

UPDATE ON IRAQ RECONSTRUCTION

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OVERVIEW

The Special Inspector General for Iraq Reconstruction (SIGIR) reports on the obligation and expenditure of funds used for Iraq's relief and reconstruction. This section provides an update on the status of reconstruction appropriations by fund source, reports on Iraq's major economic indicators, and updates U.S. development work in several key areas.

Relief and reconstruction efforts in Iraq are funded by three sources: U.S. appropriations, Iraqi funds, and international donor support. As of September 30, 2007, the entire reconstruction program totaled nearly \$103.894 billion, including \$45.429 billion in U.S. appropriated funds, \$18.383 billion in international support for Iraq reconstruction, and \$40.082 billion in Iraqi funds. For an overview of these sources, see Figure 2.1.

U.S. Appropriated Funds (\$45.429 billion)

The Congress appropriated U.S. funding support for Iraq's relief and reconstruction to four major funds and 28 smaller accounts:

- Iraq Security Forces Fund (ISFF)—\$13.940 billion
- Commander's Emergency Response Program (CERP)—\$2.291 billion

- Economic Support Fund (ESF)—\$3.272 billion
- Iraq Relief and Reconstruction Fund (IRRF)—\$20.914 billion
- Other Relief and Reconstruction Funds (including 28 accounts)—\$5.012 billion

This section presents information on each of these sources and provides the status of reconstruction in these areas:

- Provincial Reconstruction Teams
- Democracy and Civil Society
- Economic Development
- Capacity Development
- Refugees, IDPs, and Human Rights
- Essential Services: Electricity, Oil and Gas, Water, Health Care, and Transportation and Communications

Appendix F and Appendix G include more comprehensive information about the sources of U.S. appropriated funding, including IRRF apportionments, a historical perspective of relief and reconstruction accounts, operating expenses, and obligated and expended funding activities.

International Support for Iraq Reconstruction (\$18.383 billion)

The overall success of the Iraq reconstruction program depends, in part, on assistance from the international community. The International Compact with Iraq—a five-year national plan to help Iraq achieve stability, sound governance, and economic reconstruction—is now the primary mechanism for coordinating international support for Iraq. The total amount of donor support pledged or provided to date is \$18.383 billion.

For an update on the activities of international donors, see International Support for Iraq Reconstruction at the end of Section 2.

Iraqi Funds (\$40.082 billion)

Iraqi funds are now the most important source for reconstruction efforts. As of September 30, 2007, these funds totaled \$40.082 billion, including:

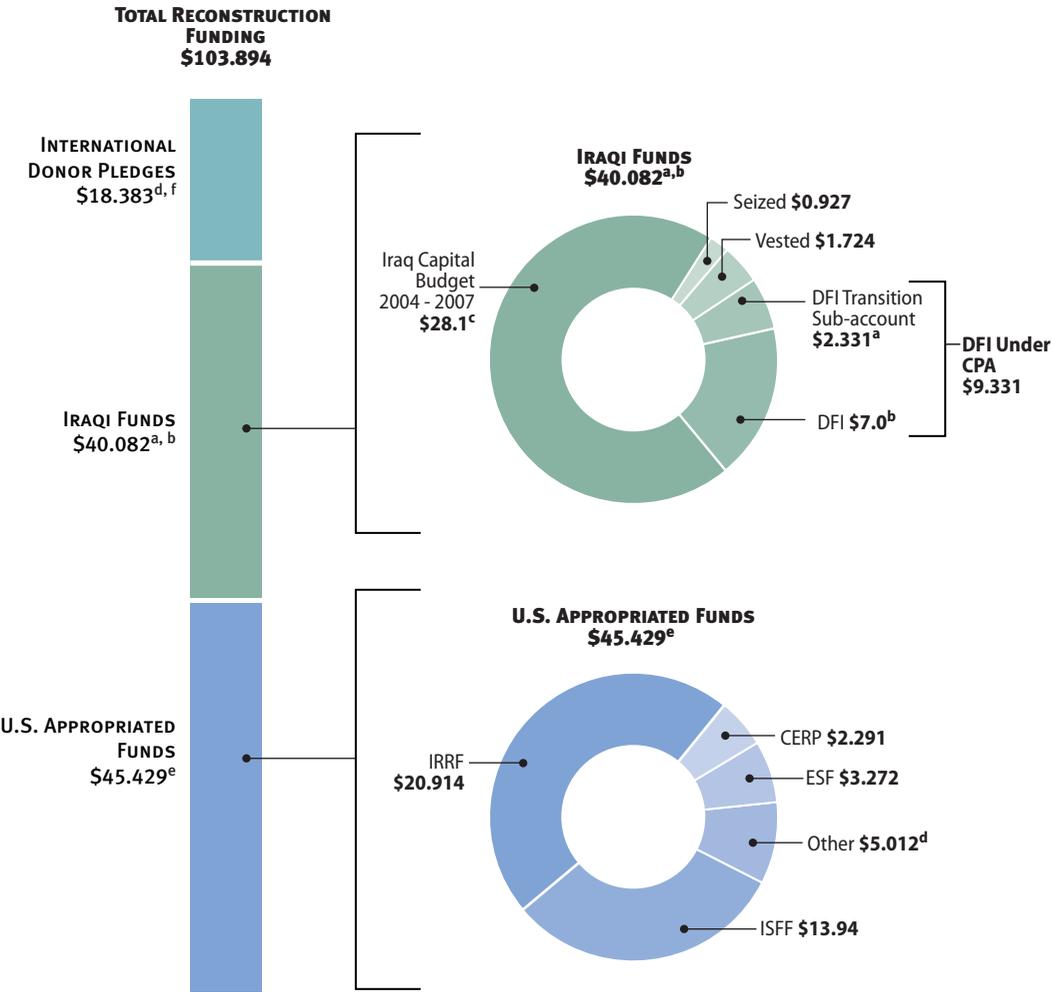
- vested (frozen) funds of \$1.724 billion
- seized funds, including confiscated cash and property, of \$927 million
- Development Fund for Iraq (DFI) funds, drawn primarily from oil proceeds and repatriated funds, of \$9.331 billion¹¹
- Iraqi capital budget funding of \$28.1 billion from 2004 to 2007

