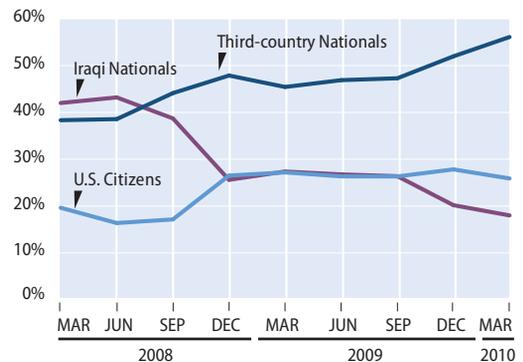
- According to DoD, approximately 75% of its contractor personnel were entered into SPOT. Registering Iraqi contractors who are not operating at U.S. military bases or DoD installations is the largest remaining challenge. DoD is using SPOT to track its contractor drawdown.²⁵⁵
- According to DoS, it has expanded its use of SPOT to include grantees as well as contractor personnel. Additionally, DoS uses SPOT-generated Letters of Authorization (LOAs) to grant privileges to contractors—such as meals and common access cards (CACs)—and can track contractor movements in-country using LOA reader machines.²⁵⁶
- According to USAID, the administrative and financial burden of entering individual data for all its partners (which it defines as contractors and grantees) outweighs the benefits, because many do not require LOAs. Additionally, there are concerns that registration of USAID partners working in certain communities could endanger their safety. USAID has arranged with DoD to enter personal data for partners that require LOAs and aggregate data for partners that do not.²⁵⁷

FIGURE 2.13
DOD CONTRACTORS IN IRAQ, 3/2008–3/2010

Number of Contractors, by Type of Service Provided



Percentage of Contractors, by National Origin



Note: Data not audited. DoD ADUSD(Program Support) provides top-line data for the number of contractors by national origin and the number of contractors by type of service provided; DoD does not disaggregate national origin data by type of service provided, so it is not possible to determine, for example, if security contractors are predominantly third country nationals. DoD did not separately track Logistics/Maintenance or Training until the first quarter of 2010; those categories are grouped into the “Other” category here.

Sources: Moshe Schwartz, CRS Report R40764, “Department of Defense Contractors in Iraq and Afghanistan: Background and Analysis,” 7/2/2010, pp. 24–25; ADUSD(Program Support), “Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan,” 2/2010 and 5/2010.

- According to GAO, its audits have revealed that inadequate information about contractors and grantees may inhibit planning, increase costs, and introduce unnecessary risk. Agencies have made some progress in implementing SPOT, but their efforts still fall short in terms of having complete and reliable data to fulfill statutory requirements and improve management and oversight. Alternatives to SPOT, including periodic surveys, are generally incomplete and unreliable, particularly for identifying trends and drawing conclusions.²⁵⁸

According to further testimony by DoD and USAID, those agencies have reached an agreement whereby USAID will provide aggregate data for grantees—broken down by the broad categories of U.S., local-national, and third-country nationals—which should be sufficient to allow them to use SPOT as a management tool.²⁵⁹ The GAO representative acknowledged that different types of data may be required for different classes of contractors and grantees, and that it was up to the agencies to determine what worked best and to coordinate among themselves.²⁶⁰

FAPIIS Launched To Help Evaluate Contractors

On April 22, 2010, the General Services Administration (GSA) launched the Federal Awardee Performance and Integrity Information System (FAPIIS), which is “designed to significantly enhance the government’s ability to evaluate the business ethics and quality of prospective contractors competing for federal contracts and to protect taxpayers from doing business with contractors that are not responsible sources.”²⁶¹ The system was designed to meet the requirements of Section 872 of the Duncan Hunter National Defense Authorization Act of 2009 (P.L. 110-417),²⁶² which directed GSA to establish a database to track contractor integrity and performance.²⁶³

Before mid-2009, the only government-wide information available to contracting officers were

lists of debarment and suspension actions, which are maintained in the Excluded Parties List System (ELPS). The FAPIIS expands the scope of information available to contracting officers, including:²⁶⁴

- records of contractor performance
- contracting officers’ non-responsibility determinations
- contract terminations for default or cause
- agency defective pricing determinations
- administrative agreements used to resolve a suspension or debarment
- contractor self-reporting of criminal convictions, civil liability, and adverse administrative actions

The web-based system is accessible only to government officials and contractors entering data.²⁶⁵ Inspectors general and federal law enforcement agencies can request access under P.L. 110-417’s provision for access to “other Government officials as the Administrator determines appropriate.” Freedom of Information Act requests would be handled on a case-by-case basis.²⁶⁶

FAPIIS is “designed to significantly enhance the government’s ability to evaluate the business ethics and quality of prospective contractors.”

Funding Uses

SIGIR classifies the major U.S. reconstruction funds by their use into 4 reconstruction areas, comprising 17 sectors. Developments in the Security, Infrastructure, Governance, and Economy areas are discussed in the following pages of this Report. For the status of U.S. reconstruction funding by use, see Table 2.12. For the status of the IRRF, ISFF, ESF, and CERP, by program, see Appendix C.

As of June 30, 2010, \$42.86 billion (91%) of the \$47.28 billion appropriated to the four major reconstruction funds had been expended. According to SIGIR analysis, more than \$22.31 billion (52%) of expenditures supported security-related programs, including efforts to develop the Iraqi Security Forces (ISF) and improve the rule of law in Iraq. Roughly \$11.77 billion (27%) supported

RECONSTRUCTION FUNDING MANAGEMENT AND USES

TABLE 2.12
STATUS OF IRRF, ISFF, ESF, AND CERP, BY USE
\$ Millions

AREA	SECTOR	STATUS OF FUNDS			CHANGE OVER QUARTER	
		ALLOCATED	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Equipment	7,337.9	7,066.2	6,755.9	32.0 (0%)	143.7 (2%)
	Training	6,003.4	5,818.9	5,688.0	34.5 (1%)	41.0 (1%)
	Infrastructure	5,807.1	5,531.8	5,078.5	-17.3 (0%)	132.2 (3%)
	Sustainment	2,635.2	2,478.1	2,329.6	4.4 (0%)	74.1 (3%)
	Rule of Law	1,592.6	1,550.7	1,411.1	-1.1 (0%)	1.7 (0%)
	Related Activities	1,249.7	1,135.1	1,047.2	-5.2 (0%)	28.1 (3%)
	Subtotal		24,625.9	23,580.8	22,310.3	47.3 (0%)
Infrastructure	Electricity	5,188.1	5,054.5	4,955.4	8.5 (0%)	9.0 (0%)
	Water and Sanitation	2,846.2	2,694.2	2,606.5	-1.6 (0%)	17.7 (1%)
	Oil and Gas	2,046.9	1,926.5	1,913.8	-0.6 (0%)	0.1 (0%)
	General Infrastructure	1,250.7	1,236.8	1,236.0	-1.6 (0%)	-0.3 (0%)
	Transportation and Communications	1,195.0	1,140.8	1,054.3	-0.3 (0%)	8.7 (1%)
	Subtotal		12,526.9	12,052.9	11,766.0	4.4 (0%)
Governance	Capacity Development	2,481.7	2,397.3	2,132.2	94.3 (4%)	81.7 (4%)
	Democracy and Civil Society	2,226.7	2,186.0	1,934.9	13.6 (1%)	107.9 (6%)
	Public Services	2,040.1	2,000.6	1,903.9	19.1 (1%)	19.1 (1%)
	Humanitarian Relief	900.9	895.4	845.6	9.2 (1%)	
	Subtotal		7,649.3	7,479.3	6,816.5	136.2 (2%)
Economy	Economic Governance	839.8	843.6	787.9	0.3 (0%)	0.2 (0%)
	Private Sector Development	826.6	771.5	696.7	1.5 (0%)	56.2 (9%)
	Subtotal		1,666.4	1,615.1	1,484.6	1.7 (0%)
Unaccounted-for CERP Allocations		292.8	205.9	479.3	29.3 (17%)	71.5 (18%)
Total		46,761.3	44,934.0	42,856.7	219.0 (0%)	792.5 (2%)

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding subsection of this Report may not match top-line values found in the four subsections on major reconstruction areas.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009, 4/12/2010, 4/13/2010, and 7/13/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 4/2/2009, 4/8/2010, 7/14/2010, and 7/16/2010; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, response to SIGIR data call, 4/13/2009, 7/8/2010, and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

More than 52% of expenditures supported security-related programs.

infrastructure-related programs, including rehabilitation or construction in the oil and gas, electricity, water and sanitation, and transportation and communications sectors. The remainder was expended on programs to develop governance capacity (\$6.82 billion) and support economic development (\$1.48 billion).²⁶⁷

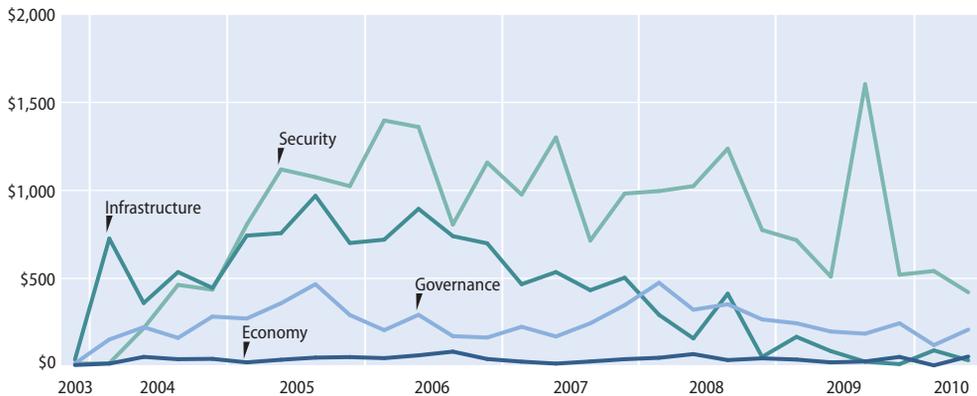
The focus of the U.S. reconstruction effort has fluctuated over time. The United States focused primarily on infrastructure in FY 2003–FY 2004 and security in the years that followed.²⁶⁸

For details on quarterly expenditures, by reconstruction area, see Figure 2.14. For an overview of cumulative expenditures, as of June 30, 2010, by fund and use, see Figure 2.15. ♦

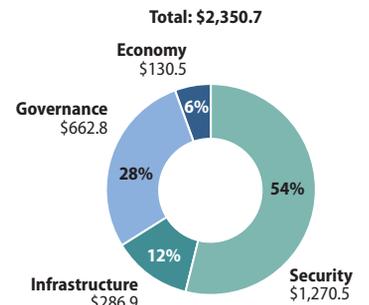
RECONSTRUCTION FUNDING SOURCES AND USES

FIGURE 2.14
EXPENDITURES OF THE MAJOR RECONSTRUCTION FUNDS, BY RECONSTRUCTION AREA
 \$ Millions

Quarterly Expenditures, 2003–2010



Unexpended Obligations



Note: Data not audited. Numbers affected by rounding. The Economy line does not include \$352 million in Iraq debt forgiveness, funded by the IRRF in the second fiscal quarter of 2005; however, that amount is included in top-line values for Economy in this Report. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

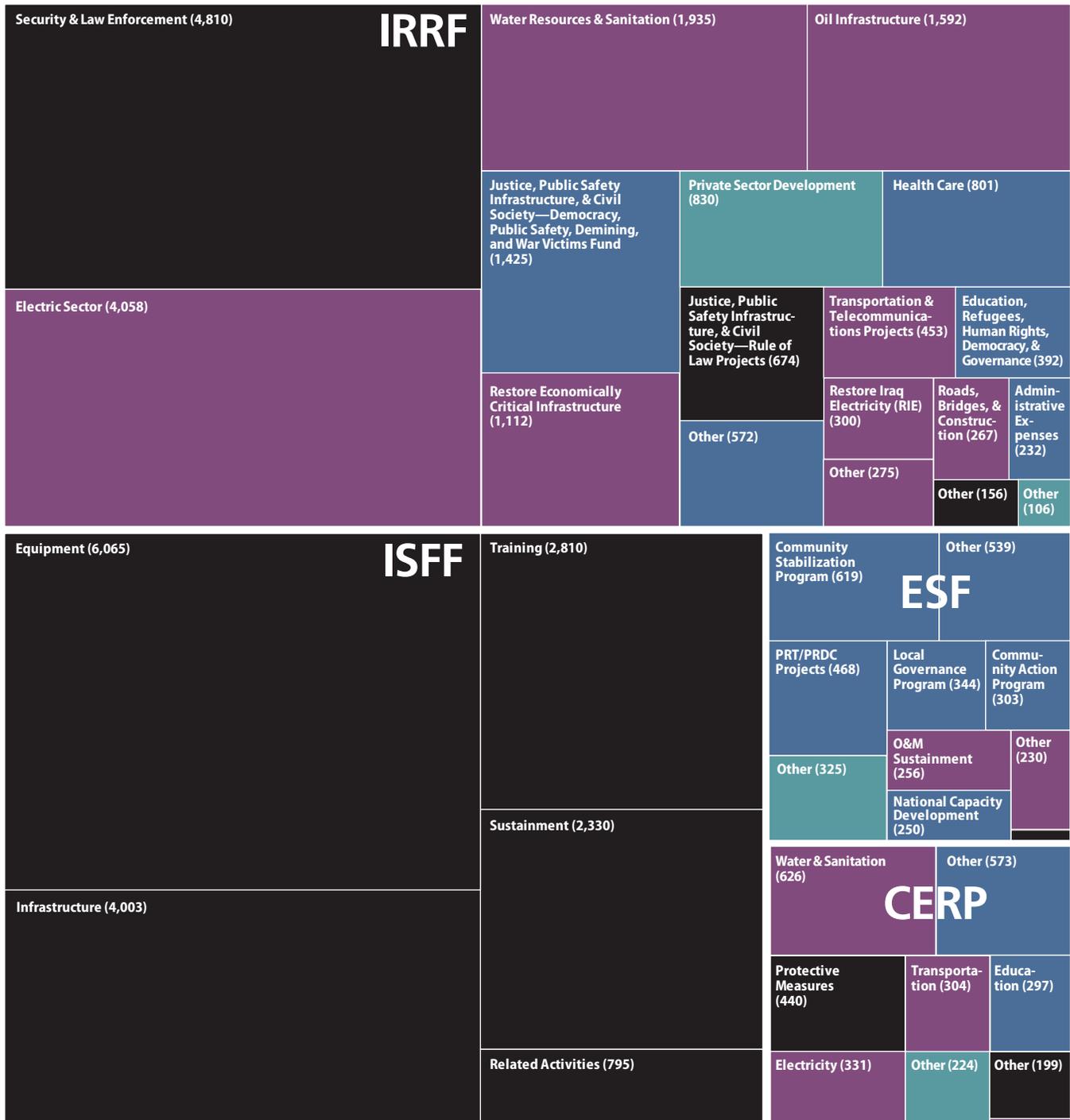
Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USDIA, response to SIGIR data call, 4/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

RECONSTRUCTION FUNDING MANAGEMENT AND USES

FIGURE 2.15

U.S. PROGRAM EXPENDITURES, BY FUND AND USE

\$ Millions



■ Security ■ Infrastructure ■ Governance ■ Economy

Note: Data not audited. Numbers affected by rounding. Programs that account for less than 1% of total expenditures are grouped into "other" categories, by fund and reconstruction area. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting by one quarter. Therefore, category totals found in the Funding subsection of this Report may not match top-line values found in the four subsections on major reconstruction areas.

Sources: DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; IRMS, *USF-I CERP Category Report*, 7/2/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

SECURITY

As of June 30, 2010, the United States had allocated \$24.63 billion, obligated \$23.58 billion, and expended \$22.31 billion for programs and projects to develop the Iraqi Security Forces (ISF) and support the rule of law in Iraq.²⁶⁹ For the status of these funds, see Figure 2.16. Table 2.13 is a breakdown of spending categories that experienced the greatest increases in obligations and expenditures this quarter.

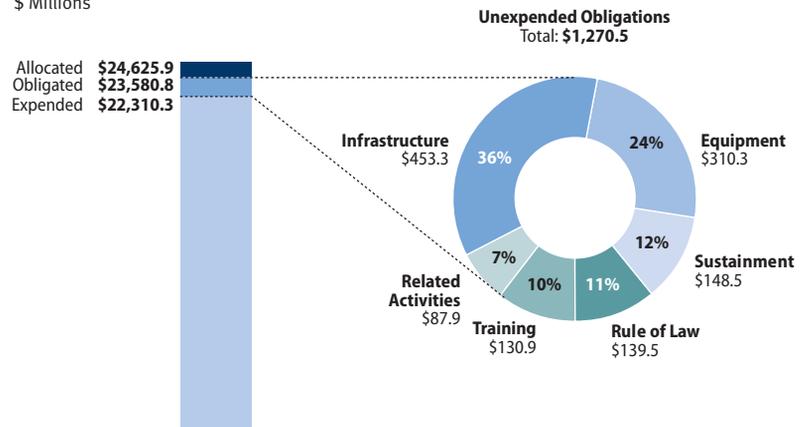
As shown in Figure 2.17, security expenditures averaged about \$1 billion per quarter every quarter from mid-2005 through 2008. Quarterly expenditures reached their highest point in the fourth quarter of FY 2009, when \$1.59 billion was expended from the ISFF 2007/2008 and 2008/2009 accounts—principally on Ministry of Defense (MOD) and Ministry of Interior (MOI) equipment purchases (\$940.3 million) and MOI training (\$380.9 million).²⁷⁰

GOI Support for the MOD and MOI: International Context

From 2007 to 2010, the GOI allocated \$43.51 billion to the MOD and MOI.²⁷¹ Over roughly that same period of time, the United States allocated \$9.54 billion in ISFF funding to the MOD and MOI, or 22% of the GOI allocation.²⁷² In February 2010, the Administration requested \$1.00 billion in FY 2010 supplemental appropriations.²⁷³ For a comparison between GOI and U.S. contributions to Iraqi security institutions, see Table 2.14.

According to the U.S. Central Intelligence Agency, Iraq's defense spending totals 8.6% of its gross domestic product (GDP).²⁷⁴ As a percentage of GDP, Iraq contributes more to defense spending than all but three countries worldwide (Oman, Qatar, and Saudi Arabia).²⁷⁵ For a worldwide comparison of defense spending, see Table 2.14.

FIGURE 2.16
SECURITY: STATUS OF FUNDS FROM THE IRRF, ISFF, ESF, AND CERP
\$ Millions



Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, response to SIGIR data call, 7/6/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010.

FIGURE 2.17
SECURITY: QUARTERLY U.S. EXPENDITURES, BY RECONSTRUCTION SECTOR
\$ Millions



Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, response to SIGIR data call, 7/6/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

TABLE 2.13
SECURITY: STATUS OF SELECTED PROGRAMS
 \$ Millions

PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
MOD Equipment (ISFF)	4,621.7	4,472.5	29.4 (1%)	87.8 (2%)
MOD Infrastructure (ISFF)	3,075.5	2,839.0	-13.1 (0%)	76.1 (3%)
MOD Sustainment (ISFF)	1,882.9	1,775.4	4.8 (0%)	66.6 (4%)
MOI Infrastructure (ISFF)	1,374.9	1,164.0	-4.1 (0%)	56.1 (5%)
MOI Equipment (ISFF)	1,753.7	1,592.9	2.6 (0%)	56.0 (4%)
Related Activities (ISFF)	871.5	794.5	-5.2 (-1%)	28.1 (4%)
MOD Training (ISFF)	466.2	423.0	15.0 (3%)	27.2 (7%)
MOI Training (ISFF)	2,449.2	2,387.4	20.8 (1%)	13.8 (1%)
Other	7,085.3	6,861.7	-2.9 (0%)	9.2 (0%)
Total	23,580.8	22,310.3	47.3 (0%)	420.7 (2%)

Note: Data not audited. Numbers affected by rounding. Programs listed in this table had changes of at least \$20 million in combined quarterly obligations and expenditures. Appendix C shows the status of all programs funded by the four major funds, including those in the Security reconstruction area that are grouped in the "Other" category here. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-1, responses to SIGIR data calls, 4/2/2010 and 7/6/2010; OSD, responses to SIGIR data calls, 4/10/2009, 4/12/2010, and 7/13/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/16/2009 and 7/14/2010.

Security in Iraq

Internal security threats persisted this quarter, but they are well below the level reported before the March 7, 2010, parliamentary elections. Events of mass violence and targeted attacks on individuals were generally aimed at state institutions (especially banks and police) or sectarian interests (including SOI members and Sunni and Shia neighborhoods). External threats, however, picked up this quarter, with two neighboring states (Iran and Turkey) attacking militants who are based in Kurd-populated areas within the borders of Iraq.

Security incidents during April–June 2010 averaged 7 per day, down 76% from last quarter and 92% from the same period last year. Nearly 85% of all attacks occurred in Baghdad, Anbar, Diyala, Ninewa, and Salah Al-Din provinces, which are home to approximately half of Iraq's population.²⁷⁶ For a historical look at security incidents, see Figure 2.18.

Emerging Threats

The recent spate of high-profile car-bomb attacks continued this quarter. For example, on June 20, a car-bomb explosion killed 26 in Baghdad outside the Trade Bank of Iraq.²⁷⁷ Extremists also demonstrated tactical adaptability. On June 13, 2010, they conducted a commando-style raid on the Central Bank of Iraq. Fifteen bank employees and all seven militants were killed during the ensuing firefight with the ISF.²⁷⁸ Moreover, police officers, an Iraqi Army (IA) general, and Provincial Council officials were among those assassinated this quarter, and numerous attacks targeted SOI leaders and checkpoints manned by SOI units.²⁷⁹

In June, unmet demand for electricity sparked violent demonstrations in southern Iraq. On June 19, security forces killed two demonstrators in Basrah and wounded two others. Two days later, in Nassiriya, at least 14 people were wounded.²⁸⁰ For more information on the electricity situation, see the Infrastructure section in this Report.

Security incidents during April–June 2010 averaged 7 per day, down 76% from last quarter.

RECONSTRUCTION FUNDING SOURCES AND USES

TABLE 2.14
GOI AND U.S. SUPPORT FOR IRAQI SECURITY INSTITUTIONS, IN CONTEXT
\$ Billions

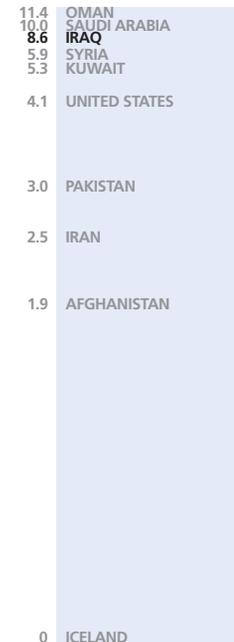
GOI Budgets for the MOD and MOI

MINISTRY	BUDGET CATEGORY	CALENDAR YEAR				TOTAL
		2007	2008	2009	2010	
MOD	Operating	4.09	4.92	3.85	4.52	17.38
	Capital	0.05	4.92	0.27	0.38	5.62
	Subtotal	4.14	9.84	4.12	4.90	23.00
MOI	Operating	3.14	5.16	5.27	5.89	19.46
	Capital	0.04	0.54	0.22	0.26	1.06
	Subtotal	3.18	5.70	5.49	6.14	20.51
Total		7.32	15.54	9.61	11.04	43.51
Combined MOD/MOI Budget as % of Total GOI Budget		18%	22%	16%	15%	18%

ISFF Appropriations

MINISTRY/CATEGORY	FISCAL YEAR				TOTAL	
	2007	2008	2009	2010		
MOD	3.57	1.59	0.55	0.00	5.71	
MOI	1.57	1.26	0.38	0.00	3.21	
Related Activities	0.40	0.15	0.08	0.00	0.63	
Total	5.54	3.00	1.00	0.00	9.54	
ISFF as a % of Combined MOD/MOI Budget		76%	19%	10%	0%	22%

Defense Spending, as a Percentage of GDP (Ranked by Percentile)



Notes: Data not audited. Numbers affected by rounding. GOI support includes operating and capital budget allocations to the MOD and MOI. Most U.S. funding to assist these ministries comes from the ISFF. Other U.S. funds also support Iraq's security institutions, but in a more limited capacity. The figure displays spending on defense programs as a percentage of gross domestic product (GDP). Data is from the most recent year available. GDP is calculated on an exchange rate basis, not in terms of purchasing power parity (PPP).

Sources: OSD, response to SIGIR data call, 7/13/2010; U.S. Embassy-Baghdad, Treasury Attaché, response to SIGIR data call, 1/17/2010; GOI, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010, Annex Schedule B; CIA, *The World Factbook*, www.cia.gov/library/publications/the-world-factbook/rankorder/2034rank.html, accessed 7/16/2010.