For an accounting of seized, vested, and the DFI transition sub-account, see Appendix H, “Iraqi Funds Obligated for Reconstruction Activity by CPA.”

SIGIR collects data on U.S. funding from different sources.¹² Appendix C cross-references budget terms associated with the IRRF, ISFF, ESF, CERP, and international support for Iraq reconstruction.

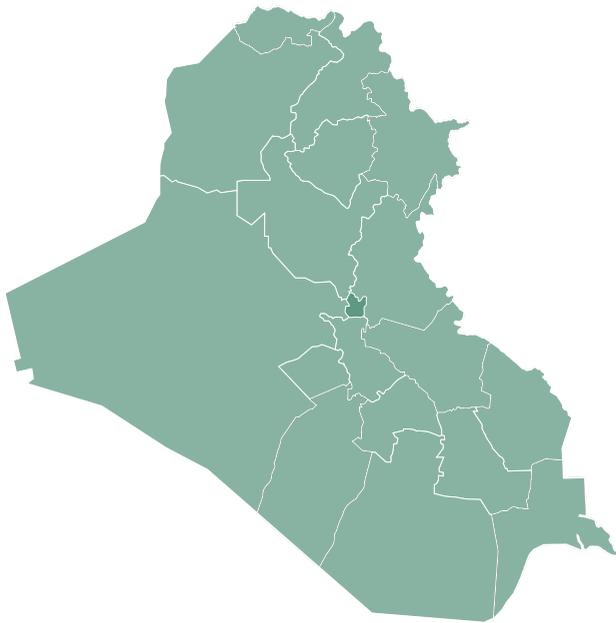
Figure 2.1

SOURCES OF IRAQ RECONSTRUCTION FUNDING - \$103.894 BILLION
\$ Billions



a. Includes August 11, 2004 transfer of \$86 million cash from the Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.
 b. In previous Quarterly Reports, SIGIR reported approximately \$20 billion in DFI cumulative deposits to fund Iraqi government operations and reconstruction programs. SIGIR has refined that number to reflect only reconstruction funding, which is approximately \$7 billion, according to GAO audit 05-876 (July 28, 2005, p. 2).
 c. U.S. Embassy, Iraq, response to SIGIR data call, October 15, 2007.
 d. May include humanitarian aid or other types of assistance.
 e. Where Iraq-only appropriations are unavailable, SIGIR assigned 85% for Iraq based on historical trends.
 f. International donor pledges are discussed in detail later in this section.

U.S. FUNDING FOR IRAQ RECONSTRUCTION



section

2a

U.S. FUNDING FOR IRAQ RECONSTRUCTION

Pursuant to Public Law (P.L.) 108-106, Section 3001 (as amended), SIGIR reports on the oversight of and accounting for U.S. taxpayer funds expended on Iraq's relief and reconstruction. In December 2006, P.L. 109-364 expanded SIGIR's oversight to include all funds made available for FY 2006 for the reconstruction of Iraq. Figure 2.2 shows the total funding under SIGIR's oversight authority.

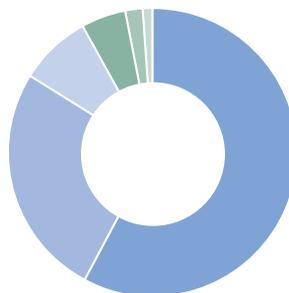
The U.S. reconstruction program in Iraq now totals \$45.429 billion. Nearly half of this funding went to the IRRF, of which only about 12% remains for expenditure. Figure 2.3 shows a timeline for all major U.S. funds appropriated for relief and reconstruction to date.

Figure 2.2

SUMMARY OF SIGIR OVERSIGHT

\$ Billions, % of \$32.037 Billion

Sources: P.L. 108-106, P.L. 109-13, P.L. 109-234, P.L. 109-102, P.L. 108-11, P.L. 109-148



IRRF 2	P.L. 108-106	\$18.439	58%
ISFF	P.L. 109-13, 109-234	\$8.398	26%
IRRF 1	P.L. 108-11	\$2.475	8%
ESF	P.L. 109-102, 109-234	\$1.545	5%
CERP	P.L. 109-148, 109-234	\$0.708	2%
Other	P.L. 109-102, 109-234	\$0.472	1%

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

U.S. FUNDING FOR IRAQ RECONSTRUCTION

Figure 2.3

TIMELINE OF U.S. APPROPRIATIONS (ALLOCATIONS BY DATE)
\$ Billions



In addition to the appropriations shown in Figure 2.3, the Congress has finalized the FY 2007 funding levels. This included \$201.34 million in additional reconstruction dollars:

- \$122.80 million for the ESF
- \$20.05 million for the Bureau of International Narcotics and Law Enforcement Affairs (INL)
- \$20.00 million for Migration and Refugee Assistance
- \$38.49 million in other reconstruction funds

Table 2.1 provides the status of the IRRF and identifies the primary funds associated with SIGIR's oversight, including the ISFF, ESF, CERP, and others.

Table 2.2 presents the most complete information available on the U.S. appropriations for Iraq relief and reconstruction, including 28 non-IRRF activities.

U.S. FUNDING FOR IRAQ RECONSTRUCTION

U.S. SUPPORT FOR IRAQ RECONSTRUCTION (BILLIONS)

U.S. FUND	APPROPRIATED	ALLOCATED	OBLIGATED	EXPENDED
IRRF 1	\$2.475	\$2.473	\$2.232	\$2.139
IRRF 2	18.439	18.322	17.671	16.230
IRRF Total	\$20.914	\$20.795	\$19.903	\$18.369
ISFF FY05	\$5.391	\$5.316	\$5.261	\$5.033
ISFF FY06	3.007	3.007	2.991	1.375
ISFF FY07	5.542	4.328	1.782	0.832
ISFF Total	\$13.940	\$12.651	\$10.034	\$7.240
ESF FY03	\$0.050	-	\$0.050	\$0.050
ESF FY06 Supplemental	1.485	1.485	1.077	0.238
ESF FY06, State	0.060	0.060	0.060	-
ESF FY07	1.554	1.554	1.045	0.005
ESF FY07, Continuing Resolution	0.123	0.105		
ESF Total	\$3.272	\$3.204	\$2.232	\$0.293
CERP FY04	\$0.140	-	0.030	0.030
CERP FY05	0.718	-	0.737	0.620
CERP FY06	0.708	-	0.465	0.458
CERP FY07	0.725	-	0.490	0.237
CERP Total	\$2.291	-	\$1.722	\$1.345
Other Funding	\$5.012	\$0.261	\$0.132	\$0.001
Total U.S. Appropriated	\$45.429	\$36.911	\$33.284	\$26.983

Sources: IRRF 1 and 2: Allocated, Obligated, and Expended figures all from DoS, *Iraq Weekly Status* (9/26/2007). ISFF FY 2005 - FY 2007: Allocated, Obligated, and Expended figures all from Corps of Engineers Financial Management System, ISFF Funds Execution Report (10/1/2007); DoD, Secretary of the Army Update (8/31/07). CERP FY 2004 - FY 2007: Obligated and Expended figures (no Allocated detail for CERP) all from IRMS, MNC-I *Quarterly Report* (9/30/2007). INL: Allocated, Obligated, and Expended figures all from INL, response to SIGIR data call (10/18/2007). ESF FY 2006 Supplemental: Allocated figures from ITAO, response to SIGIR data call (10/15/2007); USAID, response to SIGIR data call (10/17/2007). ESF FY 2006 Supplemental: Obligated and Expended figures from ITAO, response to SIGIR data call (10/15/2007); IRMS, ESF Cost to Complete (10/5/2007); USAID, *Activities Report* (10/15/2007). ESF FY 2007 Supplemental and CR: Allocated figures from ITAO, response to SIGIR data call (10/15/2007); USAID, response to SIGIR data call (10/17/2007). ESF FY 2007 Supplemental and CR: Obligated and Expended figures from IRMS, ESF Cost to Complete (10/5/2007); USAID, *Activities Report* (10/15/2007). ESF FY 2006 State: Allocated figures from ITAO, response to SIGIR data call (10/15/2007). ESF FY 2006 State: Obligated and Expended figures from DoS, *Section 2207 Report* (4/2007).

Notes:

1. Numbers are affected by rounding.
2. CERP FY 2005 funding included Iraq and Afghanistan. The division of funds was the decision of CENTCOM and not called for in the law. Therefore, SIGIR is unable to entirely reflect transfers, de-obligations, and re-obligations.