In northern Iraq, politically motivated violence claimed the lives of three al-Iraqiya coalition members—one newly elected in March. The assassinations were carried out during a two-week span in late May and early June in Sunni-controlled areas near Mosul.²⁸¹

In June, Turkey restarted its campaign against the Kurdish Workers Party (PKK), a militant group favoring an independent Kurdistan that had recently ended its unilateral ceasefire against Turkey. Turkish ground forces reportedly penetrated as far as two miles inside Iraq's borders.²⁸² On July 1, 2010, it was reported that 12 Kurdish militants and 5 Turkish guards were killed in these clashes.²⁸³

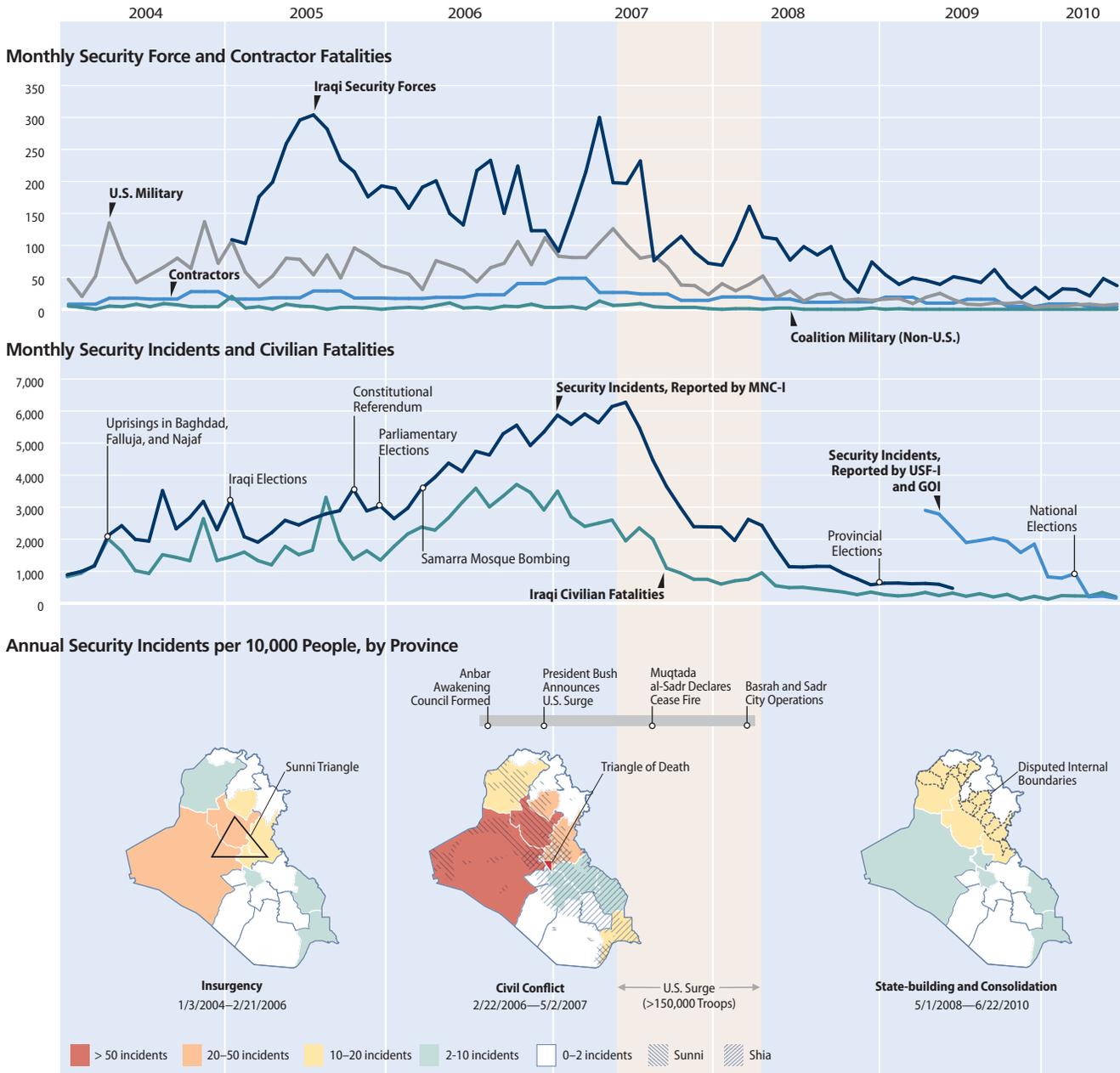
On the border between Iran and the Kurdistan Region, conflicting reports of Iranian attacks against Party of Free Life of Kurdistan (PJAK) militants have emerged. Shelling is reported to have begun on May 29, 2010, against members of the Kurdish terrorist group based in the area, but details have not been confirmed by KRG officials.²⁸⁴ See Figure 2.19 for the locations of major attacks carried out this quarter.

Continuing Intercommunal Conflict

A decline in overall security incidents appears to reflect favorably on the ongoing transition of security responsibilities to the GOI. However, the

Politically motivated violence claimed the lives of three al-Iraqiya coalition members—one newly elected in March.

FIGURE 2.18
SECURITY INCIDENTS AND FATALITIES IN IRAQ, 1/2004–6/2010



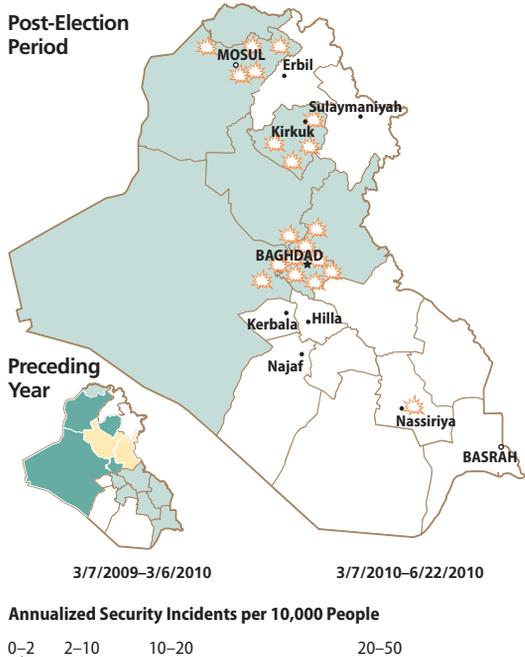
Note: Data not audited. Numbers affected by rounding. “U.S. Surge” denotes period when at least 150,000 U.S. troops were in Iraq. ISF fatality data for deaths that occurred before 1/4/2005 is not available. Security incidents data from two sources are displayed: MNC-I, for 1/1/2004–6/24/2009 and USF-I for 4/1/2009–3/26/2010 (USF-I incorporates GOI reports).

Sources: DoD, *Measuring Stability and Security in Iraq*, 2/2006–9/2009; DoL, responses to SIGIR data calls, 1/5/2010, 4/12/2010, and 7/7/2010; Brookings Institution, *Iraq Index*, 6/30/2010, pp. 3, 5, 13; SIGIR, *Quarterly Reports to the United States Congress*, 4/2009, 10/2009, and 1/2010; GOI, response to SIGIR data call, 12/21/2009; MNF-I, responses to SIGIR data calls, 10/6/2008, 7/2/2009, 3/31/2010 and 4/1/2010; CENTCOM, responses to SIGIR data calls, 1/10/2009 and 2/22/2010; USF-I, responses to SIGIR data calls, 3/31/2010 and 7/7/2010.

threat of internal violence has not dissipated. In his confirmation hearing before the Senate Armed Services Committee, Lieutenant General Lloyd Austin testified that one of the enduring challenges to stability in Iraq is the “absence of a shared national

vision and development of a new political culture compatible with democracy.” The incoming Commanding General of the U.S. Forces-Iraq (USF-I) highlighted continuing Arab-Kurd tensions over disputed internal boundaries, power sharing, and

FIGURE 2.19
SECURITY INCIDENTS IN IRAQ, 3/7/2010–7/18/2010



Sources: MNF-I, responses to SIGIR data calls, 10/6/2008 and 7/2/2009; CENTCOM, response to SIGIR data call, 1/10/2009; USF-I, responses to SIGIR data calls, 4/1/2010, 3/31/2010, and 7/1/2010; SIGIR analysis of GOI and U.S. government documents and open source information in English and Arabic.

hydrocarbon legislation, as well as the vulnerability of Iraqi minorities.²⁸⁵

Sunni and Shia groups in part motivated by religious differences continue to conduct attacks either to expel U.S. forces or to reduce the influence of the GOI in their areas. These groups, supported by either Sunni Ba'athists or militant wings of Shia organizations, conduct operations throughout the country.²⁸⁶ Additionally, political and ethnic friction in Tameem and Ninewa has fueled provincial government infighting as well as frequent threats and violence targeting minority communities. Unexpected Arab and Turkmen electoral gains in Tameem have exacerbated political tensions and may result in increased violence.²⁸⁷

Some level of violence continues to be attributable to the activities of opportunistic criminal gangs, personal grudges, or tribal rivalries,



Iraqi Police patrol the Tigris River in southern Missan province with U.S. Navy advisors on April 11, 2010. (U.S. Army photo)

frequently making it difficult to differentiate insurgent activities. However, Al-Qaeda in Iraq (AQI) and Shia extremist elements appear to be responsible for most of the violence in Baghdad. Christians remain a particular target for AQI, especially in Mosul, where a May 2, 2010, bombing targeted a bus carrying Christian students. AQI has also attacked members of Iraq's Yazidi minority using suicide vests and car bombs.²⁸⁸

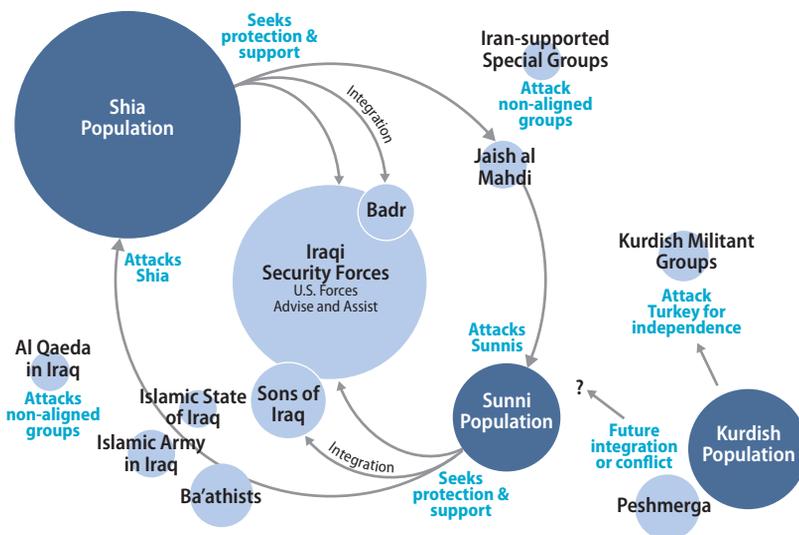
For an overview of the continuing cycle of violence, see Figure 2.20.

This quarter, USF-I and ISF operations made considerable gains against the AQI network, detaining or killing 34 of its top 42 leaders.²⁸⁹ Although AQI continues to maintain its logistical and financial hub in Ninewa province, it faces an increasingly difficult operational environment. The flow of foreign fighters into Iraq is at historical lows, and current estimates place AQI's makeup at 95% Iraqi. As U.S. forces draw down, AQI has been focusing its rhetoric and attacks against the GOI and Shia groups in an effort to discredit the central government and incite sectarian violence.²⁹⁰

On May 3, 2010, the Baghdad Operations Command, a joint USF-I/GOI headquarters, announced that a security wall would be built around Iraq's capital to help the ISF keep insurgent groups from accessing the city. In addition, the concrete enclosure is expected to reduce traffic jams inside the city by replacing internal checkpoints with eight perimeter entrances. Plans call for these perimeter

USF-I and ISF operations made considerable gains against the AQI network.

FIGURE 2.20
CYCLE OF VIOLENCE IN IRAQ



Sources: David Kilcullen, *The Accidental Guerrilla: Fighting Small Wars in the Midst of a Big One*, New York: Oxford University Press, 2009; David C. Gompert, Terrence K. Kelly, and Jessica Watkins, *Security in Iraq: A Framework for Analyzing Emerging Threats as U.S. Forces Leave*, Santa Monica: RAND Corporation, 2010.

checkpoints to be supported by cameras situated around the wall's perimeter. According to the Baghdad Operations Command, the combination of managed checkpoints and modern surveillance systems should allow the ISF to shift personnel and resources to other security-challenged areas. USF-I reports that it has not been involved in the planning, construction, or funding of the proposed security wall.²⁹¹

Status of Forces

On June 1, 2010, the ISF assumed sole responsibility for operating entry control points for Baghdad's International Zone. U.S. soldiers began securing these posts in 2003 and assumed a supporting role more than a year ago. This transition marks the first time U.S. troops have not been involved in securing the International Zone, one of many steps in the continuing drawdown of U.S. combat forces under the U.S.-Iraq Security

Agreement (SA) and President Obama's direction articulated on February 27, 2009.²⁹²

For the status of U.S., Iraqi, and armed private security contractor (PSC) personnel in Iraq, as of June 30, 2010, see Table 2.15.

As of mid-July 2010, approximately 75,000 U.S. military personnel remained in Iraq, operating from 124 bases.²⁹³ The United States has turned over control of 373 additional bases to the GOI. Of the more than three million pieces of equipment USF-I controlled in January 2010, more than half have already been shipped back to the United States, transferred to the GOI, or scheduled for transfer to Afghanistan.²⁹⁴

By August 31, 2010, fewer than 50,000 U.S. military personnel are expected to remain in Iraq to conduct stability operations.²⁹⁵ Anticipated activities include:²⁹⁶

- training, advising, and equipping the ISF
- protecting U.S. military and civilian personnel and facilities
- conducting counterterrorism operations, principally with special operations forces

Plans call for U.S. military personnel to train, advise, and assist the ISF until December 2011, when the U.S. withdrawal is scheduled to conclude.²⁹⁷ For the projected U.S. force strength by September 2010, see Figure 2.21.

Private Security Contractor Support

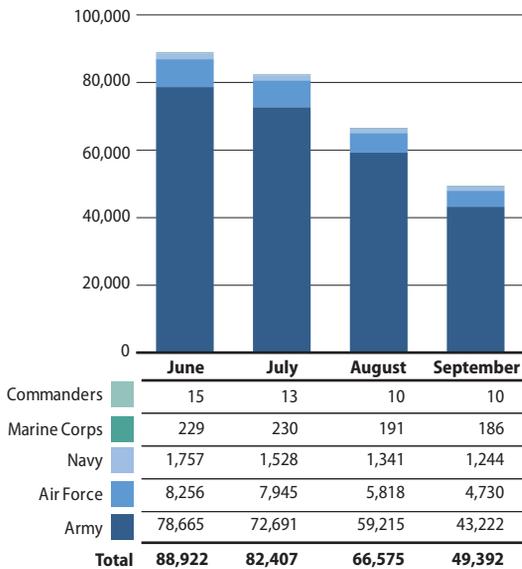
A June 2010 RAND study offers new details on the unprecedented use of PSC support in Iraq over the past seven years. According to the report, between 2003 and 2007, the main employers of PSCs—DoD, DoS, and USAID—paid more than \$5 billion directly to security contractors. During that same period, prime contractors in Iraq paid an additional \$3 billion–\$6 billion for PSC services.²⁹⁸

The U.S. military has called on PSCs for a wide range of services, including static security for

Between 2003 and 2007, DoD, DoS, and USAID paid more than \$5 billion directly to security contractors.

RECONSTRUCTION FUNDING SOURCES AND USES

FIGURE 2.21
PROJECTED U.S. FORCE STRENGTH IN IRAQ,
6/2010–9/2010



Note: All totals are as of the first day of each month. "Commanders" denotes positions held by flag-rank officers.

Source: USF-I, response to SIGIR data call, 7/1/2010.

bases, convoy security, force protection for USACE, personal security details, and coordination of military activities through the Reconstruction Operations Center. DoS employs several types of armed contractors to staff security programs in Iraq, including diplomatic security special agents, marine security guards, third-country nationals, and personal security specialists.²⁹⁹

According to DoD regulations, "PSC personnel are not authorized to participate in offensive operations and must comply with specific USCENTCOM Rules for the Use of Force," which allow the use of deadly force only in self-defense and defense of facilities or property (as specified in their contracts) or for "prevention of life-threatening acts directed against civilians." USF-I provides guidance on the rules of use of force and issues weapons cards to approved PSC personnel, allowing them to carry weapons. The contractor's signature on the weapons card acknowledges an understanding of these rules.³⁰⁰

TABLE 2.15
SECURITY FORCES PROTECTING IRAQ, AS OF 6/30/2010

SERVICE	ASSIGNED PERSONNEL	TREND
U.S. Forces ^a	75,000	↓
DoD/DoS/USAID Armed Private Security Contractors ^b	20,738	↑
Iraqi Security Forces		
Ministry of Defense ^c		
Iraqi Army (IA)	197,336	—
Training and Support	46,459	—
Air Force	4,023	—
Navy	2,910	—
Total MOD	250,728	—
Ministry of Interior ^c		
Iraqi Police	301,286	—
Iraqi Federal Police	43,957	↑
Border Enforcement	60,605	↑
Oil Police	29,411	↑
Facilities Protection Service (FPS)	90,000	—
Total MOI	525,259	↑
Special Forces	4,120	—
ISF Total	780,107	↑
Grand Total	875,845	↑

Note: Numbers affected by rounding.

^a Number of troops as of 7/15/2010.

^b PSC numbers shift continually based on changing contract activity and level of security services required.

^c Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Sources: SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 1/2009–7/2009; OSD, responses to SIGIR data calls, 4/2/2009, 7/1/2009, and 9/30/2009; DoD, *Measuring Stability and Security in Iraq*, 12/31/2008; OSD, response to SIGIR data call, 7/1/2010; U.S. Embassy-Baghdad, RSO, response to SIGIR data call, 7/1/2010; USAID, response to SIGIR data call, 7/2/2010.

For the totals of armed PSCs serving DoD, DoS, and USAID, see Table 2.16. For more details on contractors in Iraq, see the Reconstruction Funding Management and Uses subsection of this Report.

As SIGIR reported last quarter, some GOI agencies and personnel have harassed PSCs this year. The U.S. Embassy's Regional Security Office provided additional examples of undue bureaucratic restrictions and operational challenges reported this quarter:³⁰¹

TABLE 2.16

ARMED PRIVATE SECURITY CONTRACTORS IN IRAQ, AS OF 6/30/2010

	U.S. CITIZEN	THIRD-COUNTRY NATIONAL	IRAQI	TOTAL
DoD	887	12,204	1,646	14,837
DoS/USAID	1,205	3,032	1,664	5,901
Total	2,089	14,695	2,823	20,738

Sources: U.S. Embassy-Baghdad, response to SIGIR data call, 7/1/2010; OSD, response to SIGIR data call, 7/1/2010; USAID, response to SIGIR data call, 7/2/2010.

The first of 140 M1A1 tanks purchased by the GOI began rolling in this summer.

- In mid-June, a non-Chief of Mission PSC, on an administrative move without a client, reached an entry control point and prepared to present documents. IA personnel reportedly removed PSC personnel from their vehicles and assaulted them under the threat of deadly force. PSC personnel were arrested, equipment and vehicles confiscated, and the PSC members taken to another location where, reportedly, they were once again assaulted. The reasons for the IA's actions are unknown.
- The MOI Private Security Companies Licensing and Registration Office has reportedly been issuing arbitrary orders and imposing deadlines that are difficult to meet, which strains the MOI's capacity to manage its own workload.
- Some PSCs report waiting months for the MOI to approve annual license renewal applications, requiring companies to file a renewal even before the original application has been adjudicated. The Regional Security Office (RSO) is uncertain whether this is intentional or simply the result of inaction.

Iraqi Security Forces

According to USF-I, the ISF is striving to reach its "minimum essential capability" objectives.³⁰²

- **MOD forces**—The Iraqi Army is functioning well as a counterinsurgency force, the Navy is providing offshore oil terminal defense, and the Air Force is increasing capability and capacity in mobility, airspace control, and ground attack.



Soldiers of the 5th Iraqi Army Division salute the Iraqi flag during a change-of-command ceremony to transition control of the Combat Outpost Mullalah in Diyala province. Iraqi forces relieved U.S. 1st Stryker Brigade Combat forces on June 25, 2010. (USF-I photo)

- **MOI forces**—Both the Federal Police and Oil Police are operationally capable, and the Provincial Police and Border Police have shown progress in performing their security functions.

The newly confirmed USF-I Commanding General testified in June that, "while we are witnessing Iraqi security forces that are increasingly independent and capable of providing internal security, much work remains to be done." He emphasized that "continued U.S. efforts to train, advise, and equip the Iraqi security forces will be required to meet the President's guidance and vision for a sovereign, stable, and self-reliant Iraq."³⁰³

Current training plans and equipment expectations anticipate a shift in ISF operations, with MOI forces assuming a larger role in internal security as MOD forces move to a more conventional force structure and focus on external threats, while retaining the ability to conduct targeted counterinsurgency and stability operations. This transition is well underway, and the MOD is building its conventional defense capabilities.³⁰⁴

- The first of 140 M1A1 tanks purchased by the GOI began rolling in this summer, and 65 tank crews have already received training. The IA is actively training at 10 Iraqi-run training centers across the country, honing specialized individual skills and working toward a large joint-training exercise planned for April 2011.

- The Iraqi Air Force currently operates 110 aircraft. It nearly doubled its personnel in the past year and has a plan to double its numbers again (to a force of 10,000 personnel) by the end of 2011. The MOD is training its own fixed-wing and helicopter pilots. During the national elections, the Iraqi air force squadrons flew 134 sorties—securely transporting ballot boxes, performing overwatch, and providing intelligence, surveillance, and reconnaissance with real-time communications to their operation centers.
- The Iraqi Navy is also growing in size and capabilities, with more than 50 vessels deployed to protect critical offshore oil infrastructure, territorial waters, and commercial ports. The Iraqi Navy conducted 50 patrols per month this quarter, a 300% increase from the same quarter last year. For the last six months, the Iraqi Navy has been fully responsible for securing one of the two oil platforms. Additionally, the first of 15 new U.S.-built patrol boats are scheduled to arrive later this summer, and 50 Iraqi sailors, who will form the first crews for those patrol boats, were training in Louisiana this quarter.

The MOI has approximately 410,000 officers, and it is beginning the transition to police primacy for internal security. USF-I reports that police are increasingly capable at all levels.³⁰⁵

Training

Increasingly, U.S. support for the ISF comes in the form of advising, assisting, and equipping—as opposed to earlier periods, where training was conducted by U.S. personnel and contractors and security missions were led by U.S. forces.³⁰⁶

Ministry of Interior

The MOI has principal responsibility for Iraqi police training, which is conducted at 23 training centers across the country (see Figure 2.22). As of June 29, 2010, U.S. support was being provided by more than 320 U.S.-funded International Police Advisors (IPAs), who offer training and mentoring



U.S. soldiers advise Iraqi Commandos near Baghdad, on June 22, 2010. (U.S. Army photo)

at the station level, in academies, border forts, ports of entry, and at the MOI. In addition, U.S. advisors continue to provide specialized training in lab forensics, canine teams, counter-explosives, and other skills.³⁰⁷

This quarter, the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) continued operational and logistics planning for its Police Development Program (PDP). The PDP is scheduled to begin when DoS assumes full responsibility for the U.S. role in Iraqi police training on October 1, 2011. Planners anticipate that the PDP will be smaller in scope and scale than the current military-led program.³⁰⁸ For further details of the transition, see the Reconstruction Funding Management and Uses subsection in this Report.

On April 26, 2010, DoS discussed with the GOI an extended security and rule-of-law assistance program of three to five years. Tentative plans call for more than 320 U.S. advisors to work with the MOI on developing Iraqi judicial and legal institutions. Programs will focus on forensics training, advisor support for MOI and MOD managers, and other rule-of-law activities. Discussions continue about launching this broad cooperative effort in Baghdad, Erbil, and Basrah provinces.³⁰⁹ Next quarter, SIGIR will be reporting on management issues related to the U.S. program to support Iraqi Police training.

Ministry of Defense

The MOD has principal responsibility for training the Iraqi Army,³¹⁰ with limited support from

Planners anticipate that the Police Development Program will be smaller in scope and scale than the current military-led program.

FIGURE 2.22
IRAQI SECURITY FORCES TRAINING CENTERS



Source: U.S. Embassy-Baghdad, response to SIGIR data call, 5/15/2010.

Challenges are underscored by the MOD's inability to establish and maintain capable logistics/sustainment infrastructure.

U.S. advisors in the Iraq Training and Advisory Mission (ITAM). As of June 30, 2010, the largest U.S. advisor staffs supported the Iraqi Air Force, the MOD's Joint Headquarters, and the National Intelligence Cell.³¹¹

This quarter, 20,300 IA soldiers graduated from a diverse collection of courses.³¹² Specialized training focused on officer and NCO professionalization, mechanized equipment, artillery, engineering, and logistics capabilities.³¹³ According to DoD, training was negatively affected by IA operational requirements related to the parliamentary elections and delays in seating a new government.³¹⁴

Also this quarter, the Minister of Defense approved training for officers and NCOs of the Kurdistan Region's four Regional Guard Brigades, beginning in July 2010. In April, these Peshmerga forces

were acknowledged by Prime Minister al-Maliki as part of the security forces of Iraq for the purpose of receiving U.S. military equipment and training.³¹⁵

Equipment and Foreign Military Sales

Equipping the ISF to meet the requirements of its external security role remains a challenge. According to ITAM, GOI budgetary outlays for ISF equipment have been constrained by past revenue shortfalls and a dependence on the ISFF for key purchases.³¹⁶ It reports that these challenges are underscored by the MOD's inability to establish and maintain capable logistics/sustainment infrastructure—a capability that remains under construction and is deemed marginally responsive to core requirements such as ammunition requests and procurement of repair parts. The following are key items on a list of “critical unique resources” that ITAM reports are being employed to address equipment requirements:³¹⁷

- The U.S. military has designated 60,000 pieces of surplus equipment for the U.S. Equipment Transfer to Iraq (USETTI) program. USETTI involves equipment transfers to the MOD, MOI, and Special Forces. Currently, the GOI has obligated \$143 million to fund refurbishment and transportation costs for selected items. Key equipment identified for the IA includes armored personnel carriers, tracker mortar carries, tracked maintenance vehicles, and M198 Howitzers. Surplus equipment is meant to complement ISFF purchases and items procured via the Foreign Military Sales (FMS) program to help the ISF reach its readiness requirement goals.
- As of June 30, 2010, the GOI reported that 158 cases worth \$5.6 billion had been endorsed by a Letter of Offer and Acceptance through the FMS program. The value of cases already delivered to the GOI is \$2.8 billion.
- Development of Iraq's air force capability has involved both U.S. and GOI funding for fixed-wing and rotary aviation platforms. DoD reports that the Iraqi Air Force retains high readiness rates and is capable of surging missions but

is reliant on contractor sustainment to do so.

Recently, the GOI requested F-16 fighter aircraft through the FMS program. USF-I leadership indicates that these requests are being assessed.

Sons of Iraq

As of July 2010, more than 41,000 Sons of Iraq (SOI) members had transitioned into the ISF or various civil ministries. A May 11, 2010, memorandum from the MOD formally requested that further transition be postponed until the security situation improves. The GOI had intended to resume transition of the remaining members shortly after the national elections, but various circumstances apparently prevented that from happening. Chief among them, a hiring freeze called for in the 2010 GOI Budget Law, remains a matter of debate between the Ministries of Finance and Interior.³¹⁸

Meanwhile, support for the SOI remains problematic. The GOI provided more than \$270 million to pay SOI salaries in 2009 and an estimated \$75 million thus far in 2010. However, timely pay continues to be a challenge. Payment of March salaries was projected to begin in mid-April, but was delayed until the end of May.³¹⁹ As of June 30, 2010, the GOI was only able to distribute salaries to about 85% of SOI nationwide; approximately 50% of Baghdad SOI had not received their April and May salaries. On July 18, 2010, multiple suicide bombers attacked SOI members, who were lining up to get paid, killing more than 40 and injuring dozens.³²⁰

In addition, anecdotal reporting from U.S. advisory teams embedded within the IA indicates the GOI is providing minimal logistical and security support to the SOI—including inadequate ISF protection and support at checkpoints. This has led to complaints from SOI members that they feel exposed and defenseless.³²¹

Numerous negative media reports in Iraq and abroad have highlighted the perception that the GOI is not committed to the SOI program. DoD has reported on the SOI's persistent belief that its members are being transitioned to menial jobs and unfairly targeted for arrest; continuing pay

problems have further contributed to SOI distrust of the government. According to DoD, the GOI has been largely ineffective in countering this perception and communicating to the SOI its commitment to the reconciliation process.³²²

SIGIR has an audit underway examining the costs and outcomes of the SOI program.