TABLE 2.1

U.S. FUNDING FOR IRAQ RECONSTRUCTION

IRRF 2 SECTOR UPDATE

FUNDING MECHANISM	PUBLIC LAW #	DATE OF ENACTMENT	EMERGENCY WARTIME SUPPLEMENTAL APPROPRIATIONS ACT, 2003	EMERGENCY APPROPRIATIONS ACT FOR THE DEFENSE AND RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE DEFENSE, THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FY 2006	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2007	U.S. TROOP READINESS, VETERANS' CARE, KATRINA RECOVERY, AND IRAQ ACCOUNTABILITY APPROPRIATIONS ACT, FY 2007	2007 FOREIGN ASSISTANCE CONTINUING RESOLUTION	TOTAL APPROPRIATIONS
Iraq Relief and Reconstruction Fund (IRRF 2) ^a			\$18,439,000,000									\$18,439,000,000
Iraq Security Forces Fund (ISFF)												\$13,940,300,000
Economic Support Fund (ESF) ^b			\$10,000,000					\$3,007,000,000	\$1,700,000,000	\$3,842,300,000		\$13,940,300,000
Iraq Relief and Reconstruction Fund (IRRF 1)			\$2,475,000,000					\$1,485,000,000		\$1,554,000,000		\$3,272,190,000
Commander's Emergency Response Program (CERP)				\$140,000,000				\$300,000,000	\$375,000,000	\$350,000,000		\$2,291,000,000
Project and Contracting Officer ^c								\$200,000,000		\$790,082,000		\$990,082,000
Coalition Provisional Authority (CPA) ^d				\$908,000,000						\$750,000,000		\$908,000,000
Diplomatic and Consular Programs												\$856,567,000
Natural Resources Risk Remediation Fund (NRRRF)			\$489,300,000									\$489,300,000
Department of State, International Narcotics Control and Law Enforcement (DoS/INL)			\$20,000,000							\$150,000,000		\$281,448,000
Democracy Fund (State)								\$91,400,000		\$250,000,000		\$250,000,000
New Iraqi Army ^e				\$210,000,000								\$210,000,000
International Disaster and Famine Assistance			\$143,800,000							\$45,000,000		\$193,800,000
Iraq Freedom Fund (Reconstruction and Rehabilitation only)												\$150,000,000
Special Inspector General for Iraq Reconstruction (SIGIR)			\$75,000,000					\$24,000,000		\$35,000,000		\$134,000,000
USAID Administrative Expenses			\$21,000,000					\$79,000,000				\$124,400,000
Child Survival and Health Programs Fund			\$90,000,000									\$90,000,000
P.L. 480 Title II Food Aid			\$68,000,000									\$68,000,000
Migration and Refugee Assistance										\$45,000,000		\$20,000,000
Voluntary Peacekeeping Operations			\$50,000,000									\$50,000,000
Emergency Refugee and Migration Assistance ^f			\$37,000,000									\$37,000,000
Education and Cultural Exchange Programs										\$20,000,000		\$20,000,000
Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)										\$7,000,000		\$19,350,000
Overseas Humanitarian, Disaster and Civic Aid												\$17,000,000
Defense Contract Audit Agency (DCAA)										\$16,372,000		\$16,372,000
International Affairs Technical Assistance								\$13,000,000		\$2,750,000		\$15,750,000
United States Agency for International Development, Office of Inspector General (USAID OIG)			\$3,500,000					\$2,500,000		\$2,500,000		\$10,400,000
DoD Office of the Inspector General								\$5,000,000				\$5,000,000
Combatant Commander Initiative Fund (CINC Initiative Fund)			\$3,612,000									\$3,612,000
Department of State, Office of Inspector General								\$1,000,000		\$1,300,000		\$2,300,000
Department of Justice, litigation support										\$1,648,000		\$1,648,000
International Military and Education Training (IMET)												\$1,831,000
Legal Activities and U.S. Marshals Salaries and Expenses								\$693,000				\$1,000,000
TOTAL			\$108,000,000	\$3,343,212,000	\$19,440,900,000	\$350,000,000	\$6,185,559,000	\$5,206,400,000	\$2,075,000,000	\$7,992,952,000	\$201,336,000	\$45,429,350,000

Notes:

^a \$18.439 billion represents the amount appropriated by Congress for Iraq programs in IRRF 2 under P.L. 108-106, enacted in November 2003. Congress had initially appropriated \$18.649 billion to IRRF 2, but also earmarked that \$2.10 million be transferred to other accounts (Iraq Relief and Reconstruction Fund (IRRF 1), Iraq Security Forces Fund (ISFF), Economic Support Fund (ESF), and the Iraq Relief and Reconstruction Fund (IRRF 2)) for other accounts such as \$356 million from Iraq program debt forgiveness to the United States that required funding in a Treasury account. Congress was notified of all transfers out of the IRRF. In addition, in FY 2006 appropriations, Congress earmarked that \$9.95 million be transferred into the IRRF from the DoS Economic Support Fund account.

^b \$400M from FY 2003 ESF base account that was not reimbursed; \$10M from P.L. 108-11.

^c Per conference reports for P.L. 109-234 and P.L. 110-28, reconstruction support funding is provided for Project and Contracting Office activities.

^d Excludes \$75M for Special Inspector General for Iraq Reconstruction under P.L. 108-106.

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

^f P.L. 110-28 conference report includes \$50M in drawdown authority for a task force to improve business and stability operations in Iraq and \$100M to help DoD defray the administrative/security costs of helping support Provincial Reconstruction Teams as identified in 110-28 conference report. Includes Iraq reconstruction efforts for civilian personnel, temporary/additional duty, and miscellaneous contracts.

TABLE 2.2

Contracts

SIGIR designed and built the SIGIR Iraq Reconstruction Information System (SIRIS) in 2005 to serve as a repository for all project, contract, and funding data on Iraq reconstruction. SIRIS is not a transaction-based system, but rather a warehouse of reconstruction data collected from all of the organizations authorized to obligate funds from the IRRF, ISFF, ESF, and CERP.

SIRIS contains more than 15,000 contracting actions funded by the IRRF, ISFF, and ESF. At

a contract level, SIRIS can account for approximately 81% of total IRRF 2 obligations, more than 91% of ESF obligations, and almost 98% of ISFF obligations. Since the July 2007 Quarterly Report, SIRIS has recorded 2,287 contracting actions.

Table 2.3 shows the obligated and expended values for IRRF, ISFF, and ESF contracting actions recorded in the SIRIS.¹³

SIRIS CONTRACTING ACTIONS, AS OF 10/19/07 (BILLIONS)

	OBLIGATED	EXPENDED
ISFF	\$9.798	\$7.153
IRRF 2 GRD Construction	\$7.496	\$6.622
IRRF 2 GRD Non-construction	\$3.953	\$3.773
IRRF 2 USAID	\$2.911	\$2.819
ESF GRD	\$0.597	\$0.091
ESF USAID	\$1.478	\$0.141

TABLE 2.3

IRAQ SECURITY FORCES FUND (ISFF)

In 2005, the Congress established the Iraq Security Forces Fund (ISFF). The Commander of the Multi-National Security Transition Command-Iraq (MNSTC-I)¹⁴ uses the ISFF to provide assistance to the Iraqi Security Forces (ISF), “including the provision of equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction, and funding.”¹⁵

The Congress appropriated \$13.94 billion to this fund through four appropriations:

- \$5.39 billion for ISFF I (P.L. 109-13 in 2005)
- \$3.007 billion for ISFF II (P.L. 109-234¹⁶ in 2006)
- \$5.54 billion for ISFF III (P.L. 109-289 in 2006 and P.L. 110-28 in 2007)

Today, the ISFF complements Iraq’s budgets for the Ministries of Defense and Interior in building the Iraqi Security Forces’ (ISF’s) capabilities.¹⁷ In addition to supporting a variety of programs within the Ministries, the fund also finances “other” activities, including work for prosthetics clinics, a quick-impact program for

training and equipping the ISF, detainee issues, and disarmament, demobilization, and reintegration activities.¹⁸

Figure 2.4 is a flowchart from SIGIR’s “Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction,” released on July 27, 2007. It provides visual details about the ISFF appropriation and obligation processes.

As of October 1, 2007, approximately 72% of the ISFF had been obligated and about 52% had been expended. For the status and allocations of all ISFF funds, see Figure 2.5.

Funding Uses

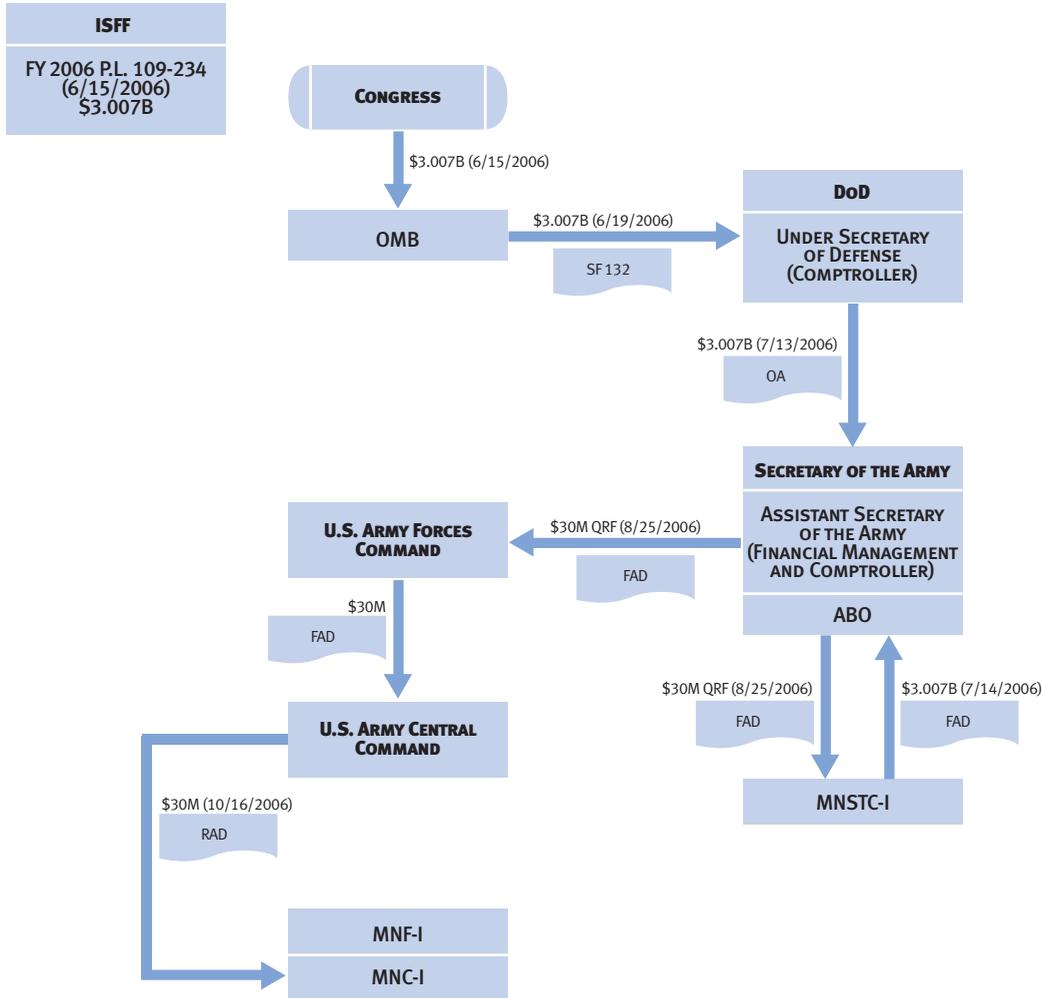
ISFF projects and programs contribute to the development of the Iraqi Security Forces, coordinating with the Ministry of Defense (MOD) and Ministry of Interior (MOI), through these sub-activity groups:

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

Figure 2.4

FLOW OF IRAQ SECURITY FORCES FUND (ISFF), P.L. 109-234

Sources: Office of Management and Budget; Assistant Secretary of the Army (Financial Management and Comptroller), Army Budget Office; Multi-National Security Transition Command-Iraq



ABO Army Budget Office
 B Billion
 FAD Funding Authorization Document
 M Million
 OA Obligation Authority
 RAD Resource Allocation Document
 SF 132 Apportionment and Reapportionment Schedule
 QRF Quick Response Fund, part of the ISFF

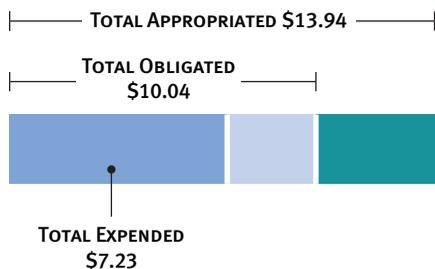
Note: Dates represented are the initial transmittal dates of funds apportioned or allotted for each action, and do not necessarily represent an action for the total amount of funds.