Daughters of Iraq

The Daughters of Iraq (DOI) continue to support local Iraqi Police checkpoints in Anbar, Baghdad, and Diyala. DOI personnel do not carry weapons, but are stationed with armed males, and work in pairs to conduct body searches of female visitors for possible weapons and explosives. As the Iraqi Police continue to add females to their ranks, the need for the DOI is diminishing, and there are no plans to transition its members into permanent employment in the ISF.³²³

The Rule of Law

As of June 30, 2010, the United States had allocated \$1.59 billion, obligated \$1.55 billion, and expended \$1.41 billion to improve the rule of law, including human rights, in Iraq.³²⁴

U.S. efforts to improve the judicial and criminal justice systems continue to focus on judicial security, capacity and capability to collect and process criminal evidence, and capacity and oversight of detention facilities.³²⁵ INL funds the Rule of Law Coordinator (RoLC) program and has separate corrections, law enforcement, and judiciary programs that complement RoLC efforts.

Iraq's Judiciary

In May 2010, the Inspector General met with Iraq's Chief Justice, Medhat al-Mahmoud, in Baghdad. They discussed Iraq's election certification process and the status of Iraqi anticorruption agencies (Council of Integrity, Board of Supreme Audit, and ministry IGs). The Chief Justice stressed the importance of selecting good

On July 18, 2010, multiple suicide bombers attacked SOI members, who were lining up to get paid, killing more than 40 and injuring dozens.



SIGIR's Inspector General meeting with Chief Justice Medhat al-Mahmoud, Baghdad, May 2010.

IGs, remarking that some officials had been taking advantage of the system.

The Chief Justice also described the “circle of money,” which is being spent among the offices of the president and prime minister, as well as the CoR. No one knows how much and for what. Remarking that a “bad financial system makes corruption possible,” Justice Medhat emphasized that the government will need to hire competent financial managers.

On judicial security, the Chief Justice said there have been many troubling events, not just the ones in February. He advocated for the judges to have “true protection,” in the form of more weapons and extension of protection to the judges’ families. He added that Iraq would do well to pattern its judicial security program after the U.S. Marshals system.³²⁶

The Iraqi judiciary has advanced markedly as an institution since the re-establishment of the Higher Judicial Council (HJC) as an independent branch of the GOI in 2003. In 2009, a record number of judges graduated from the Iraqi Judicial Training Institute, which provides basic training for judges and prosecutors. As of January 2010, there were 1,263 judges working in Iraq—almost double the number in 2003—including 925 trial judges, 338 prosecutors, and 9 HJC judges. The Chief Justice has expressed particular pride about the number of female judges increasing from 7 to 67 (including 15 trial judges and 52 prosecutors) during this time period.³²⁷

Some offices of the INL-supported Judicial Development Institute (JDI) opened in January 2010, and work on the rest of the facility nears completion. This new facility supports HJC capacity

building by providing advanced training to judges, judicial investigators, and staff.³²⁸

USACE reports that construction of a new \$7.2 million, INCLE-funded courthouse in Hilla is nearly complete. The GOI is set to begin operating from the facility shortly.³²⁹

Judicial Security Initiatives

This quarter, a year-long, INCLE-funded assessment of key vulnerabilities in courts around the country was completed. The results of the assessments have contributed to security training curriculum, courthouse security upgrades, and a specialized course to train HJC staff in performing security assessments independently. INL has also funded equipment for the HJC to replace items lost in the bombing of court facilities in October and December 2009.³³⁰

In April 2010, the MOI approved a training strategy for all judicial personal security details and added a personal protection program for the judges of its General Directorate of Dignitary Protection. The directorate issued personal weapons and weapon identification cards to the personal security details of 298 participating judges. Based on the initial success of the program, more judges have submitted applications, and there are currently almost 300 applications pending.³³¹

Court Docket Processing

In June, the HJC discussed the possibility of reconvening the Ministerial Committee on the Rule of Law for Detentions to address methods for improving the investigation and processing of pre-trial detainees in GOI detention facilities. RoLC reports that the committee has great potential to improve this process as it brings together judges and investigating police. Additionally, at the request of MOI Deputy Minister Ali Hussein Kamal, U.S. Embassy-Baghdad and USF-I are planning to meet and review current practices and procedures on case processing of pretrial detainees.³³²

The Central Criminal Court of Iraq (CCC-I) continues to operate out of half of the JDI. In May



The U.S.-funded, \$7.2 million al-Hillah Courthouse was designed to provide a modern complex for rule-of-law authorities in Babylon province. (USACE photo)

2010, the HJC assumed principal responsibility for the operational costs of the CCC-I and continues to work alongside U.S. forces to become more self-sufficient. INL has been working with USF-I staff on-site to begin exit planning as the USF-I winds down engagement at the JDI.³³³

This quarter, operational information began to flow through the new INCLE-funded case tracking system that is intended to speed the adjudication of court cases. Jointly managed by the HJC, MOI, and MOJ, the system comprises three entity-specific databases built on a shared data dictionary that allow each organization to address its own data-management priorities while sharing data as agreed with partners. The HJC has taken the lead in rolling out the system, and eight courts now have working servers that operate the application.³³⁴

In June 2010, the GOI-managed Inter-Agency Working Group began sharing data records, at an initial volume of 15,000–20,000 records. The records include warrant and other information necessary to ensure the efficient and accurate transmission of information from initial arrest through trial and, if relevant, incarceration and release.³³⁵

With INL support, the GOI has implemented two additional automated systems—one for managing the records of criminals processed by the MOI and the other for tracking prisoners at the MOJ. The ministries now have the capacity to update, expand, and manage these software applications.³³⁶

Prisons and Detainees

As of June 30, 2010, U.S. forces had 1,769 Iraqi detainees in custody. More than 70% are Sunni, and 30% are Shia. USF-I continues to work cooperatively with the GOI to obtain arrest warrants for detainees that can be processed in Iraq's criminal justice system. Consistent with the obligations under the SA, U.S. forces work closely with the GOI to release those detainees who cannot be transferred to the GOI in a safe and orderly manner. U.S. forces have released approximately 8,200 detainees since January 2009 and transferred nearly 5,600 additional detainees to the GOI with arrest warrants, detention orders, or as convictions.³³⁷

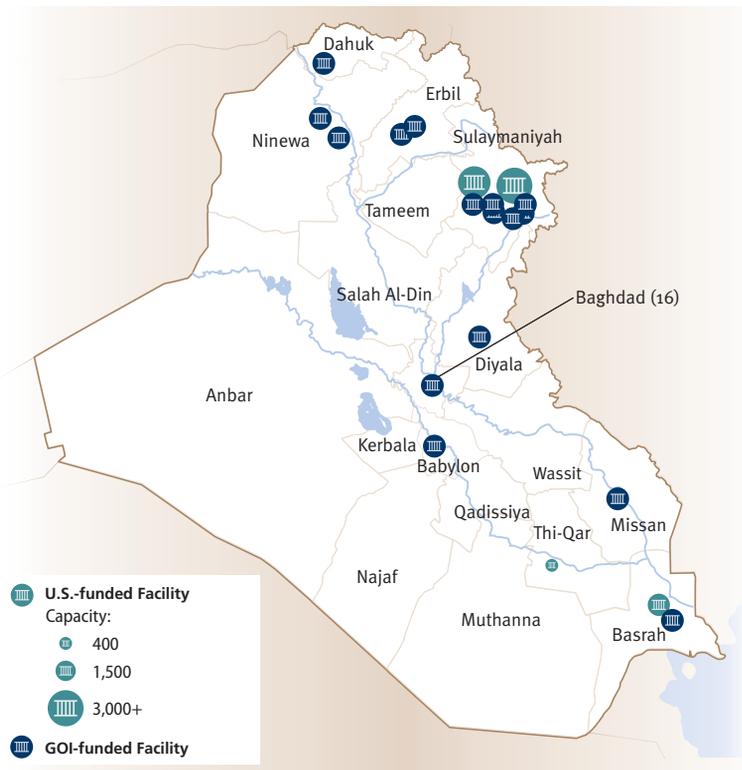
On July 15, 2010, USF-I transferred the Cropper Theater Internment Facility—the last large internment facility operated by USF-I—to Iraqi control. New infrastructure investment at the facility totaled \$48 million, and nearly \$50.2 million in contracts to sustain Iraqi detention operations through December 2010 were transferred with the facility. At the time of the transfer to the GOI, approximately 1,600 detainees with Iraqi arrest warrants, detention orders, or convictions were housed there; the maximum capacity is 4,000 detainees. USF-I continues to conduct limited detainee operations at the facility in support of ongoing counterterrorism operations and at the special request of the GOI. In the last year, USF-I closed the Bucca Theater Internment Facility and transferred the Taji Theater Internment Centers to GOI control.³³⁸ For locations of all prisons in Iraq, see Figure 2.23.

Human Rights Update

As underscored in the *UN Development Assistance Framework for Iraq 2011–2014* (UNDAF), “the Iraqi state’s capacity to exert legitimate authority through the rule of law has been weakened by the cumulative effect of years of violence and general degradation of state institutions.” According to the UNDAF, the most vulnerable groups in Iraq—women, widows, female heads of household, children, persons with disabilities, minority communities, and IDPs—“have limited access to the formal justice

U.S. forces have released approximately 8,200 detainees since January 2009 and transferred nearly 5,600 additional detainees.

FIGURE 2.23
IRAQ'S PRISONS



Sources: U.S. Embassy-Baghdad, responses to SIGIR data calls, 4/14/2010 and 5/15/2010.

system and express little confidence in its workings.” They rely on traditional justice mechanisms, which often are not compliant with national and international human rights standards.³³⁹

According to the UNDAF, Iraq’s accession to and ratification of several international human rights instruments, as well as the International Labor Organization core conventions, have not been consistently translated into domestic law. The United Nations Country Team (UNCT)

TABLE 2.17
UNDAF TARGETS FOR HUMAN RIGHTS

METRIC	BASELINE	2014 TARGET
A national human rights responsive population policy in place	No (2009)	Yes
Number of criminal codes and criminal procedures codes harmonized with international human rights law	0 (2009)	2
Percentage of periodic reports submitted as required by international human rights treaties ratified by Iraq	TBD (2009)	100%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

reports an increase in human rights abuses, gender discrimination, marginalization and exclusion of some communities, and insufficient protection of vulnerable groups. And although Iraq has passed a law for establishing an independent high commission for human rights, it has yet to be established.³⁴⁰

The UNDAF has set priorities to align with worldwide Millennium Development Goals for improving the lives of impoverished populations by 2015. At the foundation of this work is the need to meet the basic rights of Iraq’s people to education, health, food, safe and clean water, and decent housing. Improvement of the protective environment in Iraq for children and young people is a primary goal. The UN has planned support for reforms to the juvenile justice system so that it may conform to international standards.³⁴¹ See Table 2.17 for UNDAF human rights metrics and targets in Iraq. ♦

INFRASTRUCTURE

As of June 30, 2010, the United States had allocated \$12.53 billion, obligated \$12.05 billion, and expended \$11.77 billion from the four major funds to rehabilitate Iraq's infrastructure, including projects in the oil and gas, electricity, water and sanitation, and transportation and communications sectors.³⁴² For the status of U.S. infrastructure funds, see Figure 2.24 and Table 2.18.

U.S. expenditures on infrastructure projects peaked in the last quarter of FY 2005, when \$969.4 million was expended. As shown in Figure 2.25, this quarter's expenditures were just 4% of that amount. Of the \$286.9 million in unexpended obligations at the end of the quarter, the largest share was in the electricity sector, followed closely by water and sanitation and then transportation and communications. Roughly two-thirds of these unexpended obligations were CERP funds.³⁴³

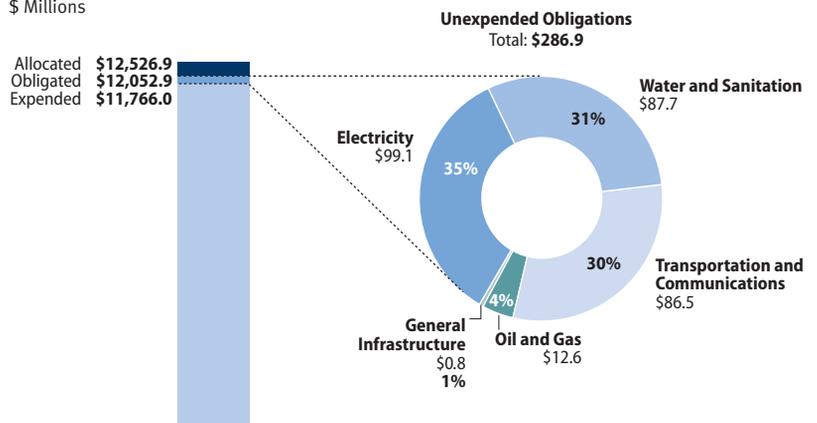
The winding down of direct U.S. support for reconstruction comes as the GOI and United Nations launch coordinated five-year plans to continue critical development work. Much remains to be done in the infrastructure sector:

- Crude oil production has reached at least a temporary plateau.
- Domestic production of refined fuels, such as gasoline and liquefied petroleum gas (LPG), is insufficient to meet demand.
- Electricity shortfalls are widespread and, together with inadequate supplies of drinking water, contributed to violent demonstrations in several provinces this quarter.
- The civil aviation and port sectors require help in meeting international standards.

Now the GOI is relying more on support from international partners and organizations and is exploring various mechanisms for attracting private investment to continue the rebuilding effort.

FIGURE 2.24

INFRASTRUCTURE: STATUS OF FUNDS FROM THE IRFF, ISFF, ESF, AND CERP

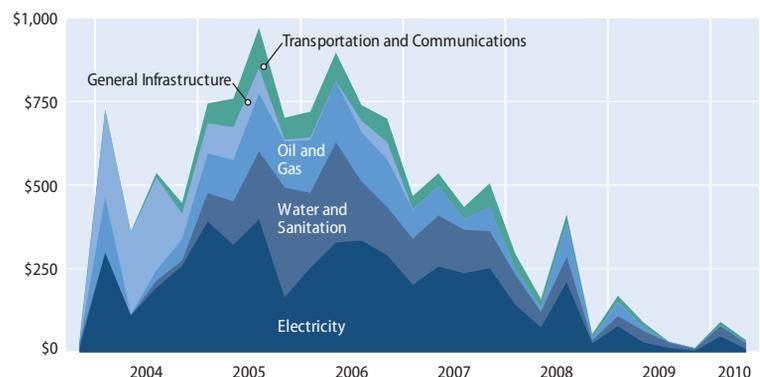


Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, response to SIGIR data call, 7/6/2010; OSD, response to SIGIR data call, 4/10/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/8/2010.

FIGURE 2.25

INFRASTRUCTURE: QUARTERLY U.S. EXPENDITURES, BY RECONSTRUCTION SECTOR



Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data call, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

TABLE 2.18

INFRASTRUCTURE: STATUS OF SELECTED PROGRAMS

\$ Millions

PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Water Resources & Sanitation - Potable Water (IRRF)	1,338.4	1,332.5	-0.8 (0%)	15.3 (1%)
Transportation & Telecommunications Projects - Railroad Rehab and Restoration (IRRF)	196.1	196.1	0.0 (0%)	10.4 (6%)
Electric Sector - Transmission (IRRF)	1,023.1	1,012.6	3.1 (0%)	6.4 (1%)
Infrastructure Security Protection - Electricity (ESF)	27.0	24.1	4.3 (19%)	1.9 (9%)
Transportation (CERP)	357.2	303.9	3.1 (1%)	0.0 (0%)
Transportation & Telecommunications Projects - Iraqi Communications Systems (IRRF)	52.9	40.0	-0.2 (0%)	2.6 (7%)
Plant-Level Capacity Development & Technical Training - Communication (ESF)	4.2	2.1	2.2 (104%)	0.1 (7%)
Electricity (CERP)	381.5	330.7	1.3 (0%)	0.5 (0%)
Water & Sanitation (CERP)	690.2	625.7	1.8 (0%)	0.0 (0%)
Other	7,982.3	7,898.2	-10.3 (0%)	-1.9 (0%)
Total	12,052.9	11,766.0	4.4 (0%)	35.3 (0%)

Note: Programs listed in this table had changes of at least \$1 million in combined quarterly obligations and expenditures. Appendix C shows the status of all programs funded by the four major funds, including those in the Infrastructure reconstruction area that are grouped in the "Other" category here. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, response to SIGIR data call, 7/6/2010; OSD, response to SIGIR data call, 4/10/2009; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, responses to SIGIR data calls, 4/13/2009 and 7/8/2010.

Oil and Gas

As of June 30, 2010, the U.S. government had allocated \$2.05 billion, obligated \$1.93 billion, and expended \$1.91 billion to rehabilitate the oil and gas sector in Iraq.³⁴⁴

Crude Oil Production and Exports

Despite month-to-month fluctuations, crude oil production in Iraq has been relatively flat for the past two-and-a-half years, averaging 2.42 million barrels per day (MBPD) in 2008, 2.40 MBPD in 2009, and 2.38 MBPD thus far in 2010. Production this quarter was unchanged from last quarter and 1% less than the amount produced in the April–June quarter of 2009. Exports of crude oil this quarter averaged 1.85 MBPD, a 5% drop from last quarter and 2% less than the same quarter in 2009. Of the crude oil that was not exported, 0.43 MBPD went to refineries, a 16% increase from last quarter and

a 19% increase from the same quarter last year.³⁴⁵ For crude oil production, refinery input, and export levels since 2003, see Figure 2.26.

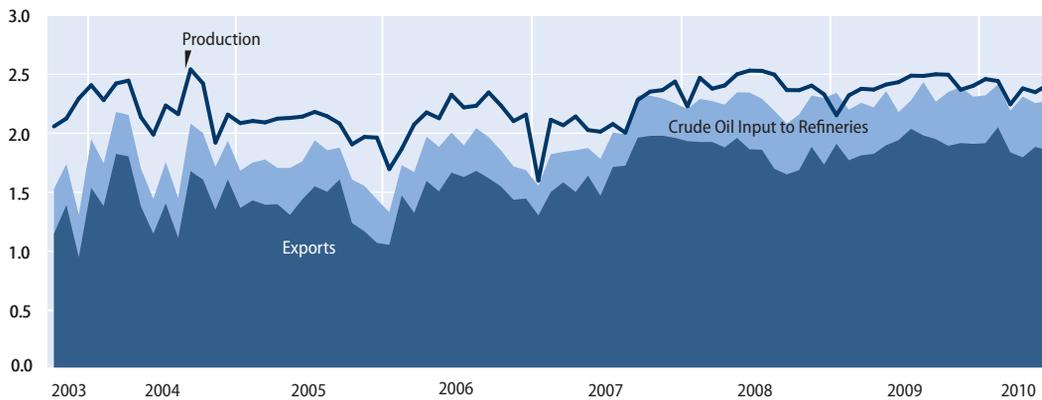
Attacks on Oil Infrastructure

This quarter, for the first time, oil pipelines protected by Pipeline Exclusion Zones (PEZ) were damaged by attacks:³⁴⁶

- On April 22, unknown attackers damaged a section of the pipeline in Ninewa province that transports crude oil to the export terminal in Ceyhan, Turkey. The event reportedly halted the flow of oil to the north for five to six days while the line was repaired, resulting in the delayed transport of about 200,000 barrels of oil, but had no effect on northern crude oil production. The estimated value of the lost oil, cost of repairs, and demurrage totaled less than \$30 million.
- On April 27, an attack on the PEZ-protected Baiji-to-Baghdad pipeline prevented the Doura refinery

This quarter, for the first time, oil pipelines protected by Pipeline Exclusion Zones were damaged by attacks.

FIGURE 2.26
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–6/2010
 Million Barrels per Day



Note: Most crude oil produced in Iraq is either exported or refined into petroleum products. The remainder is consumed in power plants, put in storage, or unaccounted for.

Sources: NEA-I, responses to SIGIR data call, 6/4/2010 and 7/6/2010.

from receiving about 20,000 barrels per day (BPD) from the Kirkuk oil fields for several days. The refinery continued to operate at a reduced level using southern crude oil for feedstock.

- On June 7, another section of the Iraq-Turkey pipeline in Salah Al-Din province was damaged by unidentified causes, resulting in losses comparable to the earlier attack on that line.

On June 21, an improvised explosive device damaged a pipeline in West Qayyarah in Ninewa, but it is unclear if this line was within a PEZ. Repairs were completed in less than three hours.³⁴⁷

Expansion of Upstream Production Capacity

The Ministry of Oil has said that it hopes to see a total production increase of approximately 150,000 BPD by the end of 2010 as a result of service contracts awarded in June and December of 2009.³⁴⁸ And it expects an increase of about 600,000 BPD by the end of 2011.³⁴⁹ The development contract for the supergiant Rumaila field reportedly has progressed the furthest; the consortium of British Petroleum (BP), China National Petroleum Company (CNPC), and the South Oil

Company assumed full control of the field on July 1. The field currently produces nearly 1 MBPD, and Ministry of Oil officials estimate a roughly 200,000 BPD increase by the end of 2010. Under the terms of the contract, production is expected to increase to 2.85 MBPD by 2017. Production at the al-Zubair field, operated by Italian firm Eni, could expand by 250,000–300,000 BPD from its current rate of 180,000 BPD. And the Majnoon field could more than triple its current output of about 50,000 BPD by the end of 2012.³⁵⁰

This quarter, the China National Offshore Oil Corporation (CNOOC—63.75% stake) and Turkish state-owned TPAO (11.25% stake) signed a final agreement with the GOI to expand production by 350,000 BPD in the three Missan oil fields (Fawqa, Abu Ghirab, and Buzurgan) that were initially offered at auction in June 2009.³⁵¹ The Missan Oil Company holds the remaining 25% stake in this deal.³⁵² Current production averages 100,000 BPD.³⁵³ Lukoil has reportedly allocated \$5 billion toward oil-drilling projects for West Qurna Phase 2 field, and expects to commence drilling operations in 2011. The company, with partner firm Statoil, signed a service agreement with the GOI in January to expand the field's production.³⁵⁴

The Ministry of Oil expects an increase of about 600,000 BPD by the end of 2011.

Iraq's refineries are unable to meet domestic demand for higher-grade products such as gasoline and LPG.

Anticipating future opportunities with companies developing Iraq's oil fields, oil services firms are moving ahead with their own expansion plans. For example, Schlumberger Ltd. announced in March that it was nearing completion of its own operating base in Basrah province and bidding on several well-operation and integrated-services packages.³⁵⁵

Export Expansion

Of the 1.90 MBPD of crude oil that Iraq exported in 2009, about three-fourths was shipped from the southern port facilities in Basrah, one-fourth was transported via pipeline north to the port of Ceyhan, and less than 1% was trucked to Jordan.³⁵⁶

The GOI is currently undertaking the Iraq Crude Oil Export Expansion (ICOEE) project to rehabilitate and expand southern Iraq's pipeline capacity and offshore export terminals. This quarter, oil services firm Foster Wheeler Ltd. announced that the South Oil Company had awarded it a contract to oversee the ICOEE. The project will include construction of onshore and offshore pipelines, as well as installation of three single-point mooring buoys, a central manifold and metering platform in the Persian Gulf, and related infrastructure. The project aims to boost southern Iraq's export capacity from 1.8 MBPD to 4.5 MBPD by 2014.³⁵⁷

The Ministry of Oil signed an initial agreement with Turkey this quarter to extend the transport of crude oil through the Iraq-Turkey pipeline for another 12 years.³⁵⁸ Industry observers also report that the GOI is seeking to replace its crude oil pipeline to Syria. Before the 2003 invasion, the pipeline's export capacity stood at up to 200,000 BPD,³⁵⁹ but it has remained idle in recent years because of damage sustained during the intervention and subsequent looting. Iraq and Syria have discussed repairing the pipeline since at least 2007; however, no agreement or action has yet been taken.³⁶⁰

Refineries and Petroleum Products

Compared with the same period last year, Iraq's refineries this quarter produced 24% more diesel fuel, 23% more gasoline, 11% more kerosene, and

4% more LPG.³⁶¹ Notwithstanding these gains, Iraq's refineries are unable to meet domestic demand for higher-grade products such as gasoline and LPG because of the country's outdated refining infrastructure and insufficient supplies of crude oil available for use as feedstock.³⁶² Although almost all of this quarter's supplies of kerosene and diesel fuel were produced domestically, Iraq relied on imports for 30% of its gasoline and 17% of its LPG.³⁶³ For trends in the production and import of petroleum products, as reported by the DoS Bureau of Near Eastern Affairs-Iraq (NEA-I), see Figure 2.27.

The current capacity of Iraq's refineries, all of which are state-owned, is about 790,000 BPD.³⁶⁴ The Ministry of Oil's strategic plan calls for increasing this capacity to 1.5 MBPD by 2017, and the GOI is seeking an estimated \$20 billion or more in investments to achieve this goal through the expansion of existing infrastructure and construction of new facilities.³⁶⁵ Specifically, the ministry plans to expand the existing Doura and Basrah refineries and to build four new refineries: a 300,000 BPD refinery in Nassiriya, a 150,000 BPD refinery in both Missan province and Kirkuk, and a 140,000 BPD refinery in Kerbala. The ministry previously awarded front-end engineering and design contracts for these new facilities, and on June 26, it held a conference for interested investors.³⁶⁶ On May 3, in an effort to make investments more attractive, the Council of Ministers (CoM) approved an amendment to the 2007 Oil Refineries Law that would allow private investors to receive a 5% discount off the market price on a guaranteed supply of crude oil for 50 years. However, the amendments still need to be sent to the Council of Representatives (CoR) for approval.³⁶⁷

Oil Sector Capacity Development

Beyond improving the oil sector's physical infrastructure, the GOI needs to add substantial numbers of skilled workers to its oil sector companies to manage existing and future production. To that end, the United States continued to provide the Ministry of Oil training and advice through

USAID's *Tatweer* program, which focuses on developing public administration expertise in key Iraqi ministries.³⁶⁸

In May 2010, the South Oil Company completed its first organizational self-assessment and benchmark report, evaluating its Finance Division (Hay'a) under the *Tatweer* Organizational Self-assessment and Transformation Program. The report assessed organizational performance against international best practices and processes in finance, knowledge management, leadership, and human resources.³⁶⁹ *Tatweer* has also been working since October 2009 to support the North Oil Company, North Refining Company, and Oil Products Distribution Company at the Minister of Oil's request.³⁷⁰

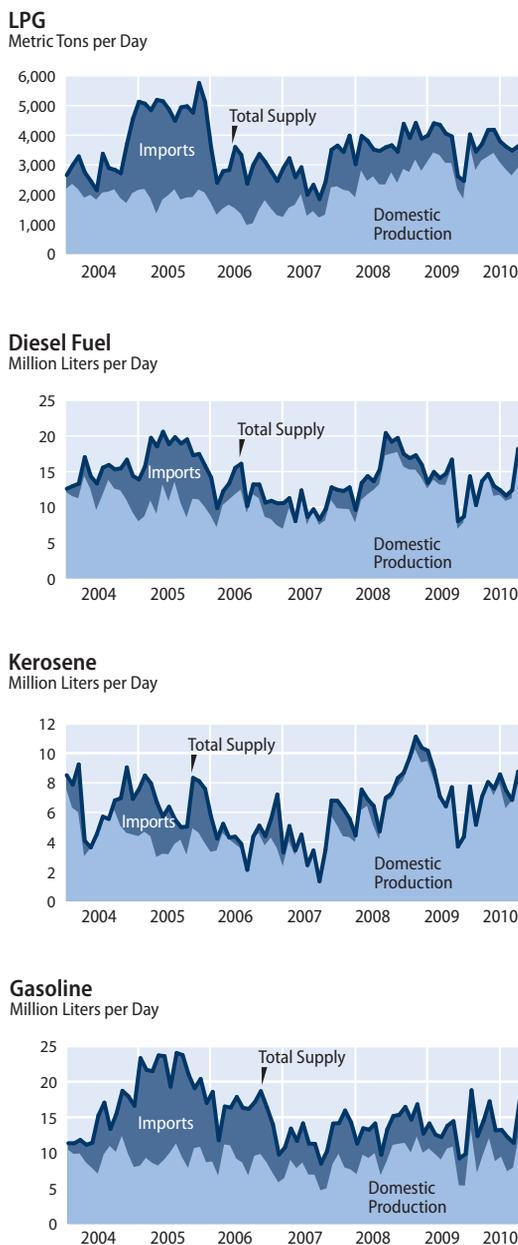
Natural Gas

According to the Ministry of Oil, production of associated natural gas averaged 1,373 million cubic feet (MCF) per day during the first five months of 2010, and slightly more than half of this gas (710 MCF per day) was flared.³⁷¹ Other sources peg the flaring at closer to 1,000 MCF per day.³⁷²

On June 29, the CoM allowed the Ministry of Oil to continue negotiations with the consortium of Royal Dutch Shell and Mitsubishi on the South Gas Utilization Project. However, the CoM has not yet approved a final contract. The agreement would establish the Basrah Gas Company, with 51% ownership by the Ministry of Oil's South Gas Company, 44% by Shell, and 5% by Mitsubishi. The joint venture would develop the associated gas from four major fields in Basrah province: Rumaila, al-Zubair, West Qurna 1, and Majnoon. Rather than being flared, the gas would be captured and distributed for domestic use and export.³⁷³

This quarter, the Ministry of Oil announced that it would hold a bidding round on September 1, 2010, for the development of three non-associated gas fields: the Akkas field in Anbar province near the Syrian border, the Mansouriya field in Diyala, and the Siba field in southern Basrah province. The Akkaz and Mansouriya fields were both

FIGURE 2.27
REFINED FUEL PRODUCTION AND IMPORTS,
BY MONTH, 2004–2010



Sources: NEA-I, responses to SIGIR data call, 6/4/2010 and 7/6/2010.

offered in the first bidding round, held in June 2009; but the ministry rejected the one bid made on the Akkas field, and it received no bids on the Mansouriya field. International energy firms that prequalified to bid in the previous two rounds are eligible to submit bids in the third round.³⁷⁴

Electricity

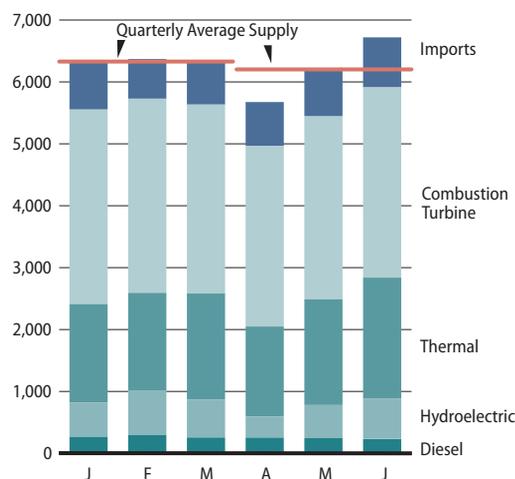
As of March 31, 2010, the United States had allocated \$5.19 billion, obligated \$5.05 billion, and expended \$4.96 billion to improve Iraq’s generation, transmission, and distribution of electricity. About 40% of the expenditures have been for the refurbishment or expansion of power plants.³⁷⁵

Production and Imports

As a result of record-high production at Iraq’s power plants, combined with record-high imports of electricity, the power supply on Iraq’s national grid in June 2010 was the highest monthly average ever—6,721 megawatts (MW), or 161,304 megawatt-hours (MWh) per day. However, as shown in Figure 2.28, the electricity supply in April was more than 15% below that level, primarily because of planned outages for maintenance and shortages of fuel and water. For the entire quarter, the average daily supply was 6,202 MW; this was a 2% drop from last quarter and the first time since 2004 that total supply, as well as power plant production, decreased between the first and second quarters of the year.³⁷⁶

Electricity production from Iraq’s power plants this quarter averaged 5,435 MW—a 4% decrease from last quarter and 6% below the previous quarterly high of 5,770 MW in July-September 2009. Compared with the same quarter last year, production increased by 238 MW, or about 5%. Over the past year, however, the nameplate capacity of power plants increased by more than 900 MW.³⁷⁷ As shown in Figure 2.29, this increase in generating capacity was offset by unplanned outages and the effects of fuel and water shortages:

FIGURE 2.28
ELECTRICITY SUPPLY, BY MONTH AND QUARTER, 1/2010–6/2010
MW



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 1/1/2010–6/30/2010.

- Unplanned outages were more than 700 MW, or about 17,000 MWh per day (78%), higher than they were during the same quarter last year. On average, 1,625 MW of capacity was lost this quarter because of technical issues, mechanical failures, and inclement weather. For example, problems this quarter with two of the four generating units at the Erbil Gas plant (one of Iraq’s newest) caused the plant’s average output to be almost 90 MW below what it was a year ago and 120 MW below what it was last quarter.³⁷⁸
- Over the last year, an additional 265 MW of capacity was lost because of shortages of fuel and water for power generation. About 42% of these additional losses resulted from insufficient water at hydroelectric plants; 53% was due to lack of fuel at combustion turbine plants. In all, about 1,561 MW of capacity was lost this quarter because of fuel and water shortages.³⁷⁹

Electricity imports this quarter averaged 767 MW, or 18,409 MWh per day. Imports were more than 10% higher than they were last quarter and almost 13% above what they were during the same quarter

The power supply on Iraq’s national grid in June 2010 was the highest monthly average ever.



The Karadeniz Powership Dogan Bey is now moored at the port of Umm Qasr and supplying electric power to the Basrah area. (Wärtsilä Corporation photo)

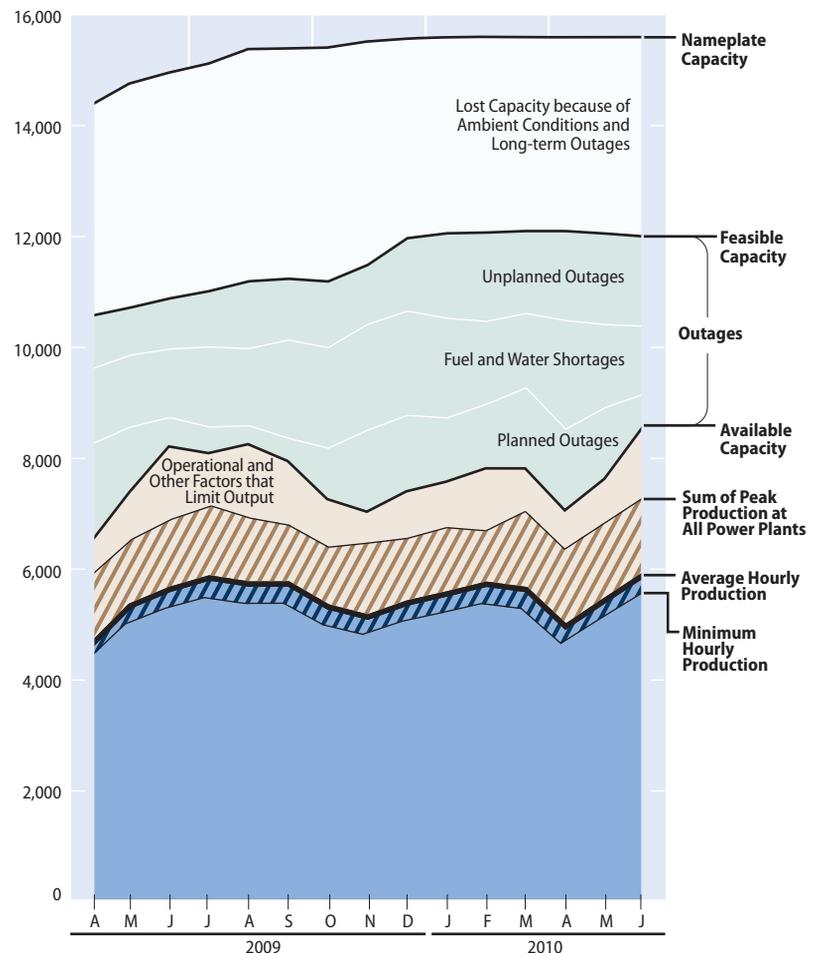
in 2009. Electricity generated in Iran accounted for 78% of the imports and almost 10% of Iraq's total supply.³⁸⁰

The remaining imports were produced in power plants owned by Kartet, an independent power producer and energy trading company based in Turkey. Starting in 2003 and until this quarter, power has been imported from Turkey via transmission lines crossing the border into Iraq. In April, Kartet delivered the Karadeniz Powership Dogan Bey, a 126.5 MW floating power plant, to the port of Umm Qasr. The powership is operated and maintained by Wärtsilä Corporation, a Finnish company, under contract with Kartet. During June, the plant's first full month of service, the powership's average output to the Basrah area was about 56 MW. A second Kartet powership is expected to be delivered this year to al-Zubair, also in Basrah.³⁸¹

Supply-Demand Imbalance

While the supply of electricity in June was a record high, so was average demand, driven up to an estimated 10,800 MW (259,222 MWh per day), in part, by the seasonal rise in temperatures. As a result, supply in June met 62% of estimated demand. Based on MOE data, average demand during the entire quarter was 9,441 MW, a 6% increase from last quarter, but about 8% below

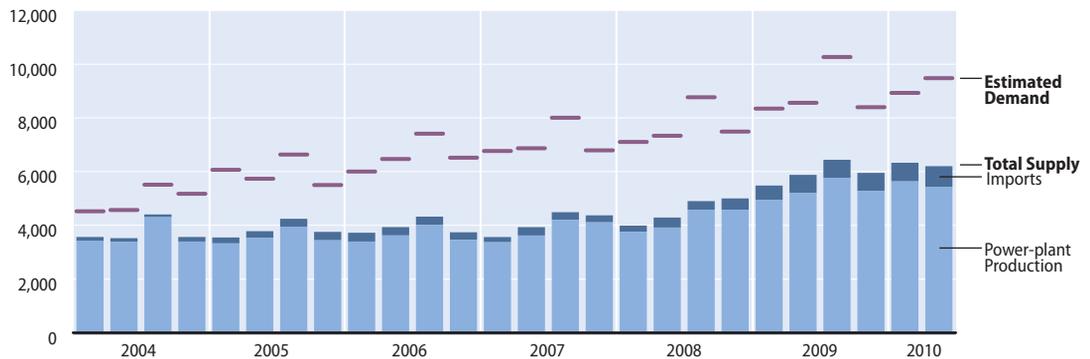
FIGURE 2.29
FACTORS LIMITING PRODUCTIVITY OF IRAQ'S POWER PLANTS,
BY MONTH, 4/2009–6/2010
MW



Note: This figure is intended to provide a general picture of the factors that limit the output of electricity from Iraq's power plants. It is based on data provided by the MOE and reported in the ITAO/ESD *Electric Daily Performance Reports*. Data for production, nameplate capacity, feasible capacity, and the three categories of outages is taken directly from those reports. However, because of uncertainties about the accuracy of some data, as well as the technical complexities of power production, the figure should not be viewed as a precise representation of power generation in Iraq. *Nameplate capacity* is the maximum rated output of all the generating units on the grid when operating under specific, optimal conditions designated by the manufacturers of those units. *Feasible capacity* is an estimate of maximum output that can be expected from the generating units taking into account actual conditions at the power plants. *Lost capacity because of Ambient Conditions* is the difference between nameplate capacity and feasible capacity; it is not a category in the reports but is shown here to help explain why feasible capacity is lower than nameplate capacity. In this context, ambient conditions include weather, type of fuel used, physical condition of the plant, and other factors that limit the units' output. *Available capacity* also is not a category in the reports; it is the feasible capacity of those units that are actually in service. *Operational and Other Factors that Limit Output* also is not a category in the reports; it is the amount that remains after subtracting production from available capacity. The most likely factor causing the difference between available capacity and average production is that units cannot prudently be operated continuously at full capacity. As demand fluctuates throughout the day (usually reaching its peak in the late afternoon), system operators monitor and adjust the actual output from the generating units. Thus, at any given moment, actual production could be closer to, or further from, available capacity than indicated by the average hourly production line in this figure. When actual daily peak production from all generating units is added together, the gap between available capacity and average hourly production is reduced. The *Sum of Peak Production* line is based on the day in each month when the sum of peak output from power plants was the highest.

Sources: SIGIR analysis based on ITAO/ESD, *Electric Daily Performance Reports*, 4/1/2009–6/30/2010.

FIGURE 2.30
AVERAGE IRAQI ELECTRICITY SUPPLY AND ESTIMATED DEMAND, BY QUARTER, 1/2004–6/2010
 MW



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–6/30/2010; DoS, *Iraq Status Reports*, 10/25/2006, slide 11, and 5/9/2007, slide 11.

the record quarterly high of 10,227 MW in July–September 2009. For the quarter, supply met 66% of estimated demand—down from 71% last quarter and from 68% during the same quarter last year.³⁸² Because of the supply-demand imbalance, many areas of Iraq reportedly receive just four hours of electricity per day.

Many Iraqis cannot afford to use private generators to supplement the limited supply of electricity they get from the grid. Those who have generators have trouble finding fuel. In southern Iraq, where temperatures in June started to reach 120 degrees Fahrenheit or more, the shortages of electricity and potable water spurred angry, stone-throwing protests. On June 19, security forces killed two demonstrators in Basrah and wounded two others. Two days later, in Nassiriya, at least 14 people were wounded. That same day, the Minister of Electricity offered to resign. On June 22, Minister of Oil al-Shahristani was named the acting Minister of Electricity.³⁸³ He subsequently announced that he was stopping special electricity privileges for officials in Baghdad and that he had ordered production increases at several power plants.³⁸⁴

For quarterly averages of domestic production and imports, relative to estimated demand, since January 2004, see Figure 2.30.

Attacks on Electricity Infrastructure

The number of reported attacks on electrical transmission lines increased eight-fold this quarter, from 2 in the January–March period to 16 during April–June. Explosive devices damaged 18 transmission towers, causing 14 of them to collapse; but according to USF-I, these attacks had minimal or no effect on the availability of supplies on the national grid. All of the attacks took place in central and northern Iraq, with half occurring in Ninewa and Salah Al-Din provinces (See Figure 2.31).³⁸⁵

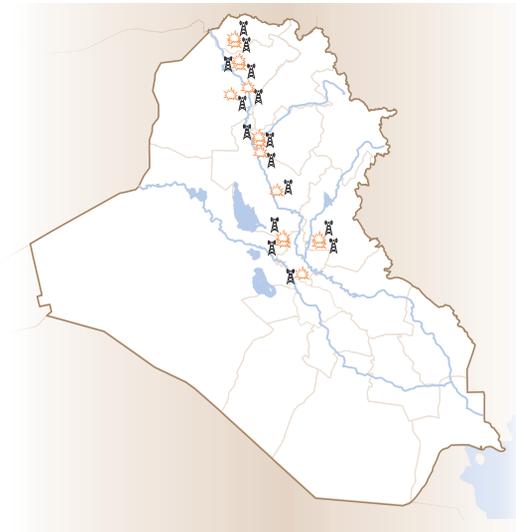
Efforts To Increase Production Capacity

The MOE has now awarded the engineering, procurement, and construction (EPC) contracts for all three power-plant sites associated with the “Fast Track Deal” with General Electric (GE). These plants are planned for Taji, Hilla, and Kerbala and will have a combined nameplate capacity of 660 MW. According to U.S. Embassy-Baghdad, the MOE is current in its payments to GE for the eight combustion turbines, the EPC letter of credit for the Taji site is 50% funded, and the letters of credit for the other two sites are in the process of being funded. Work at the Taji site is expected to begin soon.³⁸⁶

Funding is also current for the “Mega Deal” purchase of turbines from GE (56 turbines,

For the quarter, supply met 66% of estimated demand—down from 71% last quarter and from 68% during the same quarter last year.

FIGURE 2.31
**ATTACKS ON POWER TRANSMISSION LINES,
 4/1/2010–6/30/2010**



Source: USF-I, response to SIGIR data call, 7/1/2010.

totaling 7,000 MW of nameplate capacity) and the separate purchase from Siemens (16 turbines, totaling 3,160 MW). However, the MOE's process of selecting EPC contractors for these projects remains behind schedule.³⁸⁷

The MOE has now identified which of the GE Mega-Deal and Siemens sites it plans to turn over to independent power producers (IPPs), but no IPP contracts have yet been awarded. The National Investment Commission (NIC) and MOE have received letters of interest from potential IPPs, and a tender for eight sites was issued to pre-qualified bidders on June 21. The bidder's conference on the IPP tender scheduled for July 7 and 8 was canceled. Instead, the Ministry of Electricity held an investment workshop on July 10, 2010, to explain the changes that were being made to the IPP tender. According to Deputy Minister Salam Kazaz, the process will be more fully defined by late summer.³⁸⁸

Recently Completed and Ongoing U.S.-funded Projects

USACE reports that rehabilitation of the 132-kV substation in Falluja was completed in June, approximately three years after the originally planned completion date. The project cost \$16 million and was funded by the IRRF. In all, 14 electricity projects, with a total value of almost \$22 million, were completed this quarter. The second largest completed project provided test and repair equipment for MOE transformer repair shops at a cost of \$1.9 million (ESF funds). The other 12 projects were funded by the CERP; they had an average value of about \$338,000, and all cost less than \$500,000.³⁸⁹

In May, USACE reported that it had delivered the last two of six 33/11-kV mobile substations to the MOE in Anbar province. Almost \$10 million of the ESF was spent on these six units, each of which is capable of distributing electrical power to 3,000 homes.³⁹⁰ The first four substations were delivered in 2008, and a November 2009 SIGIR inspection found them sitting unused at an outdoor MOE warehouse in Ramadi.³⁹¹ U.S. Embassy-Baghdad reports that two of the substations are now in service (in Saqlawiyah and Falluja), two are scheduled to be in service later this summer (in Haditha and Iskan), and the remaining two will be installed at locations not yet determined.³⁹² The IRMS lists delivery of the substations as six separate projects, and all of them are noted as having been completed in January 2009.³⁹³

As of June 30, 2010, 49 electricity projects with a combined value of about \$144 million were ongoing.³⁹⁴ Table 2.19 provides the status of the five largest ongoing projects.

The MOE has now identified which of the GE Mega-Deal and Siemens sites it plans to turn over to independent power producers.

TABLE 2.19
SELECTED ONGOING U.S.-FUNDED ELECTRICITY PROJECTS
 \$ Millions

PROJECT TITLE	COST	FUNDING SOURCE	PROVINCE	PROJECTED COMPLETION	STATUS
ET/ET-800 132kV S/S Jamila, Farabi	52.3	IRRF	Baghdad	7/2010	This turnkey project to construct two substations in Sadr City was 99% complete at end of the quarter. When contract was awarded in 7/2006, the planned completion date was 7/26/2007.
ET/ET-800 132kV S/S, Ramadi	31.5	IRRF	Anbar	8/2010	Construction of the substation, which was designed to serve the entire city of Ramadi, is behind schedule. Contract was awarded in 8/2006, with planned completion in 9/2007. USACE is working with MOE to provide on-the-job training.
Purchase GE Emergency Spare Parts	7.5	ESF	Babylon	9/2010	A contract was awarded on 5/22/2010 to supply and deliver emergency spare parts and equipment for preventive and emergency use at the al-Musayab Gas Power Plant.
ESF 33kV Trans Line Abbasiya & Hurria	5.9	ESF	Najaf	7/2010	This project to construct overhead and underground transmission lines was 99% complete at end of the quarter. However, USACE reports that there is disagreement with the MOE concerning the final run of the line at its termination in Najaf. USACE is concerned about the contractor's safety practices.
GRANT CT Commission Mussaib Units 9 & 10	4.3	ESF	Babylon	12/2010	A contract was awarded on 6/2/2010 to commission and start up two GE LM6000 50MW Combustion Turbines at the al-Musayab Gas Power Plant. The project will also provide project management, technical expertise, parts, and training of MOE personnel.

Sources: IRMS, *Global Benchmark*, 7/2/2010; USACE, response to SIGIR data call, 7/3/2010.

Water and Sanitation

According to U.S. Embassy-Baghdad, U.S.-funded water projects serve 98% of the 9 million Iraqis who have gained access to potable water since 2003.

As of June 30, 2010, the United States had allocated \$2.85 billion, obligated \$2.69 billion, and expended \$2.61 billion to rehabilitate Iraq's water and sanitation sectors.³⁹⁵ According to U.S. Embassy-Baghdad, U.S.-funded water projects provide a total of 2.45 million cubic meters of potable water per day and serve 98% of the 9 million Iraqis who have

gained access to potable water since 2003. U.S.-funded sewerage projects enable 1.2 million cubic meters of wastewater to be processed each day, amounting to 46% of all wastewater processed, benefiting 5.3 million people.³⁹⁶ DoD reports that almost 22 million Iraqis now have access to potable water, up from nearly 13 million in 2003; more than 11.5 million now have access to wastewater treatment, up from 6.2 million in 2003.³⁹⁷

U.S. Embassy-Baghdad reports that 327,500 more Iraqis are expected to receive potable water once remaining U.S.-funded water projects are completed. Ongoing U.S. sewerage projects are expected to serve an additional 39,000 Iraqis once they are completed.³⁹⁸

DoD reports that Iraq's Ministry of Municipalities and Public Works and the Baghdad Water Authority have implemented water treatment processes that have helped safeguard Iraqis from cholera, and no outbreaks of the disease have been reported since late 2008. Additionally, the ministry has undertaken projects to construct water and wastewater infrastructure, install treatment



A typical water treatment unit located in Basrah province. (USAID photo)

units, repair networks, and initiate point-of-use testing programs.³⁹⁹

Still, insufficient access to water for household and agricultural use remains chronic, particularly in rural areas and in parts of the country still experiencing drought.⁴⁰⁰ Broken distribution systems, management problems, and a sharp drop in reservoir levels continue to disrupt the availability of potable water.⁴⁰¹

In Anbar province, dam building upstream on the Euphrates River in Syria and Turkey has reduced the flow of water from the river to 290 cubic meters per second—the lowest level in 6 years. The flow once exceeded 1,000 cubic meters per second. To address this problem, PRT Anbar has invested \$3 million to modify 113 water intake structures along the river. The PRT and the provincial government are also investing \$7 million to construct nine new compact water treatment facilities.⁴⁰²

An UNDAF goal is to reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation by 2020. The UN also seeks to create a national strategy for sustainable water management by 2014.⁴⁰³ For an overview of specific UNDAF metrics and targets pertaining to drinking water, wastewater, and other water issues, see Table 2.20.

Recently Completed and Ongoing U.S.-funded Projects

This quarter, nine U.S.-funded water and wastewater projects, with a total value of \$5 million, were completed. The largest was a \$1.1 million ESF-funded project to extend a water distribution network in Sulaymaniyah. Two of the other projects also were funded by the ESF, and five were funded by the CERP.⁴⁰⁴

As of June 30, 2010, 150 U.S.-funded water projects, valued at more than \$216 million, were

ongoing. Almost three-fourths of these projects were funded by the CERP; but with an average cost of less than \$300,000, they represent 15% of the total cost of ongoing projects. With an aggregate cost of \$106 million, 12 IRRF-funded projects account for almost half of the cost of ongoing projects. The remaining 27 projects are funded by the ESF.⁴⁰⁵ For an overview of selected ongoing U.S.-funded water projects, see Table 2.21.

Broken distribution systems, management problems, and a sharp drop in reservoir levels continue to disrupt the availability of potable water.

TABLE 2.20
UNDAF TARGETS FOR WATER

METRIC	BASELINE	2014 TARGET
Percentage of wastewater treated	25% (2009)	40%
National drought mitigation plan formulated and implemented	No (2009)	Yes
Percentage of households using an improved drinking water source	79.2% (2009)	87%
Percentage of households with improved sanitation facilities	92.3% (2009)	TBD
Percentage of households with solid waste disposal facilities	45% (2009)	70%
A mid-term national participatory strategy agreed and adequately resourced for the sustainable management of water resources	0 (2009)	1
Inter-ministerial structure on trans-boundary water resources established with UN involvement	No (2009)	Yes
Number of water quality monitoring laboratories upgraded	0 (2009)	7
Percentage of local budget allocation spent on essential basic services	TBD (2009)	100%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

TABLE 2.21
SELECTED ONGOING U.S.-FUNDED WATER AND WASTEWATER PROJECTS
 \$ Millions

PROJECT TITLE	COST	FUNDING SOURCE	PROVINCE	COMPLETION DATE	STATUS
Eastern Euphrates Drain	38.5	IRRF	Muthanna	10/2010	This project was started in 2006 to reclaim more than 58,000 hectares of agricultural land. Construction of the 44-km canal includes 16 irrigation, 3 oil, and 7 potable-water pipe crossings; 4 pedestrian bridges and 4 vehicle bridges; and a new primary school building to replace old one that was displaced by the project. The project is expected to end approximately 21 months past its originally planned completion date.
WS/Falluja Sewer System, WWTP Inst.*	31.7	IRRF	Anbar	8/2010	The contract to design, build, and commission this wastewater treatment plant was awarded in 2006. The project is 95% complete but almost three years behind schedule. Costs have increased by 26%.
Meshkab Water Supply Project	23.1	IRRF	Najaf	10/2010	This project to design and build a new water treatment plant, originally planned to be completed in April 2009, is 95% complete. The scheduled completion date apparently is being moved again, from June 2010 to October 2010.
Al-Abbas Sanitation Network	12.0	ESF	Basrah	12/2010	Installation of 26 km of sewage-collection pipes and two pumping stations is 68% complete and appears to be on schedule.
Al-Kibla Sewer & Storm Network	12.4	ESF	Basrah	3/2011	Project is 42% complete and an estimated 6 months behind schedule.
Garma Water Reverse Feeding	10.9	ESF	Basrah	8/2010	Project to upgrade water treatment system is 15 months behind original schedule, but 99% complete. Work was delayed because of problems with the electrical power supplied to the site, but problems reportedly have been corrected.
Integrated O&M Program Dokan-Sulaymaniyah Water Network	9.3	ESF	Sulaymaniyah	9/2010	By establishing a comprehensive O&M package to increase the longevity of the infrastructure and improve sustainability of the operational system, this project aims to ensure that the city of Sulaymaniyah receives adequate supplies of safe drinking water. Work has been delayed because the contractor did not order critically needed parts.
Falluja Sewer Pump Station F1 & F2*	7.2	CERP	Anbar	8/2010	The scope of this work includes construction of three wastewater system pump stations.