Figure 2.5

STATUS OF ISFF FUNDS

\$ Billions

Sources: P.L. 109-13; P.L. 109-234; P.L. 109-289; P.L. 110-28; Corps of Engineers Financial Management System, ISFF Funds Execution Report (10/1/2007); DoD, Secretary of the Army Update (8/31/2007)

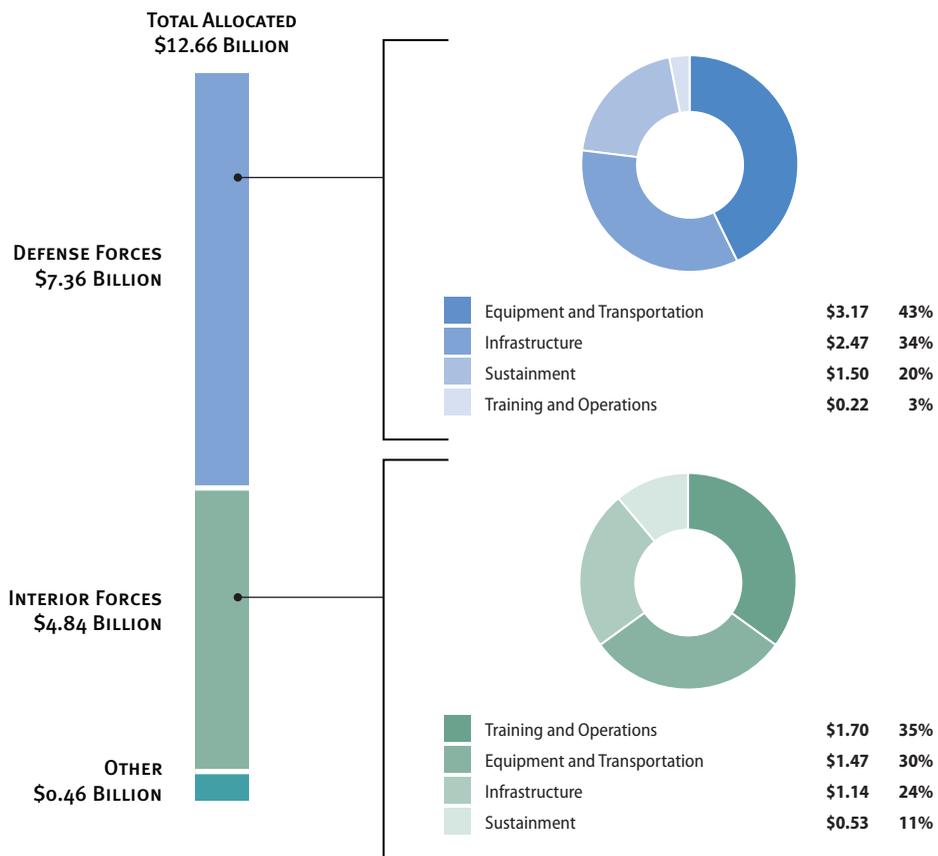


Note: Numbers are affected by rounding.

ALLOCATIONS OF ISFF FUNDS

\$ Billions

Source: Corps of Engineers Financial Management System, ISFF Funds Execution Report (10/1/2007)



Notes:

1. Numbers are affected by rounding.

2. Source for Quick Response Fund data is DoD, Secretary of the Army Update (8/31/2007)

The MOD received 53% of total appropriated ISFF funds, while the MOI received 35%.

Funds for equipment and transportation comprise 43% of MOD allocations, while the largest category of ISFF funding for the MOI is for training and operations programs (35%).

FY 2007 ISFF has provided a range of items for MOD and MOI, including weapons, ammunition, vehicles, body armor, radar systems, communications equipment, counter-IED devices, bomb disposal equipment, and medical materiel.¹⁹ The ISFF also provides funding for

sustainment, infrastructure, and a range of services within the four sub-activity groups. Table 2.4 gives a snapshot of ISFF activities for the MOD and MOI.

The United States continues to transition funding requirements to the Iraqis. MNSTC-I recently informed MOD and MOI that the Coalition would cease to fund life support contracts at eight MOI training locations and eight run by the MOD.²⁰

ISFF ACTIVITIES (\$ BILLIONS)

	MINISTRY OF DEFENSE	MINISTRY OF INTERIOR	DEFENSE ISFF	INTERIOR ISFF
Training and Operations	IT, Equipment, and Service; Contracted Instructor Support; Communication Equipment and Service	Contracted Instructor Support; Bomb Disposal Equipment	\$0.15	\$1.36
Equipment and Transportation	Vehicles, Generators, and Repair Parts; Aircraft Support; Unit and Individual Equipment	Vehicles, Generators, and Repair Parts; Contracted Transportation	\$1.56	\$0.42
Sustainment	Contracted Life Support Services Contracted Maintenance	Contracted Life Support Services	\$0.62	\$0.27
Infrastructure	Iraqi Army Divisions; Iraqi Army Miscellaneous	Iraqi Police Service; Ministry of Interior Miscellaneous	\$1.37	\$0.56
Total			\$3.70	\$2.61

Source: MNSTC-I, Section 3303 funding June 30, 2007 Report, received August 26, 2007.