Sources: IRMS, *Global Benchmark*, 7/2/2010; USACE, response to SIGIR data call, 7/3/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010.
 * The total cost of work on the Falluja Waste Water Treatment System is estimated to be \$98 million; the projects included here are components of the total effort.

Transportation and Communications

As of June 30, 2010, the United States had allocated \$1.20 billion, obligated \$1.14 billion, and expended \$1.05 billion to rehabilitate Iraq’s transportation and communications sectors.⁴⁰⁶

Ports

The UNDAF establishes the goal of bringing all of Iraq’s ports in line with international standards by 2014.⁴⁰⁷ The U.S. Joint Interagency Task Force (JIATF)—a collaboration between DoD, DoS, DHS, DoI, and the JIATF’s Customs and Immigration Team—has been working to bring Iraq’s Umm Qasr Port up to those standards by streamlining

procedures for importing goods and processing passengers.⁴⁰⁸ However, DoD reported this quarter that the number of Iraqi ministries working at the ports makes efficient coordination of port operation difficult, and a systemic lack of electricity causes downtime and reduces commerce. Moreover, there remains a critical shortfall in explosive detection capability, which U.S. forces and the GOI are working to improve by purchasing non-intrusive inspection equipment with ISFF and Iraqi funds.⁴⁰⁹

The NIC reports that more training on modern port operating practices is needed, and modernization of port facilities to handle current and future workload would require investment of \$250 million–\$500 million.⁴¹⁰ For the location of Iraq’s ports, see Figure 2.32.

Umm Qasr Port

Construction of the \$53 million, GOI-funded Umm Qasr pier and seawall project continued this quarter. USACE reported that the contractor is currently running utilities to the pier and working on a reinforced concrete roadway, which is approximately 78% complete. The safety hazards reported last quarter due to Iraqi naval ships floating through the construction site were no longer an issue this quarter.⁴¹¹

As part of its efforts to bring Iraq's ports in line with international standards, the JIATF has focused in part on providing support to Iraqis at Umm Qasr as they work to improve inspections of containers suspected of holding smuggled items, such as cars, which are often hidden behind false walls or inside densely packed boxes. The task force also hopes to install computer software programs that will help Iraqis track shipments and payments, but the plan requires upgrading the electrical wiring and then providing Internet service and training.⁴¹²

Al-Faw Port

The Al-Faw Port, where an Italian business consortium announced last quarter it planned to begin construction, could become Iraq's largest port. The consortium plans a 100-dock facility at this southern-most port. Iraq's Minister of Transportation announced this quarter that the \$4.6 billion initiative would be Iraq's largest infrastructure project in 30 years. The project is envisioned to become part of a "dry canal" designed to transport goods between the north and south of Iraq. The Italian group plans to provide training on port design, construction, and management, as well as technical assistance and planning of industrial zones.⁴¹³

Roads and Bridges

According to the NIC, Iraq has more than 44,000 km of paved highways and an extensive unpaved rural road system. Most roads were built in the late 1970s and early 1980s with a 20-year lifespan and are now in need of rehabilitation.

FIGURE 2.32
MAJOR PORTS OF IRAQ
Basrah Province



Source: Commander, U.S. Naval Forces Central Command, "Umm Qasr Port Brief," Marlo Conference, 12/13/2009, slide 2.

The commission estimates Iraq needs more than \$40 billion to rehabilitate or replace old roads at a cost of \$1 million per kilometer.⁴¹⁴

Three IRRF-funded projects in Salah Al-Din province were ongoing this quarter—two segments of the Baghdad-Kirkuk Carriageway, one for \$7.9 million and the second for \$5.8 million, and the \$8 million al-Sharqat Bridge. The Baghdad-Kirkuk highway, a 40-km stretch of road, had been scheduled for completion on June 30, 2010, three years behind schedule. The al-Sharqat Bridge, located in an agricultural region where minimal ferry service is available, also had been scheduled for completion in June. Instead, the Baghdad-Kirkuk highway segments were 75% and 85% complete this quarter, while the al-Sharqat Bridge was 77% complete.⁴¹⁵

Railroads

The U.S. government continued to fund two ongoing railroad construction-related projects this quarter, including operations and maintenance (O&M) training for a digital microwave communications network that runs along more than 1,000 km of railroad track, and a communication-based train-control

The Al-Faw Port could become Iraq's largest port.

Iraqi Airways announced plans to dissolve within three years while management pursued privatization options.

project located at the Baghdad Central Station. The first phase of the O&M project was funded with \$826,000 between September 2009 and March 2010. The second phase is funded for \$3.71 million and is expected to run through September 2010. Initially funded by IRRF and ESF for \$43.5 million, the new total project cost for the digital system is estimated to be \$48.1 million.⁴¹⁶

The project to build a communication-based train-control system provides for a centralized dispatching office located at the Baghdad Central station, onboard locomotive computer equipment and radios, a digital track database, and transponder tags located along the railways. The IRRF-funded project was awarded in May 2005 and is scheduled for completion in September 2010, at a cost of \$17 million.⁴¹⁷

The GOI continued this quarter with large-scale plans to expand Iraq's railways. According to the Iraqi government, more than 60 foreign firms have expressed interest in this work, which includes building a high-speed rail around Baghdad (Figure 2.33). This quarter, the ministry announced that it was in the process of selecting the best firms for the job.⁴¹⁸

According to the NIC and the Iraqi Republic Railway Company, Iraq continues intermittent

negotiations to establish rail links with Turkey, Kuwait, and Saudi Arabia to complete a continuous Euro-Gulf rail route.⁴¹⁹

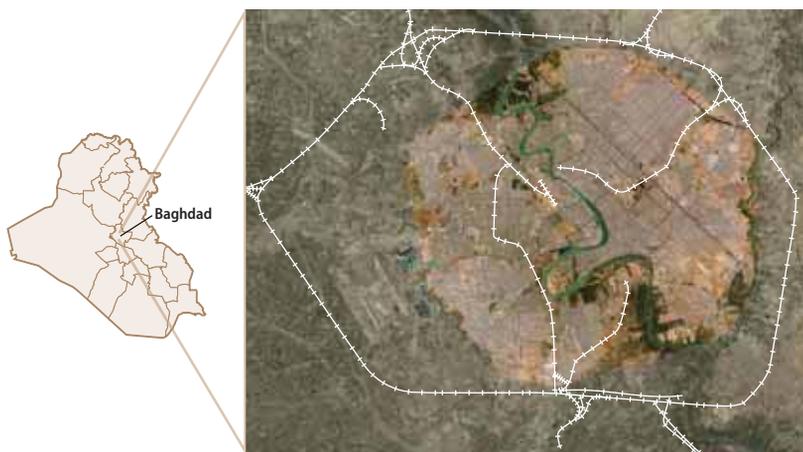
Aviation

State-owned Iraqi Airways this quarter announced plans to dissolve within three years while management pursued privatization options.⁴²⁰ At the end of May, the Ministry of Transportation announced that it was canceling all Iraqi Airways flights, effective immediately, and declaring the carrier bankrupt.⁴²¹ The announcements came in the wake of an attempt by Kuwaiti officials in London to convince British authorities to seize an Iraqi Airways commercial airplane that had landed in England, the first such landing in 20 years. British authorities confiscated the travel documents of the Iraqi Airways Director-General, temporarily preventing him from leaving London. Kuwait is demanding \$1.2 billion in compensation from the Iraqi carrier, emanating from a dispute dating to Iraq's 1990 invasion of Kuwait.⁴²² In 2004, Kuwait won a court injunction in Britain against Iraqi Airways, and the Iraqi company had sought to avoid complying with the ruling by leasing aircraft. About a week before the incident in London, the airline had ordered 65 new aircraft.⁴²³

Iraq has already started to move toward privatizing the airline industry, granting a charter to the first private airline, Alnaser Airlines, last year. Alnaser began flights to Dubai this year. Iraq's civil aviation authority expects to approve three more private airlines by the end of 2012.⁴²⁴ Meanwhile, more foreign airlines announced plans to begin flights to Baghdad. Etihad Airways, the United Arab Emirates' national carrier, said it would begin five regular flights per week to the Iraqi capital. The first plane departed on April 27.⁴²⁵ German carrier Deutsche Lufthansa announced that it would resume weekly flight service from Munich to Baghdad beginning on September 30, 2010. The resumption of flights would end a 20-year hiatus in air travel from Germany to the Iraqi capital.⁴²⁶

The GOI moved this quarter toward greater control of Iraq's air traffic, with 13 radar controllers

FIGURE 2.33
PROPOSED RAIL LINE AROUND BAGHDAD



Source: GOI, Iraqi Republic Railway Company, www.iraqrailways.com/private/prjen.htm, accessed 6/28/2010.

managing airplane traffic in an on-the-job training program supervised by a U.S. company. An additional 28 students are taking air controller classes.⁴²⁷ USF-I still provides air traffic control (ATC) services at altitudes below 24,000 feet, and the transition of this airspace from the USF-I to the Iraqi Civil Aviation Authority (ICAA) remains on schedule to be completed by December 2011.⁴²⁸ According to DoD, an interim plan is to transfer to the Iraqis control of aircraft flying above 15,000 feet by September 1, 2010.⁴²⁹ The ICAA is estimated to be two to four years away from having an all-Iraqi ATC workforce and two or three years away from being fully compliant with International Civil Aviation Organization regulations.⁴³⁰

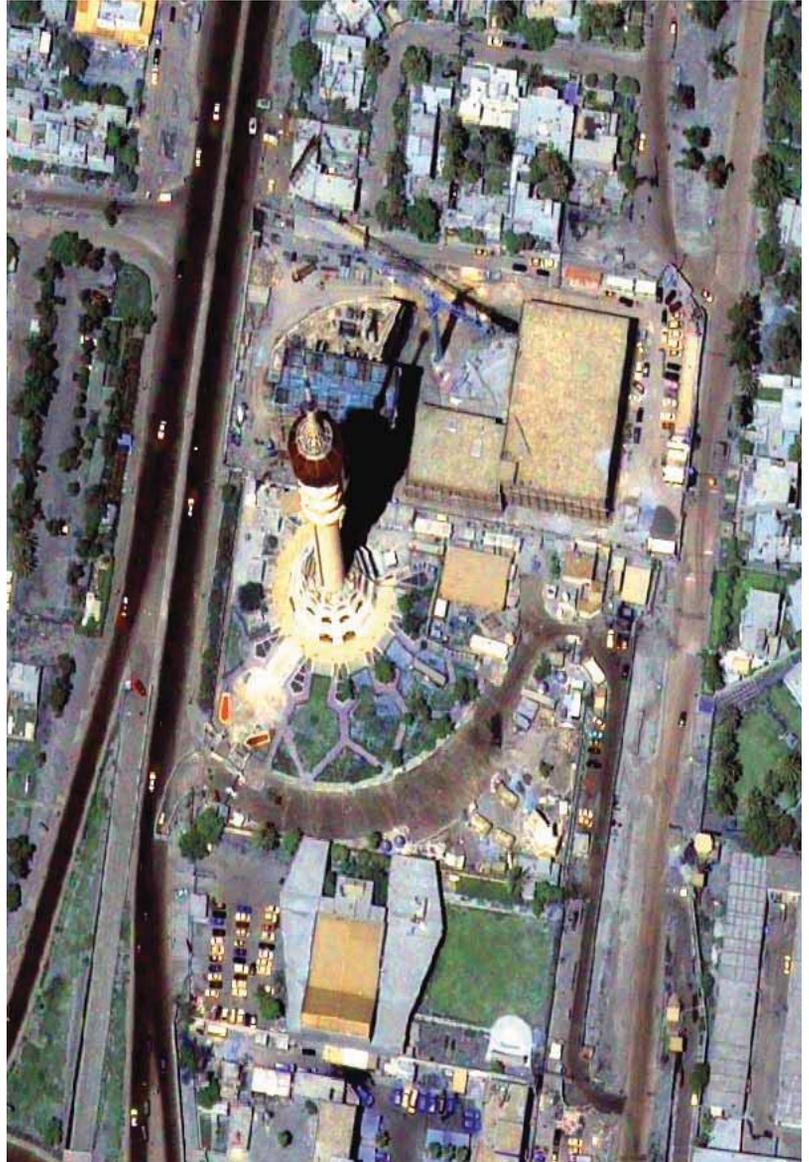
Telecommunications

The completion date for construction of the al-Mamoon Exchange and Telecommunications Center in Baghdad is now estimated to be in January 2011. Originally started in 2006 and valued at approximately \$23 million, the IRRF-funded project was terminated in 2008 for lack of progress after \$13.6 million had been expended. The project was re-awarded in July 2009 with a forecast completion date of September 2010, but delays occurred during the design phase. This quarter, the center was estimated to be 38% complete. The facility consists of three buildings: a parking garage that is 65% complete, a post office that is 54% complete, and a seven-story glass tower that is 33% complete. The value of the current project is \$18.9 million, bringing the total U.S. cost to \$32.5 million.⁴³¹

The tower will serve as a telecommunications hub for the Iraqi Ministry of Communications. It is designed to house equipment to improve radio transmissions and cellular, landline telephone, and high-speed Internet services for the Baghdad area.⁴³²

Other Telecommunications Initiatives

In May, Iraq's cabinet approved a plan for a fourth national mobile phone license. According



Satellite image of the al-Mamoon Exchange and Telecommunications Center taken on July 3, 2010. (OrbView photo, copyright 2010)

to reports, either the Ministry of Communications would hold a 35% stake in the company or the new licensee would pay 35% of its revenue to the GOI as a licensing fee. The ministry has been discussing a fourth license as a way of disciplining existing license holders for allegedly breaching quality-of-service terms. The two largest



Artist's rendition of the completed al-Mamoon Exchange and Telecommunications Center. (USACE photo)

providers—Kuwait-owned Zain and Kurdish-owned Asiacell—have been fined. A third company, Korek, has not been fined. In June, Asiacell announced that it was extending coverage in Anbar province and expected to cover 90% of the province's population by the end of the year.⁴³³

U.S. Embassy-Baghdad worked with the GOI and CoR to review existing legislation and found that a new telecommunications law could lay the groundwork for private-sector-led growth and development of the telecommunications sector.⁴³⁴ ◆

GOVERNANCE

U.S.-funded programs continue to support a diverse array of activities aimed at developing Iraq's capacity for self-government. As of June 30, 2010, the United States had allocated \$7.65 billion, obligated \$7.48 billion, and expended nearly \$6.82 billion, primarily through ESF programs, to develop Iraq's capacity to govern at the national, regional, and local levels.⁴³⁵ For the status of U.S. funding for governance projects and programs, see Figure 2.34 and Table 2.22.

Expenditures for governance programs peaked in 2005 and 2008, but otherwise have been relatively steady, as shown in Figure 2.35. In 2009, the United States spent twice as much on governance programs as on infrastructure and economy projects combined. Governance programs accounted for 72% of all obligations of the four major U.S. reconstruction funds this quarter and 29% of new expenditures.⁴³⁶

Democracy and Civil Society

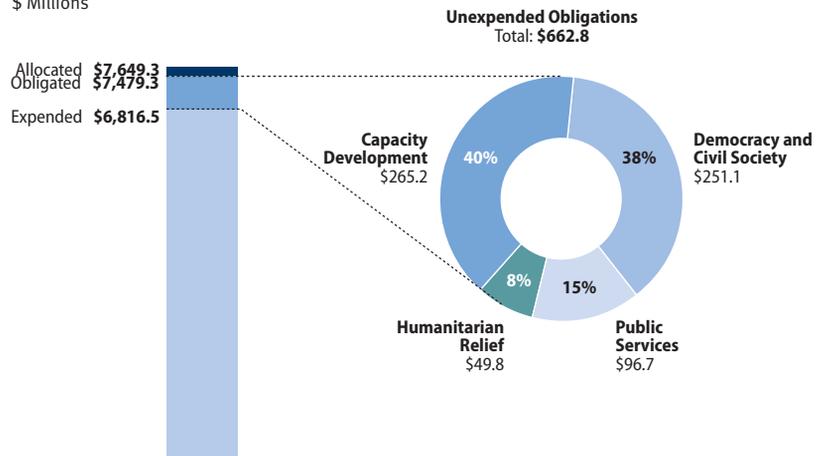
As of June 30, 2010, the U.S. government had allocated \$2.23 billion, obligated nearly \$2.19 billion, and expended more than \$1.93 billion—primarily through USAID's Local Governance Program, Community Action Program, and Democracy and Civil Society Program—to foster democratic institutions, build the capacity of provincial governments, and fund community-building initiatives across Iraq.⁴³⁷

Support for Provincial Governments

Since January 2009, USAID's Local Governance Program, Phase-III (LGP III), has focused on developing the capacity of provincial governments to formulate and execute budgets, carry out effective public outreach, and perform other essential functions. USAID reported that several provinces had achieved benchmark objectives this quarter

FIGURE 2.34

GOVERNANCE: STATUS OF FUNDS FROM THE IRFF, ISFF, ESF, AND CERP
\$ Millions

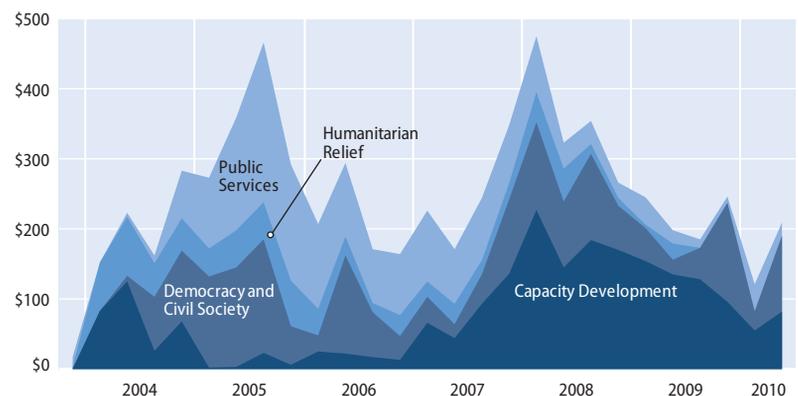


Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/8/2010.

FIGURE 2.35

GOVERNANCE: QUARTERLY U.S. EXPENDITURES, BY RECONSTRUCTION SECTOR
\$ Millions



Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/8/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

TABLE 2.22
GOVERNANCE: STATUS OF SELECTED PROGRAMS
 \$ Millions

PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
PRT Quick Response Fund (ESF)	266.4	209.6	57.5 (28%)	45.8 (28%)
PRT/PRDC Projects (ESF)	548.5	468.1	40.0 (8%)	32.1 (7%)
Local Governance Program (ESF)	410.5	344.3	3.0 (1%)	49.8 (17%)
Community Action Program (ESF)	388.9	302.6	6.8 (2%)	34.4 (13%)
Health Care - Nationwide Hospital and Clinic Improvements (IRRF)	452.6	442.1	16.9 (4%)	17.9 (4%)
Democracy and Civil Society (ESF)	238.0	178.8	3.8 (2%)	23.2 (15%)
Other	5,174.5	4,871.0	8.1 (0%)	5.3 (0%)
Total	7,479.3	6,816.5	136.2 (2%)	208.6 (3%)

Note: Programs listed in this table had changes of at least \$5 million in combined quarterly obligations and expenditures. Appendix C shows the status of all programs funded by the four major funds, including those in the Governance reconstruction area that are grouped in the "Other" category here. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 4/8/2010; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, responses to SIGIR data calls, 4/13/2009 and 7/8/2010.

with the support of the LGP III. See Table 2.23 for a summary of those achievements.⁴³⁸

USAID reported that, as of June 30, 2010, 75% of the more than \$240 million allocated to the program had been obligated. LGP III is scheduled to conclude operations in June 2011.⁴³⁹

Community Outreach

USAID is also active at the local level through the Community Action Program (CAP III), which works to give communities the opportunity to mobilize resources to address community-determined priorities. The program facilitates the creation and training of community action groups (CAGs), which are responsible for identifying projects and monitoring implementation. The program also builds the capacity of the lowest levels of local government to draw on the GOI's resources to meet communities' needs. CAP III also assists Iraqi victims of military operations through the resources of the Marla Ruzicka Iraqi War Victims Fund, providing training, job placement, start-up capital for small businesses, and other types of assistance.⁴⁴⁰

TABLE 2.23
LGP III ACHIEVEMENTS, 4/1/2010–6/30/2010

BENCHMARK	PROVINCE
Provincial government has fulfilled core Provincial Powers Act (PPA)-assigned functions	Anbar, Babylon, Baghdad, Basrah, Diyala, Missan, Najaf, Salah Al-Din
Provincial Councils effectively carried out formal actions pertaining to PPA functions	Anbar, Baghdad, Basrah, Diyala, Missan, Najaf, Ninewa, Salah Al-Din, Thi-Qar
Provinces implemented a review and revision process for Provincial Development Plans using participatory processes	Anbar, Babylon, Baghdad, Basrah, Diyala, Kerbala, Missan, Muthanna, Najaf, Ninewa, Salah Al-Din
Provinces established transparent and comprehensive capital budgeting processes	Anbar, Babylon, Baghdad, Basrah, Kerbala, Missan, Najaf, Salah Al-Din, Thi-Qar, Wassit
Governors' offices have effectively performed their oversight functions	Anbar, Babylon, Baghdad, Basrah, Diyala, Missan, Muthanna, Najaf, Qadisiya
Provincial Councils have effectively monitored key activities of the GOI through relevant committees	Anbar, Babylon, Baghdad, Basrah, Diyala, Missan, Najaf, Salah Al-Din

Source: USAID, response to SIGIR data call, 7/2/2010.

U.S. and International Support for the Electoral Process

USAID’s Democracy and Civil Society Program worked with the GOI this quarter to ensure the successful implementation and completion of the Council of Representatives (CoR) electoral process, including the efforts of Iraq’s Independent High Electoral Commission (IHEC) to ensure that the elections were viewed by the Iraqi populace as credible and transparent.⁴⁴¹ USAID continued to provide technical support to the CoR as well, working closely with the CoR’s Secretariat on transition planning and on developing an orientation program for newly elected parliamentarians. In addition, USAID worked with members of the international donor community to facilitate greater coordination of activities in support of the new CoR.⁴⁴²

The DoS Bureau of Democracy, Human Rights, and Labor (DRL) also conducts programs to support democracy, institute the rule of law, and develop Iraq’s governance capabilities. This quarter, SIGIR issued an audit reviewing DoS’s \$50 million grant to the International Republican Institute (IRI), which encourages the development of viable political parties, civil society organizations, and government-support networks in Iraq through training, study missions, material support to partners, and other initiatives. SIGIR determined that weaknesses in DoS oversight and IRI compliance with federal requirements leave DoS vulnerable to paying excessive charges and having insufficient information on exactly what was achieved—other than holding 271 training sessions for more than 5,000 Iraqi participants over two years.⁴⁴³ See Section 3 for more information on this audit.

As U.S. assistance to Iraq gradually declines over the coming years, international resources are expected to play an ever-more prominent role in supporting the GOI’s democratic institutions. The *UN Development Assistance Framework for Iraq 2010–2014* (UNDAF) is one example of the international community’s increased role in Iraq’s governance sector. As Table 2.24 shows, five UNDAF metrics and targets pertain to local and national

TABLE 2.24
UNDAF TARGETS FOR VOTING AND ELECTIONS

METRIC	BASELINE	2014 TARGET
Turnout of voters in provincial elections	51% (2009)	55%
IHEC has a permanent voter registry with safeguards to prevent fraud and mechanisms for inclusion of all Iraqis in elections	No (2009)	Yes
Percentage of women elected to Governorate Councils	26% (2009)	30%
Percentage of female legislators, senior officials, and managers	22.4% (2009)	30%
Percentage of displaced population that takes part in elections	TBD (2009)	60%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

elections. In comparison, voter turnout in Iraq’s March 7, 2010, national elections was measured at about 62%; and 82 seats in the 325-seat CoR are now filled by women.⁴⁴⁴

Capacity Development

As of June 30, 2010, the U.S. government had allocated \$2.48 billion, obligated nearly \$2.40 billion, and expended \$2.13 billion, primarily through ESF programs, to develop Iraq’s capacity to govern at the national, regional, and local levels.⁴⁴⁵ See Table 2.25 for UNDAF metrics and targets that will guide international assistance to further develop Iraq’s governance capacity through 2014.

National Development

Two separate programs, one run by USAID and the other by DoS, continue to develop capacity at the national level:

- The Ministerial Capacity Development Program (MCD) is overseen by DoS’s Iraq Transition Assistance Office (ITAO). As of June 30, 2010,

Weaknesses in DoS oversight and IRI compliance with federal requirements leave DoS vulnerable to paying excessive charges and having insufficient information on exactly what was achieved.

TABLE 2.25
UNDAF TARGETS FOR CAPACITY DEVELOPMENT

METRIC	BASELINE	2014 TARGET
Public Service Commission established	No (2009)	Yes
Public sector modernization strategy adopted	No (2009)	Yes
Comprehensive civil service reform strategy adopted	No (2009)	Yes
Percentage of governorates that formally publish contracts and tenders	0% (2009)	60%
Percentage of governorates that formally publish budgets and assets	20% (2009)	60%
Percentage of civil servants who perceive corruption is reduced since 2010	TBD (2010)	25% reduction
Number of governorates undertaking participatory local development planning	0 (2009)	10
Number of population-related legislation submitted by parliamentary commissions	0 (2009)	TBD

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

MCD had three active contracts. The largest, a \$5 million project to support the Ministry of Electricity, is about 50% complete. A second contract, valued at almost \$2 million, is providing subject matter experts and advisors to the Ministry of Transportation; about half of its funding has been expended. The third initiative is a \$359,000 grant project to provide training in English-language skills, government protocol skills, and research and policy writing for the Office of the Deputy Prime Minister (Services) and the Joint Planning Center under the National Security Committee.⁴⁴⁶

- USAID’s National Capacity Development Program, or *Tatweer*, helped the Ministry of Planning and Development Cooperation (MoPDC) compile the GOI’s National Development Plan, which was finalized in April 2010.⁴⁴⁷ *Tatweer* also delivered a workshop on public policy for the prime minister’s advisory council, worked

with the Ministry of Health to train trainers at the Ministry of Electricity, and conducted a workshop on international communication for engineers and senior management at the Ministries of Oil and Electricity. On behalf of the National Investment Commission, *Tatweer* co-sponsored a workshop on international arbitration for members, senior government officials, and others. In all, USAID reports that the program provided 216 classes for 3,247 enrollees.⁴⁴⁸

Provincial Development

At the province level, the United States assists via the Quick Response Fund (QRF), which provides a flexible funding mechanism to enable the Provincial Reconstruction Teams (PRTs) to continue support for provincial governments and others via short-term projects (duration of less than a year). This quarter, the QRF supported an eGovernment initiative in Najaf province, an information technology capacity-development project in Babylon province, and a Provincial Gazette in Anbar province.⁴⁴⁹ For a closer look at QRF spending by type of project and recipient, see the Funding Sources subsection of this Report.

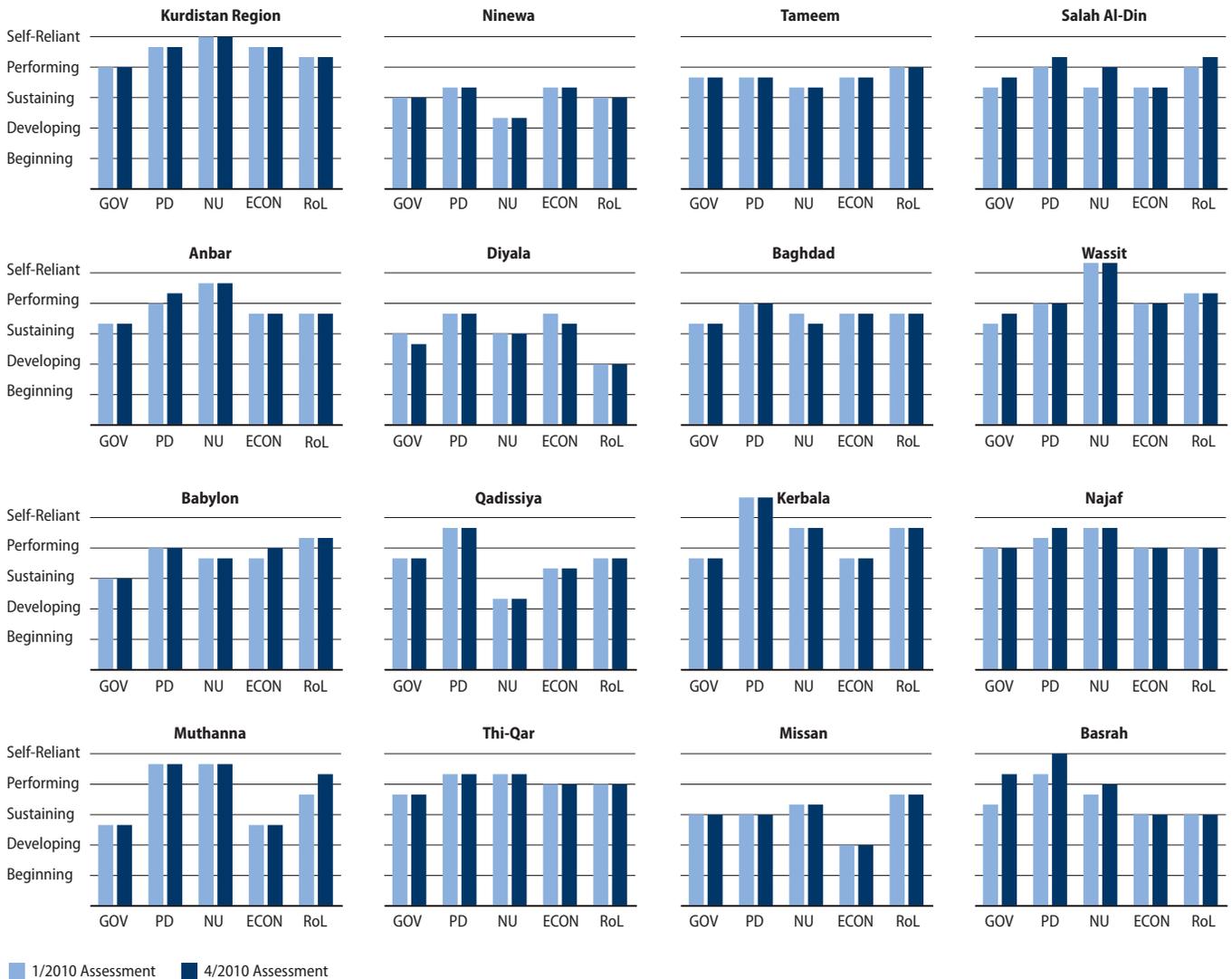
Provincial Reconstruction Development Council (PRDC) projects use additional ESF funding to increase access to essential services, such as education, transportation, and solid waste treatment. As of June 30, 2010, \$468 million of the \$548 million obligated for PRDC projects had been expended.⁴⁵⁰

Progress toward Self-reliance

This quarter, PRTs released their updated assessments of the progress that each provincial government is making toward self-reliance in areas of governance, rule of law, national unity, and economic and political development. Called the Maturity Model Quarterly Assessment (MMQA), the report ranks progress or regression in each of the five categories based on subjective evaluations made by PRT personnel. The lowest ranking is “beginning,” and progressive rankings include

RECONSTRUCTION FUNDING SOURCES AND USES

FIGURE 2.36
PRT MATURITY ASSESSMENTS, 1/2010 VS. 4/2010



Source: OPA, response to SIGIR data call, 7/2/2010.

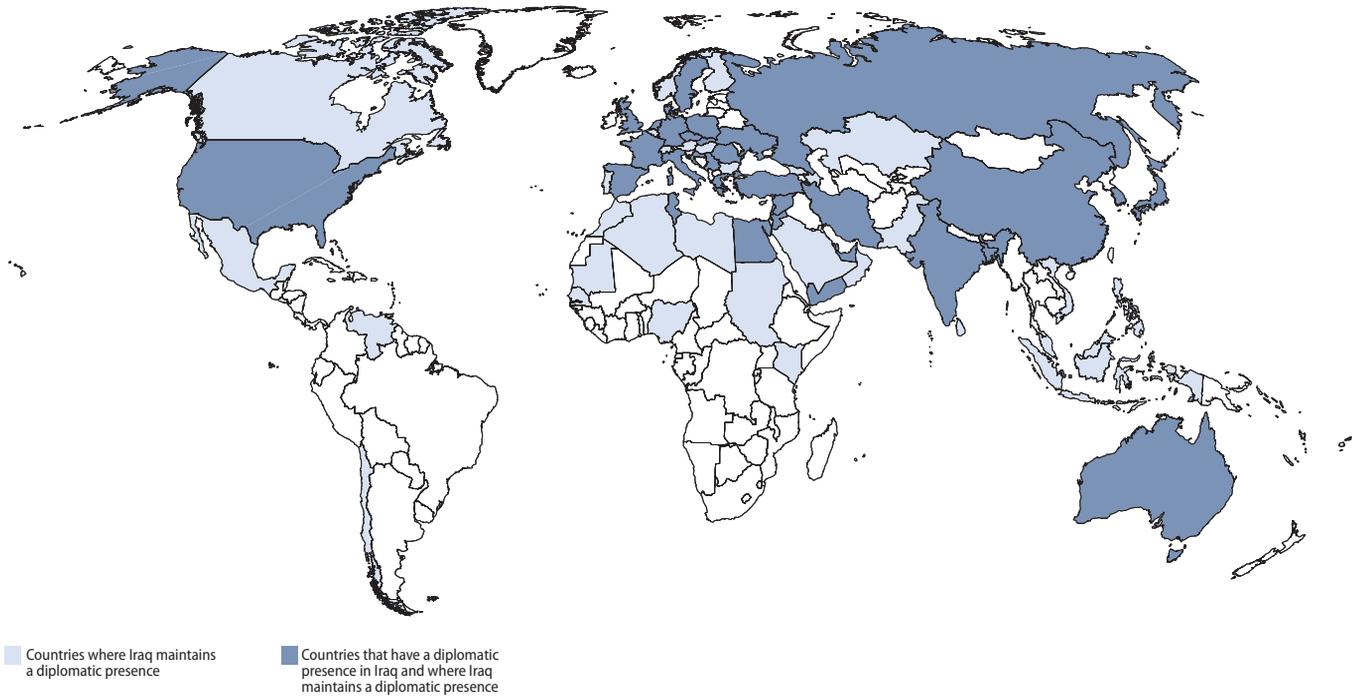
“developing,” “sustaining,” “performing,” and the highest ranking, “self-reliant.”

The latest assessment was completed in April 2010, covering the period from January 1–March 30, 2010. Overall, there was improvement in several key provinces that had been experiencing difficulties, including Anbar and Salah Al-Din. Diyala

province regressed in the governance and economic development categories. Ratings for almost half the provinces remained unchanged from the previous MMQA.⁴⁵¹ For an overview of the MMQA in each province, see Figure 2.36.

Anbar improved in the political development, economic development, and rule-of-law categories

FIGURE 2.37
IRAQ'S DIPLOMATIC RELATIONS



Source: U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.

35 countries have an embassy in Iraq. Several other nations also staff one or more consulates, including Iran.

this quarter. The political development rating increased as 61% of the population turned out to vote in national elections at the urging of tribal and religious entities. PRT Anbar also cited economic improvements in job training and small business development, as well as rule-of-law improvements in police professionalism. PRT Salah Al-Din reported that politicians showed signs of moderation in response to a 74% voter turnout during national elections that were held amid virtually no violence. Improvement in the rule-of-law category was attributed to more efficient operation of the province's jails. Diyala's rating, meanwhile, declined because of a continuing campaign to target Sunni officials with arrests and issuances of warrants for alleged terrorism-based offenses. PRT Diyala reported that Provincial Council operations "all but ground to a halt" as members expressed fear that they could also be arrested.⁴⁵²

Diplomatic Engagement

On May 23, 2010, Iraq's new ambassador to Egypt arrived in Cairo. According to the Ministry of Foreign Affairs, he is the first Iraqi ambassador to Egypt since 1990.⁴⁵³ As part of its continuing efforts at reintegrating into the global community, Iraq currently maintains an embassy or consulate in 68 countries, with a focus on engaging with European and Arab states.⁴⁵⁴ As of July 2, 2010, DoS reports that 35 countries have an embassy in Iraq. Several other nations also staff one or more consulates, including Iran, which has five—the highest number of any country.⁴⁵⁵ Figure 2.37 maps Iraq's diplomatic ties with other nations.

Fighting Corruption in Iraq

The international community and the U.S. government have worked with the GOI to attempt to establish and develop legitimate anticorruption institutions in Iraq. As shown in Table 2.26, the UNDAF presents three metrics for assessing whether corruption in Iraq abates between now and 2014 and whether the GOI is instituting steps to reduce its vulnerability to corruption.

U.S. Anticorruption Programs

U.S. Embassy-Baghdad's Anti-Corruption Coordination Office (ACCO) continues to work with its U.S. and GOI partners to improve Iraq's capacity to prevent, detect, deter, and punish corruption. As of mid-June 2010, the ACCO reports to the head of DoS's Bureau of International Narcotics and Law Enforcement (INL) office in Baghdad. Previously, the ACCO had reported directly to the Assistant Chief of Mission. Ambassador Joseph Stafford, who led the ACCO since December 2009, completed his tenure as the office's director on June 22, 2010, and was replaced by Andrew Dowdy.⁴⁵⁶

On March 31, 2010, the University of Utah-led "Global Justice Project: Iraq" concluded.⁴⁵⁷ The project began in 2008, financed by a \$2 million grant from DoS. Its goals included assisting the GOI in combating corruption, safeguarding judicial independence, reforming criminal procedure, conducting elections, and prioritizing legislation.⁴⁵⁸ The project assembled a wide variety of primary Iraqi legal documents and made them available in both English and Arabic. The University of Utah plans to publish a comprehensive analysis listing a number of project deliverables and informational materials.⁴⁵⁹

GOI Anticorruption Activities

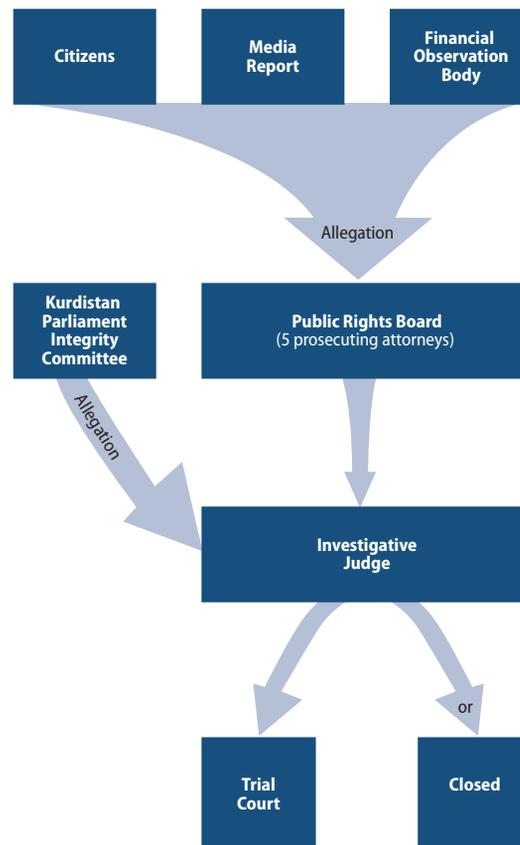
In May 2009, the former Minister of Trade was detained on corruption charges on his way to the United Arab Emirates.⁴⁶⁰ He was accused of embezzling funds from the Public Distribution System.⁴⁶¹ This quarter, the criminal court in

TABLE 2.26
UNDAF TARGETS FOR ANTICORRUPTION AND RULE OF LAW

METRIC	BASELINE	2014 TARGET
Percentage of civil servants who perceive corruption is reduced since 2010	TBD (2010)	25% reduction
Voice and Accountability score in World Bank "Governance Matters" indicators	-1.26 (2008)	-0.51
Percentage of governorates that formally publish budgets and assets	20% (2009)	60%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

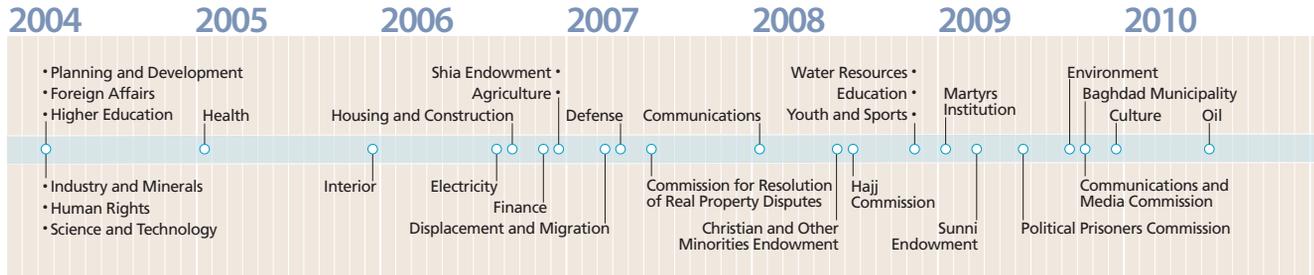
FIGURE 2.38
ADJUDICATION OF ANTICORRUPTION CASES IN THE KURDISTAN REGION



Source: SIGIR analysis of U.S. government and KRG documents and communications.

FIGURE 2.39

GOI INSPECTORS GENERAL: CURRENT IGS' DATES OF APPOINTMENT (FIVE-YEAR TERMS)



Note: The IG for the Ministry of Health was initially appointed in 2004, but then took leave for several months before being reappointed in early 2005. Dates of appointment were not available for the IGs of the Ministries of Labor, Justice, Transportation, and Trade or for the Counterterrorism Bureau.

Source: SIGIR analysis of U.S. government and GOI documents and communications.

Commission of Integrity investigators are responsible for looking into allegations of corruption lodged against any of the GOI's more than 3 million employees. As of July 2010, the COI employed 135 investigators.

Rusafa (east Baghdad) cleared the former Minister of Trade of one charge of corruption; at least one additional charge is still pending. The Commission of Integrity (COI) and at least one member of the former CoR have announced their intent to appeal the court's decision.⁴⁶²

Iraq has three main anticorruption entities: the COI, Board of Supreme Audit (BSA), and the system of ministry inspectors general (IGs). The COI operates out of 16 offices located in the 15 provinces outside of the Kurdistan Region.⁴⁶³

When a complaint is received by COI, its investigators—often in conjunction with the ministry IGs or BSA—examine the allegation and determine whether it should be referred to an investigative judge for further action.⁴⁶⁴ COI investigators are responsible for looking into allegations of corruption lodged against any of the GOI's more than 3 million employees.⁴⁶⁵ For a summary of COI cases opened between January 1 and April 30, 2010, see Section 1 of this Report.

As Figure 2.38 shows, the Kurdistan Regional Government (KRG) maintains adjunct anticorruption institutions—the Public Rights Board and the Kurdistan Parliament Integrity Committee—which investigate cases via a similar process.

As of July 2010, the COI employed 135 investigators—87 in COI's two Baghdad offices and 48 in the other locations across Iraq. The COI's

substantial caseload necessitates that it rely on the IGs not only for case referrals, but also to complete follow-on investigations.

Over the next year, however, several of five-year IG terms will expire.⁴⁶⁶ Although the IGs are eligible to be renewed in office for another term, it is uncertain how many will be reappointed by the new government. For example, this quarter, the Council of Ministers informed the IGs for the Ministries of Human Rights and Higher Education that their terms will not be renewed.⁴⁶⁷ Figure 2.39 displays the dates of appointment for 30 of Iraq's 36 IGs.

The COI also enforces the requirement, under CPA Order 55, that all mid-level and senior GOI officials complete annual financial disclosure statements.⁴⁶⁸ This quarter, the COI reported that 5,878 officials filed their required 2010 financial disclosure forms, an increase of 75% over 2009, when 3,364 reported their holdings.⁴⁶⁹

National Census

The GOI has repeatedly postponed conducting a national census because of fears that it would exacerbate tensions between the Arab majority and the Kurdish minority, especially in the heterogeneous areas of Tameem province. The census was

most recently scheduled for October 24, 2009, but in August 2009 the GOI delayed it indefinitely over concerns about its effect on relations among Iraq's political and ethnic groups.⁴⁷⁰

Earlier this year, the GOI announced its intention to hold a national census in October 2010, but DoD reports that the census may be delayed until 2011. Late in 2009, the United States reaffirmed its willingness to provide technical assistance to the GOI in planning for and conducting the census.⁴⁷¹

The MoPDC will lead the GOI census preparations. Current plans call for the census to be conducted in one day, with teachers and other civil servants fanning out across the country to count the population. Census takers will ask basic questions about the number of people residing at each address as well as their occupations, religious affiliation, and ethnicity—but will not ask whether citizens are Sunni or Shia.⁴⁷²

Iraq's last census, conducted in 1997, did not include information from the three provinces in the Kurdistan Region, where Coalition forces were controlling security.⁴⁷³ At that time, about 19 million Iraqis were living in the 15 provinces that were counted, and 3 million more were estimated to live in the Kurdistan Region.

Iraq has not conducted a true nationwide census since 1987,⁴⁷⁴ and events have altered its demography in the years since. The lack of current, reasonably accurate census data limits the GOI's ability to resolve several vital issues, including:⁴⁷⁵

- status of disputed internal borders, especially in Tameem (Kirkuk) and Ninewa provinces
- provincial elections in Tameem—the only province that has not conducted such elections
- allocation of seats in future CoR elections
- voter eligibility for future district and sub-district elections
- national budget allocation for the KRG (which currently stands at 17%)

In April 2010, the United Nations Population Fund (UNPF) organized a high-level mission to Iraq to explore the feasibility of establishing an

independent commission to monitor the upcoming census. The UNPF and MoPDC are currently engaged in discussions about the composition and responsibilities of any such commission.⁴⁷⁶

Humanitarian Relief

Improved security in 2010 has made it easier for humanitarian organizations to aid internally displaced persons (IDPs) and other vulnerable groups in Iraq.⁴⁷⁷ The UN reported this quarter that more than 5,000 Iraqis had returned from neighboring countries and more than 30,000 IDPs had returned to their places of origin in the first three months of 2010. Most returnees were from Baghdad and Diyala provinces, but Basrah province also saw an influx of returnees from exile in Iran; the UN High Commissioner for Refugees (UNHCR) built 180 new shelters for them.⁴⁷⁸ In areas where conditions have stabilized, humanitarian agencies are shifting toward “early recovery activities,” defined by the United Nations Development Program as a multidimensional process designed to restore basic services, jobs, transitional shelter, and security in post-conflict situations.⁴⁷⁹ Table 2.27 presents selected UNDAF metrics for assessing aid to Iraqi IDPs.

Despite improved security, nearly 1 million Iraqi refugees remain in Syria and Jordan, and approximately 1.55 million people remain internally

Nearly 1 million Iraqi refugees remain in Syria and Jordan, and approximately 1.55 million people remain internally displaced in Iraq.

TABLE 2.27
UNDAF TARGETS FOR IDPS

METRIC	BASELINE	2014 TARGET
Percentage of displaced population that takes part in elections	TBD (2009)	60%
Number of IDPs, refugees, returnees, stateless, and asylum seekers monitored and assisted in accessing their fundamental rights	713,349 (2008)	428,009

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

displaced in Iraq.⁴⁸⁰ UNHCR reported in June that 100,000 Iraqi refugees residing outside Iraq had been referred to third countries for resettlement. By May, about half of those referred had departed for their host countries, though lengthy security checks and processing times led to considerable delays. About 45% of refugees who applied for third-country resettlement live in Syria.⁴⁸¹ Citing continued violence in Iraq, the UN agency cautioned European countries against deporting refugees to Iraq after reports surfaced that the Netherlands, Norway, Sweden, and the United Kingdom were arranging forced returns of Iraqi citizens.⁴⁸²

The UN reported this quarter that more than 5,000 Christian Iraqis were displaced in January following attacks against their community that resulted in 12 deaths. UN and Iraqi authorities worked to provide humanitarian assistance to these families, reporting in May that nearly two-thirds of those displaced by this violence had returned to their homes.⁴⁸³

U.S Assistance to IDPs and Refugees

As of June 30, 2010, the U.S. government had obligated more than \$895 million in humanitarian assistance to Iraq, including nearly \$12.2 million from USAID's Office of Foreign Disaster Assistance (OFDA) to support IDPs, returnees, host communities, and other vulnerable populations.⁴⁸⁴ OFDA programs are spread out across Iraq, with the most IDPs being served in the Kurdistan Region and in Baghdad, Diyala, and Missan provinces.⁴⁸⁵

The DoS Bureau of Population, Refugees, and Migration (PRM) supported UNHCR's work on shelter rehabilitation and construction, protection assistance, and non-food items and hygiene kits for extremely vulnerable populations.⁴⁸⁶ PRM also continued to fund the Program for Human Security and Stabilization, which is implemented by the International Organization for Migration (IOM). This initiative with the Iraqi Ministry of Labor and Social Affairs and Ministry of Displacement and Migration (MoDM) serves Baghdad, Diyala, Ninewa, Anbar, Babylon, Basrah, Erbil, and



An Iraqi refugee in Amman, Jordan. (UNHCR photo)

Sulaymaniyah provinces. U.S. Embassy-Baghdad's Senior Refugee Coordinator has urged the GOI to increase its budget for Iraq's displaced population.⁴⁸⁷

Resettlement in the United States

More than 51,500 Iraqi refugees and Special Immigrant Visa (SIV) holders have resettled in the United States since FY 2008 through two separate programs: 47,925 resettled as refugees, and at least 3,592 resettled with SIVs (DoS only tracks SIV holders who elect resettlement and placement benefits through PRM).⁴⁸⁸

The U.S. Refugee Admissions Program (USRAP) is implemented by PRM and administered by the Refugee and IDP Affairs section at U.S. Embassy-Baghdad in coordination with the IOM. The SIV program is jointly run by the Refugee and IDP Affairs and consular sections at U.S. Embassy-Baghdad. The Refugee and IDP Affairs section provides Chief of Mission approval letters, whereas the consular section adjudicates visas. The main difference between the two programs involves who can apply for refugee status. USRAP accepts Iraqi nationals who worked for the U.S. government as direct hires, contractors, qualifying grantees, and employees of cooperative agreement partners that have been funded by the U.S. government who were employed after March 20, 2003, regardless of length of service. The SIV program accepts any Iraqi national who provided "faithful and valuable" service while employed by or on behalf of the

More than 51,500 Iraqi refugees and Special Immigrant Visa (SIV) holders have resettled in the United States since FY 2008.

U.S. government for at least one year after March 20, 2003. The SIV program limits access to eligible family members who are spouses and unmarried children under 21, while USRAP also grants access to parents, siblings, and their immediate family.⁴⁸⁹

GOI Assistance to IDPs and Refugees

This quarter, the GOI continued its efforts to reintegrate members of Iraq's ethnosectarian communities through a process called the "Diyala Initiative." Begun in July 2009 by Prime Minister Nouri al-Maliki, the project is coordinated by UNHCR and seeks the return and reintegration of displaced populations. The U.S. government and several international agencies, such as the World Food Programme and UNICEF, have partnered with the GOI to assess the vulnerability of Iraqi villages, establish protection for returnees, provide legal aid, rehabilitate shelters as well as water networks, generate income activities, rehabilitate schools and healthcare facilities, set up feeding programs, and initiate community awareness health campaigns.⁴⁹⁰ Since 2003, MoDM has distributed approximately 2,000 plots of land to refugees in southern Iraq, and recently, it began constructing homes on them as part of a government program aimed at helping pre-2003 refugees resettle in the country.⁴⁹¹

Public Services

As of June 30, 2010, the U.S. government had allocated \$2.04 billion, obligated \$2.00 billion, and expended slightly more than \$1.90 billion on public services—primarily for healthcare and education projects.⁴⁹²

Health Care

Iraq continues to face a shortage of doctors, nurses, and ancillary support staff. The number of repatriated physicians, dentists, and pharmacists increased significantly in 2009; however, a physician shortage continues to exist in Iraq, and the GOI continues its

efforts to train, recruit, and fill vacancies.⁴⁹³ According to the World Health Organization's Statistics 2010 Report, about 41% of Iraq's population is under the age of 15, and an estimated 45 of every 1,000 children born will die before the age of five. The average life expectancy is 63 years (59 for men and 69 for women)—tied with Yemen as the lowest in the region. Moreover, Iraq's health care suffers from outdated policies and strategies, a lack of qualified doctors and nurses, poverty, crumbling and insufficient healthcare infrastructure, and outdated medical curricula.⁴⁹⁴

The UNDAF has set several goals to continue development of the healthcare sector, including supporting the GOI to enact legislation on universal access to health insurance by 2011 and to create a primary healthcare system to ensure basic services for all Iraqis.⁴⁹⁵ Specific metrics and targets are listed in Table 2.28.

TABLE 2.28
UNDAF TARGETS FOR HEALTH CARE

METRIC	BASELINE	2014 TARGET
Number of districts implementing PHC approach	19 (2009)	114
Percentage of one-year-old children immunized against measles	70% (2007)	95%
Ratio of doctors per 10,000 population	6 (2009)	10
Ratio of nurses per 10,000 population	13.2 (2008)	40
Proportion of tuberculosis cases detected and cured under directly observed treatment short course	43% (2008)	70%
Percentage of pregnant women with anemia	37.9% (2007)	19%
Percentage of governorates with at least one local implementation plan to reduce HIV among young people	0% (2009)	40%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

The number of repatriated physicians, dentists, and pharmacists increased significantly in 2009; however, a physician shortage continues to exist in Iraq.