Note: ISFF funds other activities that are not specifically allocated by ministry, including funding for prosthetics, DDR, Quick Response Fund, and detainee issues. IT, Equipment, and Service includes computers, network service contracts, and other equipment, such as printers, copiers and scanners. Contracted Instructor Support includes advisors to the Government of Iraq and instructors for various military and police programs. Communication Equipment and Service includes phone service contracts, cellular phones, hand-held radios, vehicle radios, etc. Vehicle, Generators, and Repair Parts includes costs for all vehicles and generators and the majority of the repair parts that support them. Contracted Transportation includes the cost to move equipment and supplies to Iraq and within theater. Aircraft Support includes aircraft purchase costs, repair parts, technology, and other equipment. Unit and Individual Equipment includes costs for armor, night vision, uniforms, helmets, and Global Positioning Systems. Bomb Disposal Equipment refers to equipment and gear destined for bomb disposal schools. Contracted Maintenance includes repair costs of vehicles, aircraft, machinery, air conditioners, and generators. Funding for the Iraqi Police Service includes infrastructure requirements for police stations.

TABLE 2.4

ISFF Contractors, Programs and Projects

In an effort to identify the top ten ISFF contractors by dollar amount, SIGIR consulted three sources of information—MNSTC-I, JCC-I/A, and SIRIS.²¹ SIGIR then compared the three lists and found serious discrepancies:

- Only one contractor appeared on all three lists.
- The MNSTC-I list accounted for approximately \$438 million, the JCC-I/A list accounted for approximately \$887 million, and the SIRIS list accounted for approximately \$2.47 billion.
- Many line items in the SIRIS source data do not identify a contractor; 376 line items (totaling more than \$3 billion in obligations) do not report a contractor name. Three of these line items are of such high value that they appear on the top ten

contractor list, but without a contractor name. Instead, they are listed by the agency awarding the contract (shown below in italics). Of those, the two highest value line items are contracted to INL support, based on the item description in the source data. The third highest value item is contracted to DoD for the Defense Security Cooperation Agency (DSCA).

SIGIR concluded that SIRIS provides the most complete record of ISFF contractors.

Table 2.5 shows the top ten ISFF contractors by obligated funds as listed in SIRIS.

SIGIR will continue its efforts to identify the top ten ISFF contractors based on the most complete ISFF data possible. SIGIR will work with MNSTC-I to report this information next quarter.

TOP TEN ISFF CONTRACTORS

	OBLIGATED	EXPENDED
<i>Contract to DoS for INL Support</i>	\$696	\$696
Environmental Chemical Corporation	\$665	\$410
AECOM, Government Services, Inc.	\$414	\$348
<i>Contract to DoS for INL Support</i>	\$386	\$386
Tetra International, LLC	\$249	\$168
Toltest, Inc.	\$231	\$148
Iraqi Contractor - 5300	\$226	\$156
<i>Contract to DoD for DSCA</i>	\$224	\$224
Innovative Technical Solutions, Inc.	\$212	\$127
URS Group, Inc.	\$192	\$43

Source: USACE, response to SIGIR data call, September 30, 2007.
Note: Numbers are affected by rounding.

TABLE 2.5

CONSTRUCTION PROJECTS

The Air Force Center for Engineering and the Environment (AFCEE) has awarded approximately 90% of the ISFF construction contracts on behalf of MNSTC-I. USACE-GRD manages the remaining ISFF contracts.

AFCEE administers 492 projects comprising a regionally diverse range of police facilities, corrections facilities, and forward operating bases. AFCEE contracts for a variety of construction activities, using predominantly local national workers.²²

GRD administers 86 ISFF-funded projects, ranging in value from \$25,000 to \$17 million. As of October 4, 2007, GRD has completed construction on 46 of 60 projects and awarded 7 projects that have yet to start; 19 remain in the planning stage.²³

MNSTC-I is actively engaged in transferring completed facilities to Iraqi control. Of 254 defense facilities finished before April 2007, 73 (29%) have been accepted by Iraqi authorities. Of the 19 facilities completed since April 2007, 10 (53%) have been transferred. MNSTC-I reports that bilateral and unilateral transfer options are being planned.²⁴ The problems encountered by MNSTC-I in asset transfer echo those identified by SIGIR's asset transfer audit issued last quarter.

NON-CONSTRUCTION PROGRAMS

MNSTC-I has modified the use of the ISFF to train, equip, and sustain Iraqi security forces to meet the changing nature of Iraq's requirements.²⁵ The provision of sustainment services—which is largely contracted out—now accounts for a substantial portion of ISFF obligations.

EQUIPMENT AND TRANSPORTATION FUNDED BY THE ISFF, MINISTRY OF INTERIOR (MILLIONS)

	FY 2005	FY 2006	FY 2007	TOTAL
Vehicles, Generators, and Repair Parts	\$143.2	\$84.5	\$9.3	\$237.0
Unit and Individual Equipment	86.0	41.4	15.9	143.3
Contracted Transportation	29.1	150.0	0.0	179.1
Vehicle Up Armor and Counter Measure Modifications ^a	16.7	12.7	10.4	39.8
Total	\$275.0	\$288.6	\$35.6	\$599.2

Source: MNSTC-I, Section 3303 funding, June 30, 2007 Report, received August 26, 2007.