An Iraqi reporter interviews students about their new school in Qadisiya province. (U.S. Embassy-Baghdad photo)

U.S.-funded Healthcare Projects

Despite these challenges, USACE estimated that as of June 30, 2010, its projects had enabled Iraqi hospitals to treat 6.6 million inpatients and 4.6 million outpatients each year. As of June 30, 2010, 133 IRRF-funded Primary Healthcare Centers (PHCs) had been turned over to the MOH, and 53 hospitals had been renovated; two hospital renovations were ongoing.⁴⁹⁶

This quarter, 8 healthcare projects worth more than \$61 million were completed: six were funded by the IRRF, and the remaining two were funded by the ESF. The largest healthcare project completed this quarter was the \$38 million, IRRF-funded, final phase of construction of the Basrah Children's Hospital, a 94-bed pediatric facility in Basrah province. Construction was originally expected to cost \$50 million, with completion planned for December 2005. By the time the hospital was completed in 2010, overall costs had more than tripled. Approximately \$110 million in U.S. funds were spent to build the hospital. The GOI, Spain, and Project Hope contributed an additional \$61 million.⁴⁹⁷ The Erbil Emergency Hospital was also completed this quarter. This \$13.6 million ESF project provided 100 additional beds at the facility, more than doubling the province's emergency bed capacity.⁴⁹⁸ At the end of the quarter, there were 26 U.S.-funded healthcare construction projects underway, valued at more than \$34 million.⁴⁹⁹

Unless access to quality primary and secondary education is significantly increased in the near term, Iraq's younger generation is in danger of becoming an impediment to peace, stability, and economic growth.

USAID's Health Promotion Program in Iraq conducted four workshops this quarter designed to provide training to MOH officials from the central and provincial governments. As of June 30, 2010, more than \$1 million of the project's \$5 million allocation had been expended.⁵⁰⁰

For an overview of selected U.S.-funded health-care facilities and programs, see Figure 2.40.

Education

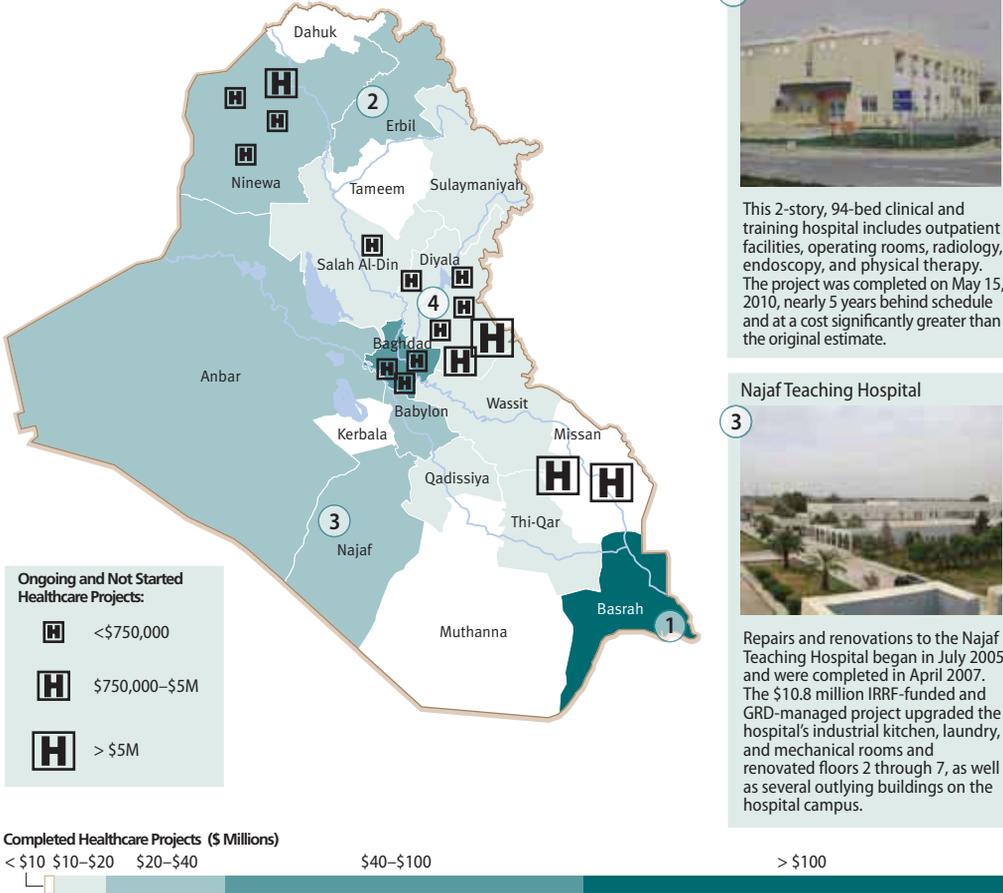
Since 2003, the U.S. government has funded the repair or construction of more than 4,000 schools, provided teacher training for more than 33,000 educators, and distributed millions of textbooks.⁵⁰¹

Still, Iraq's young people (along with those in Yemen and Egypt) are among the most illiterate in the Middle East. The country's education system was once regarded as the best in the Arabic-speaking Middle East, having made great progress toward universal basic education in the 1960s and 1970s. But since the mid-1980s, the education system has deteriorated. The delivery of adequate education services is vulnerable to displacement, poverty, discrimination against women, crumbling infrastructure, overcrowded classrooms, and deteriorating and outdated quality of curricula. According to U.S. Embassy-Baghdad, the lack of security—both real and perceived—has affected enrollment, attendance, and success rates.⁵⁰² Unless access to quality primary and secondary education is significantly increased in the near term, U.S. Embassy-Baghdad warns that Iraq's younger generation is in danger of becoming an impediment to peace, stability, and economic growth.⁵⁰³ The UNDAF targets for Iraq's education sector are listed in Table 2.29.

In FY 2010, U.S. Embassy-Baghdad's Public Affairs Section established formal linkages between four Iraqi universities and U.S. universities at an initial cost of \$6 million, and a linkage to a fifth university is underway. The 3-year program will benefit the universities of Baghdad, Salahaddin (in Erbil), Basrah, Kufa (in Najaf), and Tikrit, helping to revise the curricula and establish online courses,

RECONSTRUCTION FUNDING SOURCES AND USES

FIGURE 2.40
U.S.-FUNDED HEALTHCARE FACILITIES
Value of Completed Projects and Location of Major Ongoing and Not Started Projects



Basrah Children's Hospital

1

This 2-story, 94-bed clinical and training hospital includes outpatient facilities, operating rooms, radiology, endoscopy, and physical therapy. The project was completed on May 15, 2010, nearly 5 years behind schedule and at a cost significantly greater than the original estimate.

Erbil Emergency Hospital

2

This \$13.4 million ESF-funded project was intended to ensure that health care in Erbil province in the Kurdistan Region keeps up with demographic trends and overall population growth. The contract was awarded in July 2008, and was completed on June 3, 2010.

Najaf Teaching Hospital

3

Repairs and renovations to the Najaf Teaching Hospital began in July 2005 and were completed in April 2007. The \$10.8 million IRRF-funded and GRD-managed project upgraded the hospital's industrial kitchen, laundry, and mechanical rooms and renovated floors 2 through 7, as well as several outlying buildings on the hospital campus.

Ba'quba General Hospital

4

This \$8.8 million, ESF-funded project to construct a new surgical expanded health center at Ba'quba General Hospital in Diyala province will be a stand-alone structure with a 2,500 square meter ground floor and ancillary services, including 20 emergency room beds. It is slated for completion in August 2010.

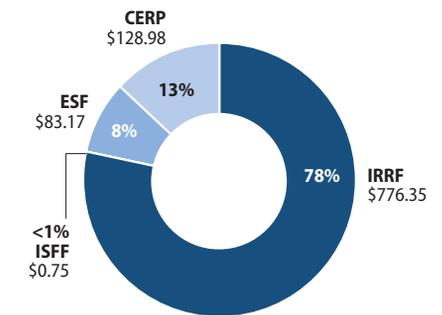
U.S.-FUNDED HEALTHCARE ACTIVITIES
\$ Millions

	COMPLETED	ONGOING	NOT STARTED	TOTAL
Primary Health Centers/Clinics	304.73	0.26	0.93	305.92
Miscellaneous Facilities	233.37	12.49	0.03	245.89
Hospitals	216.96	20.47	0.00	237.43
Health Programs & Equipment	150.21	2.42	0.19	152.82
Sustainment (O&M)	26.58	0.00	0.78	27.36
Capacity Building	16.26	0.00	0.40	16.66
Spare-part Replenishment	2.76	0.00	0.00	2.76
Infrastructure Security	0.38	0.02	0.00	0.40
Total	951.26	35.65	2.33	989.25

Note: Data not audited. Numbers affected by rounding. This list of reconstruction projects is based on IRMS data, which is not fully accurate or complete. Therefore, project totals do not reconcile with top-line obligations and expenditures provided by the agencies.

Source: IRMS, *Global Benchmark*, 7/2/2010.

U.S. FUNDING FOR HEALTHCARE ACTIVITIES
\$ Millions





The Library of Congress trains Iraqi librarians in Sulaymaniyah province as part of a nationwide training effort. (U.S. Embassy-Baghdad photo)

among other benefits. The program also aims to increase the number of Iraqis studying at American universities. A separate nationwide program has trained Iraqi instructors on the latest techniques for teaching English as a second language.⁵⁰⁴

This quarter, the American University of Iraq–Sulaymaniyah became the first institution of higher education in Iraq to receive accreditation from a U.S.-recognized academic accrediting agency.⁵⁰⁵

U.S.-funded Education Projects

This quarter, 18 U.S.-funded projects to build educational facilities, valued at more than \$15 million, were completed. Ten projects were funded by the ESF, and the rest were funded by the CERP. The largest construction project completed this quarter was the al-Ghader school, a \$1.4 million ESF project to build a 12-classroom primary school in Thi-Qar province. According to the Iraq Reconstruction Management System (IRMS), 177 education projects were ongoing as of June 30, 2010. The majority of ongoing projects have been funded by the CERP, but they were relatively small; 14 projects costing between \$1 million and \$4.8 million have been funded by the ESF and IRRF.⁵⁰⁶

In the Kurdistan Region, the Regional Reconstruction Team organized a visit by specialists from the Library of Congress who trained Iraqi librarians as part of a nationwide library education

TABLE 2.29
UNDAF TARGETS FOR EDUCATION

METRIC	BASELINE	2014 TARGET
Completion rate for grade 5	81.8% (2009)	100%
Average literacy rate	80.9% (2007)	10% increase
Literacy rate for women	73.6% (2007)	90%
Net enrollment: primary education	90.6% (2009)	98%
Net enrollment: intermediate education	40.5% (2009)	50.5%
Net enrollment: upper secondary education	56.6% (2009)	66.6%
Drop-out rate: primary education	2.1% (2007)	50% reduction
Drop-out rate: intermediate education	3.1% (2007)	50% reduction
Drop-out rate: upper secondary education	1.7% (2007)	50% reduction
Gender gap in secondary education	33.1% (2007)	15%
Percentage of governorates with at least one local implementation plan to increase school enrollment, developed with participation of young people and youth (aged 10-24)	TBD (2009)	100%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

program. The embedded Provincial Reconstruction Team (ePRT) in Baghdad supported an adult literacy program for women designed to teach them basic literacy and math skills. PRT Qadisiya brought a team of journalists to a school in the province to emphasize rural education; last year, the PRT supported the construction of 54 schools in Qadisiya.⁵⁰⁷

For an overview of selected U.S.-funded school construction projects, see Figure 2.41.

Housing Rehabilitation

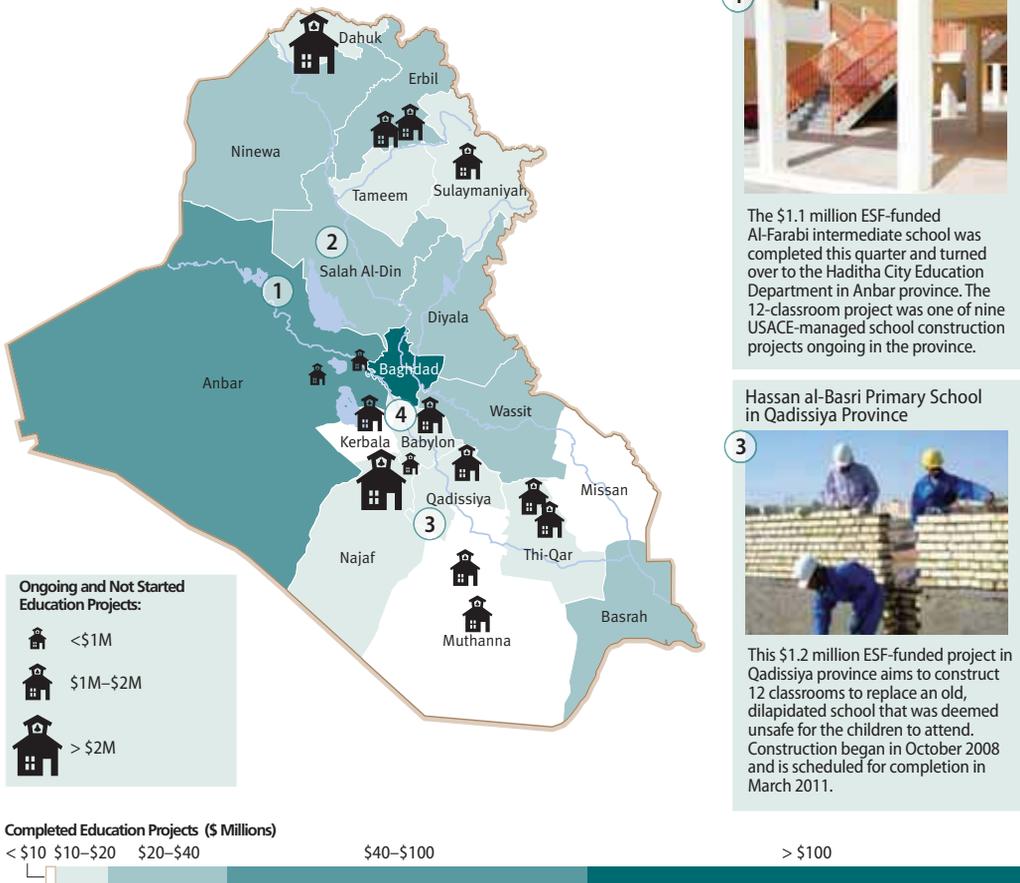
IRMS data indicates that, as of June 30, 2010, at least \$3 million in U.S. housing projects were ongoing, and approximately \$13,000 of planned projects had not yet started.⁵⁰⁸

RECONSTRUCTION FUNDING SOURCES AND USES

FIGURE 2.41

U.S.-FUNDED EDUCATION FACILITIES

Value of Completed Projects and Location of Major Ongoing and Not Started Projects



1 Al-Farabi school in Anbar province

The \$1.1 million ESF-funded Al-Farabi intermediate school was completed this quarter and turned over to the Haditha City Education Department in Anbar province. The 12-classroom project was one of nine USACE-managed school construction projects ongoing in the province.

2 Modular school in Salah Al-Din province

This typical modular school was built by USACE to help ease the overcrowding at Iraqi primary and secondary schools. Each of the two buildings has four rooms: three are classrooms, and one is used as a teacher prep/conference room.

3 Hassan al-Basri Primary School in Qadissiya Province

This \$1.2 million ESF-funded project in Qadissiya province aims to construct 12 classrooms to replace an old, dilapidated school that was deemed unsafe for the children to attend. Construction began in October 2008 and is scheduled for completion in March 2011.

4 Al-Shomali Secondary School in Babylon Province

This \$1.3 million ESF-funded project aims to construct a 12-classroom secondary school in Babylon province. Begun in June 2008, the construction suffered from a few quality issues that put it behind schedule. It is now slated for completion in July 2010. The school will serve students from Shomali, an area with a population of about 25,000.

U.S.-FUNDED EDUCATION ACTIVITIES

\$ Millions

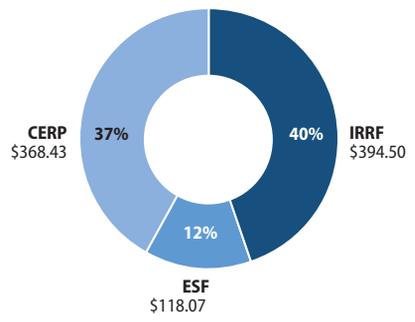
	COMPLETED	ONGOING	NOT STARTED	TOTAL
School Facilities	437.48	29.13	16.84	483.45
Education Programs & Equipment	197.00	8.26	18.91	224.16
Miscellaneous Facilities	165.59	7.65	0.14	173.38
Total	800.07	45.04	35.89	881.00

Note: Data not audited. Numbers affected by rounding. This list of reconstruction projects is based on IRMS data, which is not fully accurate or complete. Therefore, project totals do not reconcile with top-line obligations and expenditures provided by the agencies.

Source: IRMS, Global Benchmark, 7/2/2010.

U.S. FUNDING FOR EDUCATION ACTIVITIES

\$ Millions



Iraq's Minister of Higher Education announced this quarter plans to build 6,000 residential units for employees of the ministry in Kahn Bani Sa'ad village in Diyala province.⁵⁰⁹ Additionally, Iraq's National Investment Commission approved two investment licenses to build a residential compound in al-Amiriya, a neighborhood in Baghdad. The 2,000-unit compound is intended to be complete within three years for use by teachers at the ministry.⁵¹⁰ Companies in the UAE were reportedly considering building 150,000 housing units throughout Iraq.⁵¹¹

Table 2.30 shows UNDAF metrics and targets for further developing Iraq's housing sector. ♦

TABLE 2.30
UNDAF TARGETS FOR HOUSING

METRIC	BASELINE	2014 TARGET
Percentage of population living in non-durable structures	Urban: 3% (2007) Rural: 25%	Urban: 1% Rural: 15%
Percentage of population living in less than 9 m ² per person	Urban: 19% (2009) Rural: TBD	Urban: 10% Rural: 10%
Percentage of population suffering from insufficient ventilation	15% (2009)	10%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

ECONOMY

As of June 30, 2010, the United States had allocated \$1.67 billion, obligated \$1.62 billion, and expended \$1.48 billion to support Iraq's economic governance and private sector development.⁵¹² For the status of U.S. funding to support economic development, see Figure 2.42.

As shown in Figure 2.43, quarterly expenditures have remained much lower than spending in the other three reconstruction areas. At the end of the quarter, the largest ongoing programs were the Provincial Economic Growth (ESF) program, with \$29.7 million in unexpended obligations, and the Private Sector Development (IRRF) program, with \$25.1 million in unexpended obligations.⁵¹³ Table 2.31 is a breakdown of spending categories that experienced the greatest increases in obligations and expenditures this quarter.

Key Economic Trends and Developments

This quarter, Iraq received \$12.66 billion in total revenue from the export of crude oil; \$0.63 billion (5%) was reserved for war reparations to Kuwait, leaving \$12.03 billion in oil export receipts for GOI funding. This is down 2% from last quarter.⁵¹⁴

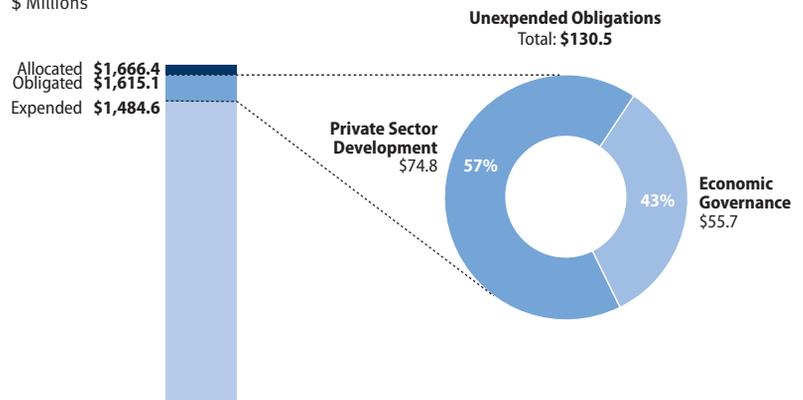
For a comparison of Iraq's gross domestic product (GDP) to the GOI's annual budget and annual oil receipts, see Figure 2.44.

New Inflation Rates

The Central Bank of Iraq (CBI) began publishing its new inflation figures this quarter, which are based on consumer-price data gathered as part of COSIT's *Household Socio-Economic Survey of 2008*. Previously, the CBI had been using data from 1993 to calculate inflation rates.⁵¹⁵ The new data is intended to more accurately reflect true inflation rates, as the 1993 data on purchasing habits

FIGURE 2.42

ECONOMY: STATUS OF FUNDS FROM THE IRRF, ISFF, ESF, AND CERP
\$ Millions

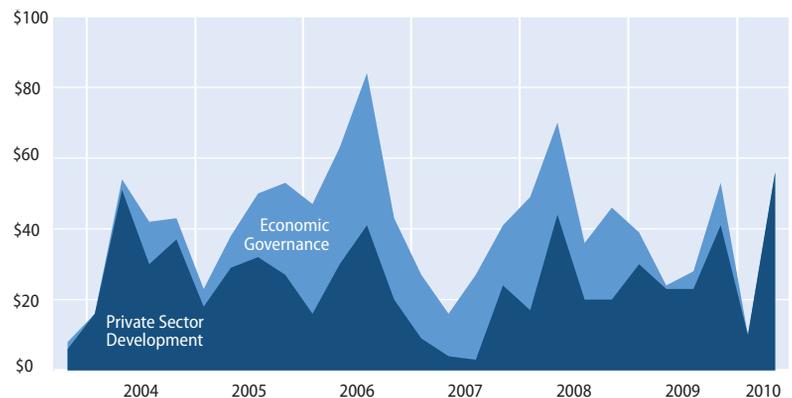


Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data call, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

FIGURE 2.43

ECONOMY: QUARTERLY U.S. EXPENDITURES, BY RECONSTRUCTION SECTOR
\$ Millions



Note: Data not audited. Numbers affected by rounding. The graph does not include \$352 million in Iraq debt forgiveness, funded by the IRRF in the second fiscal quarter of 2005; however, that amount is included in top-line values for Economy in this Report. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data call, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004-4/2010.

TABLE 2.31
ECONOMY: STATUS OF SELECTED PROGRAMS
 \$ Millions

PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Inma Agribusiness Development (ESF)	124.0	115.3		32.7 (40%)
Provincial Economic Growth (ESF)	85.8	56.1		18.0 (47%)
Targeted Development Program (ESF)	57.4	36.9		5.5 (18%)
Agriculture (CERP)	122.3	109.5	1.5 (1%)	
Other	1,225.6	1,166.8	0.3 (0%)	0.2 (0%)
Total	1,615.1	1,484.6	1.7 (0%)	56.5 (4%)

Note: Programs listed in this table had changes of at least \$1 million in combined quarterly obligations and expenditures. Appendix C shows the status of all programs funded by the four major funds, including those in the Economy reconstruction area that are grouped in the "Other" category here. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data calls, 4/13/2009, 7/8/2010, and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

The new figures for 2010 show inflation remaining stable near 3%.

excluded the Kurdistan Region and was collected during a period of economic isolation as a result of international sanctions. The change was a condition of Iraq's most recent Stand-By Arrangement (SBA) with the International Monetary Fund (IMF), which was extended last quarter.⁵¹⁶

Under the previous data set, Iraq ran a negative year-on-year inflation rate; in December 2009, it stood at -4.4%.⁵¹⁷ The new figures for 2010, published this quarter, show inflation remaining stable near 3%,⁵¹⁸ below the 5%–6% range that the Ministry of Finance (MOF) and CBI agreed to work toward under the terms of the latest SBA.⁵¹⁹

Dinar Redenomination

The CBI has announced that it intends to implement a long-planned redenomination of the Iraqi dinar by eliminating three zeros from the nominal value of bank notes. This process is meant to ease commercial transactions by reducing errors and confusion that hyper-inflated currencies often cause. Now that Iraq's inflation rate has achieved a level of stability, the move could serve to bolster confidence in the country's currency. The redenomination process is set to begin in late 2010 and take two years to complete.⁵²⁰

The CBI has pegged the exchange rate since January 2009 at 1,170 Iraqi dinars to 1 U.S. dollar,⁵²¹ and has held interest rates at 6% since April 2010.⁵²² Figure 2.44 shows the recent quarterly trends for inflation, core inflation, and exchange rates.

Economic Governance

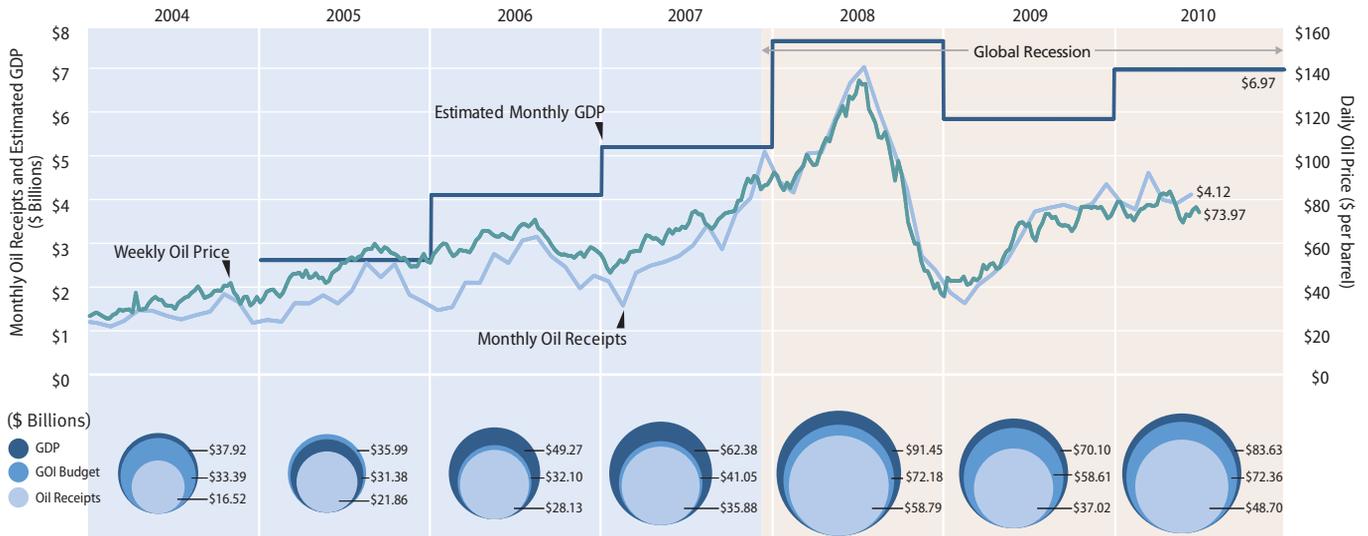
UNDAF Economic Goals

The *UN Development Assistance Framework for Iraq 2011–2014* (UNDAF) places a high priority on encouraging “inclusive, equitable, and sustainable economic growth” and adopts the following goals:⁵²³

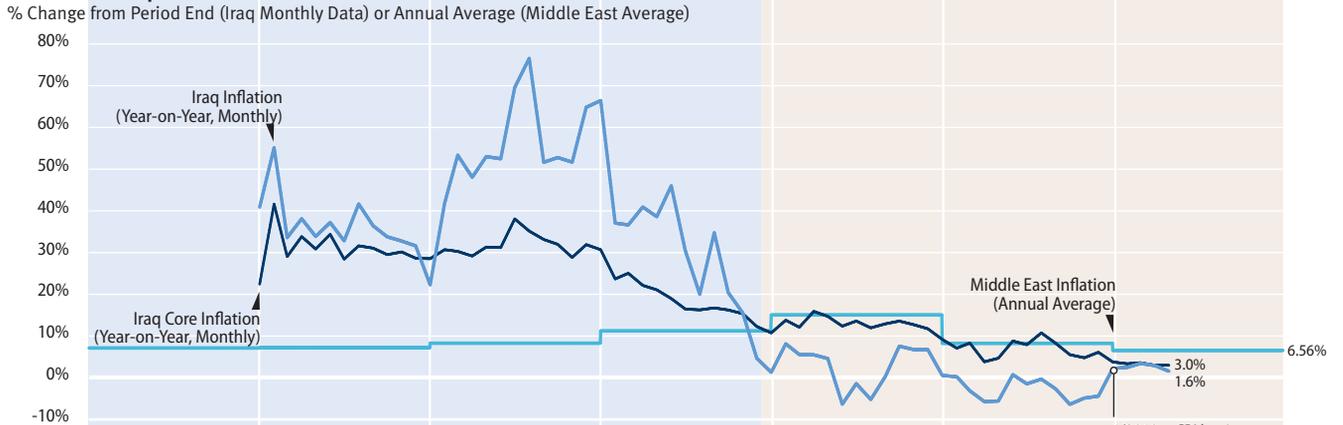
- increasing GDP growth to 9.38% annually
- diversifying Iraq's economy and increasing productivity in all economic sectors
- creating sustainable jobs and income generation, especially among youth and women
- reducing levels of poverty by 30%
- enhancing the role of the private sector in the national development process
- increasing the contribution of agriculture to Iraq's GDP

RECONSTRUCTION FUNDING SOURCES AND USES

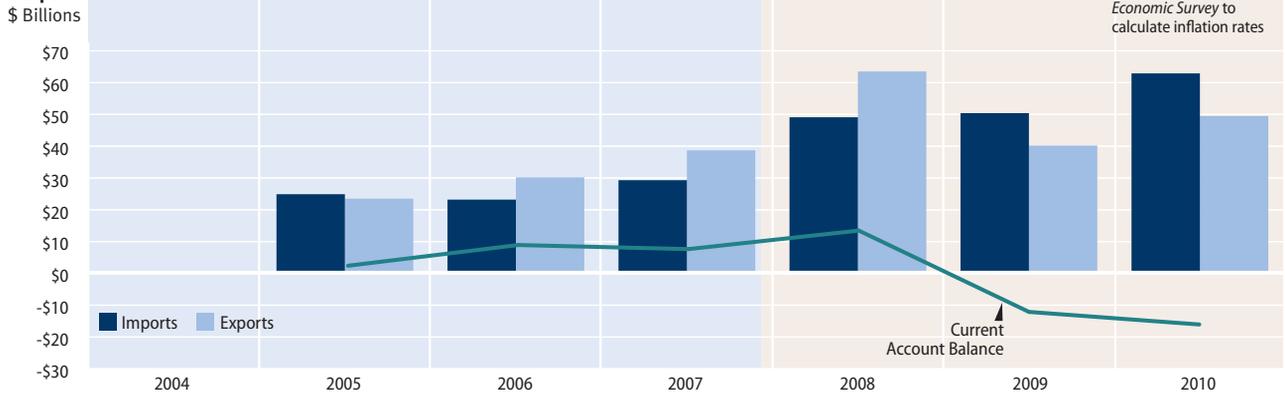
FIGURE 2.44
THE IRAQI ECONOMY, 2004–2010
Oil Price, Iraqi Oil Receipts, and GDP



Inflation in Iraq and the Middle East



Iraq's Trade Balance



Note: Data not audited. Numbers affected by rounding. Daily oil price represented by Weekly Iraq Kirkuk netback price at U.S. Gulf, as of 7/9/2010. All dollar values are in current prices. Iraqi GDP is not available from the IMF for 2004; GDP figures from 2008–2010 and oil receipts for 2010 are estimates. 2010 trade balance estimated by IMF.

Sources: U.S. Embassy-Baghdad, Treasury Attaché, responses to SIGIR data call, 6/8/2010 and 7/13/2010; IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 10/2009, www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, accessed 7/8/2010; and "Weekly Iraq Kirkuk Netback Price at U.S. Gulf," www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCIRK&f=W, accessed 7/13/2010; GOI, CBI, "Key Financial Indicators," 6/23/2010, www.cbi.iq/documents/key_financial.xls, accessed 7/8/2010.

TABLE 2.32
UNDAF TARGETS FOR ECONOMIC DEVELOPMENT

METRIC	BASELINE	2014 TARGET
Ranking of Iraq in the World Bank "Doing Business" report	153 (2009)	99
Percentage of private sector employment	22% (2008)	35%
Percentage of economically active labor force	46.48% (2009)	55%
Percentage of female professional and technical workers	61.8% (2008)	> 90%
Average monthly per capita income in NID	125,100 (2007)	150,120
Cost to export per container in Iraqi ports	\$3,900 (2009)	\$3,510
Percentage of population living under the poverty line	22.9% (2007)	16%
Percentage of social transfers that are conditional	22% (2009)	70%
Percentage of poor who do not receive social transfers through the Social Safety Net	96% (2007)	60%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

For specific UNDAF metrics and targets for economic development, see Table 2.32.

The UNDAF was developed in concert with the GOI's \$186 billion *National Development Plan* (NDP), which prioritizes the country's investment in the housing, telecommunications, agriculture, health, and transportation sectors.⁵²⁴ USAID advisors worked closely with the GOI to develop its five-year plan, which was unveiled on July 4, 2010, but is not yet available in English.⁵²⁵ Of the NDP's many goals, the GOI reportedly has targeted programs and projects to provide more than 3 million jobs in the private sector.⁵²⁶

Development Fund for Iraq

At its semiannual meeting in late April, the International Advisory and Monitoring Board (IAMB), the UN body charged with oversight of the Development Fund for Iraq (DFI), received the GOI's first quarterly report on its plans for a successor arrangement to the DFI. Iraq's Committee

of Financial Experts (COFE) delivered the report, announcing that the GOI intends to maintain its current DFI accounts at the Federal Reserve Bank of New York and that the successor arrangements would include instituting greater asset diversification. The report elaborates Iraq's recent successes in securing debt reduction agreements from more than 60 countries, although the GOI is still seeking waivers of claims from commercial creditors on additional debt of about \$600 million.⁵²⁷ COFE also addressed ongoing delays in compiling and publishing monthly summaries of DFI inflows and outflows; the delays resulted from the August 2009 bombings of the Ministry of Finance.⁵²⁸

COFE, which is headed by the President of the Board of Supreme Audit, is scheduled to assume full oversight responsibilities of the DFI when the IAMB's mandate expires at the end of 2010.⁵²⁹ Iraq's next quarterly report on planned successor arrangements was due in July. For the flow of DFI revenue, see Figure 2.45.

The DFI was used to fund both the CERP and Rapid Regional Response Program, and DoD maintained oversight of these monies until the GOI terminated authorization for U.S. government administration of DFI funds in December 2007. However some DFI funds remained in U.S. government accounts beyond that date.⁵³⁰ This quarter, SIGIR concluded an audit of the financial and management controls over DFI funds that were made available to DoD, finding that past recommendations by SIGIR have not been addressed and that more than \$30 million from the DFI remains in DoD and contractor accounts. For a more detailed summary of the audit's findings and recommendations, see Section 3 of this Report.

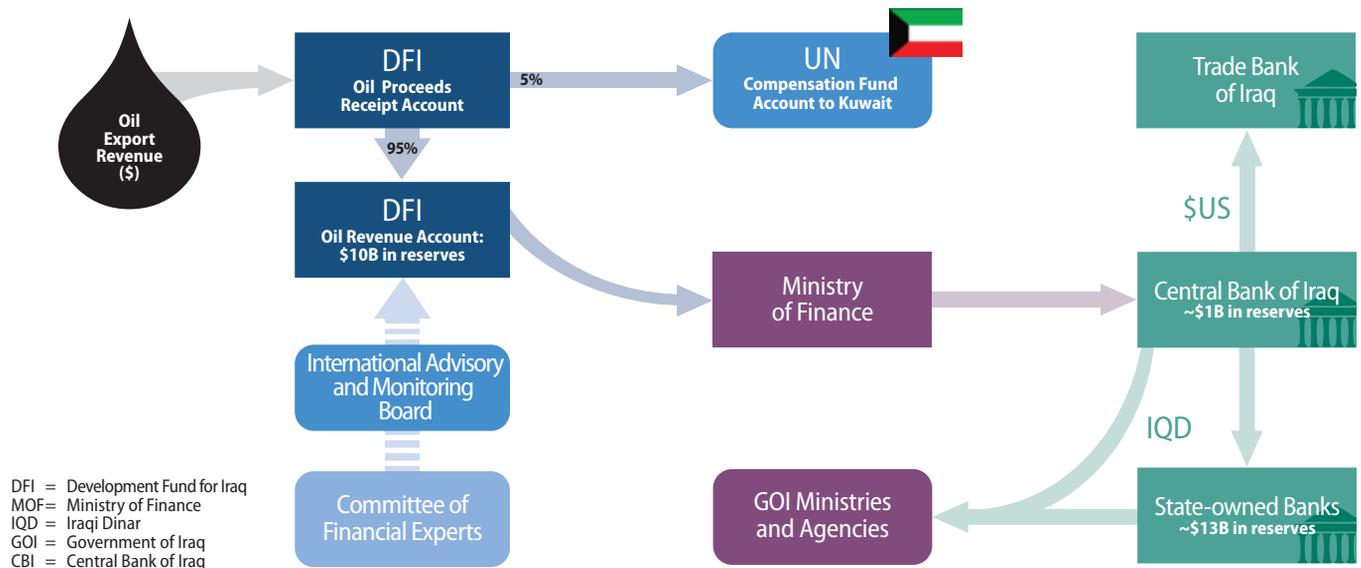
Private Sector Development

Agriculture

Iraq's agriculture sector employs approximately 12.3% of the country's total workforce⁵³¹ and constitutes 8.4% of GDP.⁵³² USAID reports that

Past recommendations by SIGIR have not been addressed, and more than \$30 million from the DFI remains in DoD and contractor accounts.

FIGURE 2.45
FLOW OF OIL REVENUE TO THE GOVERNMENT OF IRAQ



Sources: SIGIR analysis based on UNSCR 1905; IAMB documents; U.S. Embassy-Baghdad, Treasury Attaché, response to SIGIR data call, 7/7/2010; Senior Advisor to CBI Governor, interview with SIGIR, 5/25/2010.

the sector continues to suffer from disconnects between consumers and suppliers; government regulatory interference in the form of market-distorting subsidies; and a dilapidated and often obsolete production, processing, and marketing infrastructure.⁵³³ Iraq's agriculture sector struggles to compete in regional and global markets, a product of high farm-to-market costs and quality issues with its output. Along with the inefficiencies of its agricultural sector, Iraq's rapidly increasing population and poor climate compel it to rely on imports to supply roughly 80% of domestic food consumption.⁵³⁴ UNDAF metrics and targets for the agricultural sector are listed in Table 2.33.

In June, USAID issued a request for proposals for a new Agriculture Sector Support Project, which aims to address problems that have impeded Iraq's agricultural development for decades—poor management and excessive interference in the sector by the state.⁵³⁵ Estimated to cost \$35 million–\$45 million, the project is expected to build the GOI's capacity to make and implement

appropriate policy choices, to better understand and respond to economic drivers of the sector, and to develop indigenous institutions to generate objective appraisals and analyses of actual and prospective agricultural policies.⁵³⁶

Trade Mission

This quarter, a USDA Agricultural Trade Mission visited Baghdad, bringing representatives from 18 U.S. agricultural companies to explore investment opportunities in Iraq. The three-day mission hosted seminars on local import regulations, security conditions, and trade finance and spawned 250 meetings between U.S. and Iraqi company representatives.⁵³⁷ According to U.S. Embassy-Baghdad, one objective of the Trade Mission was to expand private trade to provide critically needed agricultural inputs, such as animal feed, seeds, and irrigation equipment.⁵³⁸ Iraq, which imported \$167 million in U.S. agricultural goods in the first five months of 2010,⁵³⁹ is being marketed to the business community by U.S. agencies as an increasingly important and potentially lucrative area for growth.⁵⁴⁰

Imports supply roughly 80% of domestic food consumption.

TABLE 2.33
UNDAF TARGETS FOR AGRICULTURE

METRIC	BASELINE	2014 TARGET
National drought mitigation plan formulated and implemented	No (2009)	Yes
Inter-ministerial structure on trans-boundary water resources established with UN involvement	No (2009)	Yes
Percentage of locally manufactured food in Iraq subject to food safety regulations	58% (2009)	95%
Percentage increase in number of Iraqis receiving quality seeds	15% (2009)	25%
Percentage increase in services available to farmers for the artificial insemination of livestock, feed, and vaccination	20%–25% (2009)	50%
Percentage area of land affected by desertification	9% (2009)	9%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

Winter Wheat Crop

Iraq's winter wheat crop rebounded this year.⁵⁴¹ Iraq's 2010 wheat harvest is estimated at 2 million–2.2 million metric tons, on par with the 5-year average and significantly larger than last year's yield of 1.3 million metric tons.⁵⁴² According to the USDA's Foreign Agricultural Service, sufficient seasonal rainfall and mild temperatures over northern areas throughout the winter were instrumental in this year's increased production. Provinces in the north, such as Ninewa and Dahuk, experienced a generally ideal growing season, although irrigation-fed cropland along the Tigris and Euphrates Rivers continued to suffer from water shortages.⁵⁴³ Higher rainfall, while beneficial to rain-fed crops, failed to significantly improve water levels in reservoirs.⁵⁴⁴

The ideal weather that allowed for sizable gains in winter grain crops throughout the grain-producing region—from eastern Syria to southern Turkey and northern Iraq—has also given rise to an epidemic of a new strain of “yellow rust,”⁵⁴⁵ a

fungal blight that can destroy 50% or more of infected crops.⁵⁴⁶ While Syria is suffering the brunt of this outbreak, strong westerly winds have already carried the spores to parts of Ninewa, Erbil, and Tameem provinces in Iraq. Those areas are now expected to suffer a 10%–15% crop loss, which has already been factored into Iraq's total crop yield estimates for the year.⁵⁴⁷

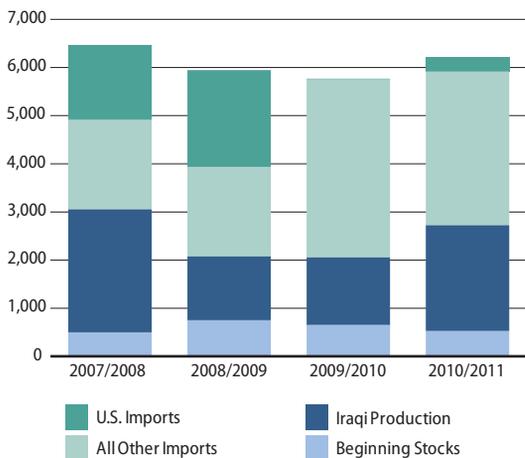
IGB's Wheat-purchasing Plans

The Iraqi Grain Board (IGB), the GOI body that manages the country's wheat supply, declared its intent this quarter to double its purchase of domestically produced wheat, from 750,000 metric tons last year to 1.5 million this year, or roughly 68% of Iraq's expected 2010/2011 market-year harvest.⁵⁴⁸ According to a recent USDA report, the IGB had initially intended to purchase only domestically produced wheat of #1 quality (Iraq grades wheat on a scale of 1 to 3, with #1 being suitable for human consumption and #3 suitable only as animal feed).⁵⁴⁹ However, on average, only a third of Iraq's wheat crop meets that level of quality, meaning the bulk of the IGB's domestic purchase this year is likely to be of low-grade wheat.⁵⁵⁰

According to the USDA, the new policy is likely to please producers, who had been critical of the IGB decision this year to reduce the official price it will pay for domestic wheat. However, the IGB's wheat purchase is eventually redistributed to Iraqis via the Public Distribution System (PDS), which is run by the Ministry of Trade. Given that the IGB would be diluting the PDS flour with lower-than-average-quality wheat, such a move could cause discontent among food-aid recipients. Historically, PDS recipients sell poor-quality flour rations, using the proceeds to buy higher-quality imported wheat. The ratio of imported to domestic wheat distributed through the PDS, which has averaged approximately 5:1 in recent years, will fall to 2.3:1 if the IGB proceeds with the new policy. This means that Iraqis will have to purchase more high-quality imported flour on their own—or go without.⁵⁵¹

Higher rainfall, while beneficial to rain-fed crops, failed to significantly improve water levels in reservoirs.

FIGURE 2.46
IRAQ'S WHEAT SUPPLY, 2007–2011
Thousand Metric Tons



Sources: USDA, FAS, "Wheat Update—Grain Board Purchasing," *GAIN Report: Iraq*, 6/13/2010, gain.fas.usda.gov/Recent%20GAIN%20Publications/Wheat%20Update%20%20Grain%20Board%20Purchasing_Baghdad_Iraq_6-13-2010.pdf, accessed 6/30/2010; USDA, FAS, Global Agricultural Trade System, www.fas.usda.gov/gats/default.aspx, accessed 7/3/2010.

As an alternative, the IGB may put substantial quantities of the domestic wheat into storage, ostensibly to build a strategic grain reserve, as a method of sequestering it from domestic use.⁵⁵² This would allow the IGB to continue to use a high percentage of imported wheat in the PDS rations and produce a more consumer-acceptable flour.⁵⁵³ With yellow rust severely disrupting this year's wheat production in Turkey and Iran, the two chief producers in the region,⁵⁵⁴ U.S. wheat producers could benefit if Iraqi dissatisfaction with low-quality PDS flour leads to greater individual consumption of foreign imports.⁵⁵⁵ For details on Iraq's wheat supply, including imports of U.S. wheat, see Figure 2.46.

U.S.-funded Programs

U.S. reconstruction programs continued to support Iraq's agricultural sector this quarter. In May, a brigade from the 2nd Infantry Division donated 11 Holstein cows to the University of Baghdad's College of Agriculture and another 11 to its Veterinary College, along with specialized equipment

for artificial insemination.⁵⁵⁶ The donations were part of an \$83,000 program to train students on livestock management techniques and to provide a small income to the schools from the sale of dairy products from the herd.⁵⁵⁷

In Ninewa province, U.S. forces provided farmers with feed pens for livestock and helped to build two seed-purification facilities, funded equally by CERP and GOI contributions. Drip irrigation systems were also provided to farmers in the province, along with approximately 75,000 chickens and 4,500 sheep.⁵⁵⁸ The initiative is part of a broad U.S.-led effort to provide the area with facilities to cleanly and efficiently process agricultural goods and to reduce dependence on food imported from neighboring countries.⁵⁵⁹

USAID continues to support the sector through its Inma agribusiness development program. The agency reported several accomplishments this quarter:⁵⁶⁰

- crossbreeding of selected fish species, which yielded approximately 120 million fingerlings to be grown and sold in 2010
- assistance to 42 companies and farmer associations in filing and implementing business plans to move Iraqi agriculture toward market-based production

U.S. wheat producers could benefit if Iraqi dissatisfaction with low-quality PDS flour leads to greater consumption of foreign imports.



Cows donated by U.S. forces to an agricultural college in Baghdad. (USF-I photo)

- training of 680 farmers in fruit production and the opening of five open-field training centers, focused on production of melons and vegetables

Banking

Iraq's banking sector experienced disruptions to its activities this quarter as a result of militant attacks on the CBI and Trade Bank of Iraq (TBI) headquarters, as well as a fraud scandal involving state-owned banks and their private-sector clients.

Fraud Case at State-Owned Banks

Bank employees at Rafidain Bank and the Agricultural Bank withdrew funds and transferred them to private entities as off-book loans. The funds were invested for gain by the private parties, who then returned the funds to the complicit bank employees to be re-deposited. Approximately 9 trillion Iraqi dinars (\$7.7 billion) in transfers occurred over time, and although most of the funds were returned, \$75 million from the Agricultural Bank and \$300 million from Rafidain Bank remain unaccounted for.⁵⁶¹

The investigation and prosecution of the cases was conducted by the Commission of Integrity, in cooperation with the Board of Supreme Audit and the Inspector General of the Ministry of Finance.⁵⁶² Four bank branch managers were indicted and received prison sentences.⁵⁶³

Attacks on the CBI and TBI

In June, both the CBI and TBI were the targets of militant attacks. On June 13, gunmen wearing Iraqi Army uniforms stormed the CBI's headquarters in central Baghdad, setting fire to several floors of the building and killing 26 people.⁵⁶⁴ The bodies of seven attackers were discovered when security forces entered the building later that day.⁵⁶⁵ The CBI had begun rehabilitating its decaying compound just two weeks before the June attacks.⁵⁶⁶

On June 20, two suicide car bombers mounted an unsuccessful attempt to penetrate the TBI's perimeter, killing themselves and at least 18 others in the process.⁵⁶⁷

Banks on Bases Initiative

This quarter, the Banks on Bases Initiative—a DoD program to supplant the use of dollars on U.S. bases in favor of dinars and to increase the use of electronic transfers—broke ground on a new Bank of Baghdad branch office at Camp Liberty. The branch will be the second to open on Victory Base Complex, which is adjacent to Baghdad International Airport.⁵⁶⁸ The initiative has opened two bank branches on other U.S. bases, with eight more planned for other locations.⁵⁶⁹

Foreign Direct Investment and Privatization

The international community continues to assess Iraq as an inherently risky place to do business. For example, the Organization for Economic Cooperation and Development (OECD), which maintains an export credit-risk classification system known as the “Knaepen Package,” reevaluated the countries in the Middle East/North Africa region this quarter.⁵⁷⁰ The system assigns countries into one of eight risk categories, with 0 representing the lowest risk and 7 representing the highest. The Country Risk Classification affects the premium and interest rates that OECD members agree to charge a country, which cover the risk of non-repayment of export credits.⁵⁷¹ Those countries with higher scores face greater borrowing costs or are barred from borrowing altogether. Iraq's score of 7 has not changed since 1999.⁵⁷²

Both the GOI and U.S. government continued their respective efforts this quarter to make Iraq a more attractive place for foreign companies to invest in. U.S. Embassy-Baghdad—in conjunction with the Baghdad Provincial Reconstruction Team (PRT) and a private marketing firm—held a catalog show in June, offering an opportunity for U.S. companies to display information about their services and products and meet potential clients. The event attracted 120 U.S. and 100 Iraqi firms.⁵⁷³

The U.S. Department of Commerce's Iraq Investment and Reconstruction Task Force (IIRTF) announced this quarter that it will organize an

\$75 million from the Agricultural Bank and \$300 million from Rafidain Bank remain unaccounted for.

official trade mission to Baghdad, tentatively scheduled for October 2010. According to the IIRTF, the mission will assist participating U.S. firms in positioning themselves to enter or expand their presence in targeted sectors, including oil and gas, construction, and information and communications technology.⁵⁷⁴ The trade mission is the latest event held by the IIRTF, which has worked to extend and deepen trade relations between the United States and Iraq.

In June, the Kurdistan Regional Government (KRG) held the Kurdistan Trade and Investment Conference 2010 in London. KRG Prime Minister Dr. Barham Salih delivered the keynote speech, announcing several new initiatives and emphasizing the region's plan to attract foreign investment by committing significant resources to the education and training of its citizenry. In an effort to demonstrate its stated commitment to making the region a more hospitable destination for foreign capital, the KRG has undertaken the \$100 million Human Capacity Development Program to send scholars for advanced studies at universities around the world, and has established a \$170 million housing fund to build 7,000 new units and apartments throughout the Kurdistan Region.⁵⁷⁵ Dr. Salih also noted the KRG Council of Ministers' endorsement of a proposal to establish a commission to counter corruption, promote good governance, and introduce a code of conduct for public servants.⁵⁷⁶

Task Force for Business and Stability Operations

In May, U.S. Army Forces, U.S. Central Command (ARCENT) notified the DoD-funded Task Force for Business and Stability Operations (TFBSO) that all financial transfers of funding for TFBSO operations had been frozen because of concerns that it was not eligible for ARCENT Overseas Contingency Operation (OCO) funds. However, DoD subsequently determined that the initial legal opinion was incorrect, and the funding freeze was lifted in late May. TFBSO is currently staffed by 208 contractors, 37 civil servants, and 2 military



KRG Prime Minister Dr. Barham Salih delivers the keynote speech at the Kurdistan Trade and Investment Conference, held in London on June 15, 2010. (KRG photo)

officers and has offices in Baghdad and Basrah. TFBSO anticipates that its Iraq operations will conclude on January 31, 2011.⁵⁷⁷

Of its combined \$100 million in FY 2007 and FY 2008 allocations, TFBSO reports that it has obligated \$86 million and expended \$49.9 million, as of June 2010, to support Iraq's reindustrialization through refurbishment of state-owned enterprises. According to TFBSO, 41 enterprises have been able to reopen or increase production with the assistance of its program investments. Citing security concerns and corporate confidentiality requirements, TFBSO does not disclose the details of ongoing projects.⁵⁷⁸

Entrepreneurship

In June, USAID's Provincial Economic Growth Program (*Tijara*) announced the opening, in Ninewa, of the 100th microfinance branch office to be funded through the program. *Tijara* also announced a new initiative this quarter designed to provide Iraqis aged 18–35 with essential business skills, entrepreneurial opportunities, and the chance to qualify for loans to start their own businesses. The program is funded with \$12 million from the Ambassador's Targeted Development Program.⁵⁷⁹

Iraq's microfinance sector, which has received significant support from USAID, encompasses 14 microfinance institutions (MFIs), which operate in all 18 provinces. Two of the MFIs operate internationally, and together with the 12 indigenous institutions, they serve more than 62,000 clients with an outstanding portfolio of \$84 million.⁵⁸⁰ ♦

Citing security concerns and corporate confidentiality requirements, TFBSO does not disclose the details of ongoing projects.