Notes: Numbers are affected by rounding.

^aVehicle Up Armor and Counter Measure Modifications refers to additional costs to vehicles, including counter measures.

TABLE 2.6

EQUIPMENT AND TRANSPORTATION FUNDED BY THE ISFF, MINISTRY OF DEFENSE (MILLIONS)

	FY 2005	FY 2006	FY 2007	TOTAL
Aircraft Support	\$56.3	\$27.0	\$130.3	\$213.6
Vehicles, Generators, and Repair Parts	968.9	118.2	37.8	1,124.9
Unit and Individual Equipment	142.6	58.3	21.6	222.5
Contracted Maintenance	79.3	0.0	0.0	79.3
Contracted Transportation	52.3	40.3	1.4	94.9
Weapons and Accessories	0.6	19.8	14.5	34.9
Vehicle Up Armor and Counter Measure Modifications	6.5	0.0	32.4	38.9
Total	\$1,307.4	\$263.6	\$238.0	\$1,809.0

Source: MNSTC-I, Section 3303 funding, June 30, 2007 Report, received August 26, 2007.

Note: Numbers are affected by rounding.

Table 2.7

Equipment, Transportation, and Sustainment

As shown in Table 2.6 and Table 2.7, early ISFF equipment and transportation outlays addressed the immediate requirements of the nascent security force, which included vehicles, unit and individual equipment needs, and transportation maintenance. Although some level of primary equipment support continues, air support, up-armor, and other equipment countermeasures have begun to consume a growing share of equipment outlays.

Sustainment

Similarly, early ISFF allocations for sustainment activities reflect the limited capacity of the ISF to maintain life support and operations and maintenance systems. The ability of the MOD and the MOI to maintain an effective logistics support capability has been the subject of reviews by SIGIR, GAO, and congressional bodies.²⁶ For a

breakdown of ISFF funding for sustainment by MOD and MOI, see Table 2.8 and Table 2.9

Training

DoD observed recently that “the principal impediment causing the delay in transitioning security to Iraqi control is a lack of capability in the Iraqi Police Service (IPS), which prevents them from being able to manage the provincial security situation.”²⁷ MOI training programs funded by the ISFF have been targeted to address the requirements of the Iraqi police. For the total numbers of ISF personnel trained over time, see Figure 2.6.

Iraqi Police

The ISFF is used to hire advisors who mentor, evaluate, and advise the Iraqi police and border enforcement officers, often in partnership with the U.S. military in police training teams.²⁸

SUSTAINMENT FUNDED BY THE ISFF, MINISTRY OF INTERIOR (MILLIONS)

	FY 2005	FY 2006	FY 2007	TOTAL
Contracted Life Support Services	\$211.7	\$53.4	\$0.0	\$265.1
Contracted Maintenance	0.0	13.3	0.0	13.3
Information Technology, Equipment, and Service	0.0	11.9	0.1	12.0
Total	\$211.7	\$78.6	\$0.1	\$290.4

Source: MNSTC-I, Section 3303 funding, June 30, 2007 Report, received August 26, 2007.
Note: Numbers are affected by rounding.

TABLE 2.8

SUSTAINMENT FUNDED BY THE ISFF, MINISTRY OF DEFENSE (MILLIONS)

	FY 2005	FY 2006	FY 2007	TOTAL
Contracted Life Support Services	\$113.9	\$64.8	\$12.8	\$191.5
Contracted Maintenance	195.7	64.0	166.1	425.8
Contracted Security	63.8	19.4	18.9	102.1
Unit and Individual Equipment	56.2	0.0	0.0	56.2
Information Technology, Equipment and Service	1.6	0.2	21.2	21.4
Total	\$431.2	\$148.4	\$219.0	\$798.6

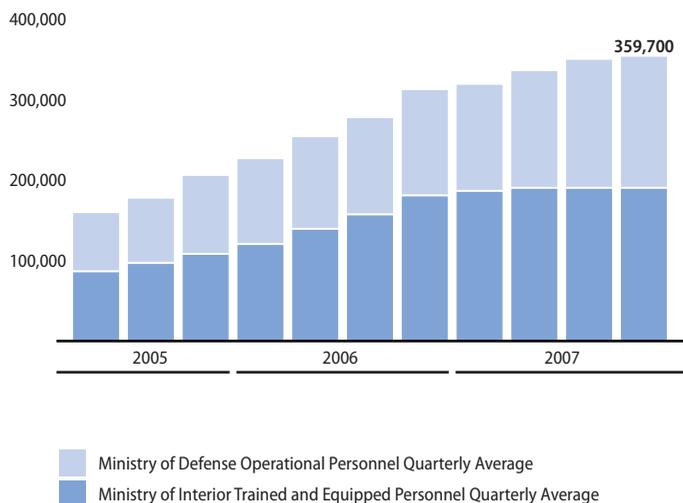
Source: MNSTC-I, Section 3303 funding, June 30, 2007 Report, received August 26, 2007.
Note: Numbers are affected by rounding.

TABLE 2.9

Figure 2.6

TRAINED IRAQI SECURITY FORCES

Source: DoD, *Measuring Stability and Security in Iraq* (July 2005 - September 2007);
DoS, *Iraq Weekly Status* (January 2005 - October 2007)



Funding for these programs comes from three entities—ISFF-supported Civilian Police Assistance Training Team (CPATT) programs, Iraq’s Ministry of Interior, and the Kurdistan Regional Government (KRG) Ministry of Interior.

The United States and MOI funded 258 police training programs between June and October

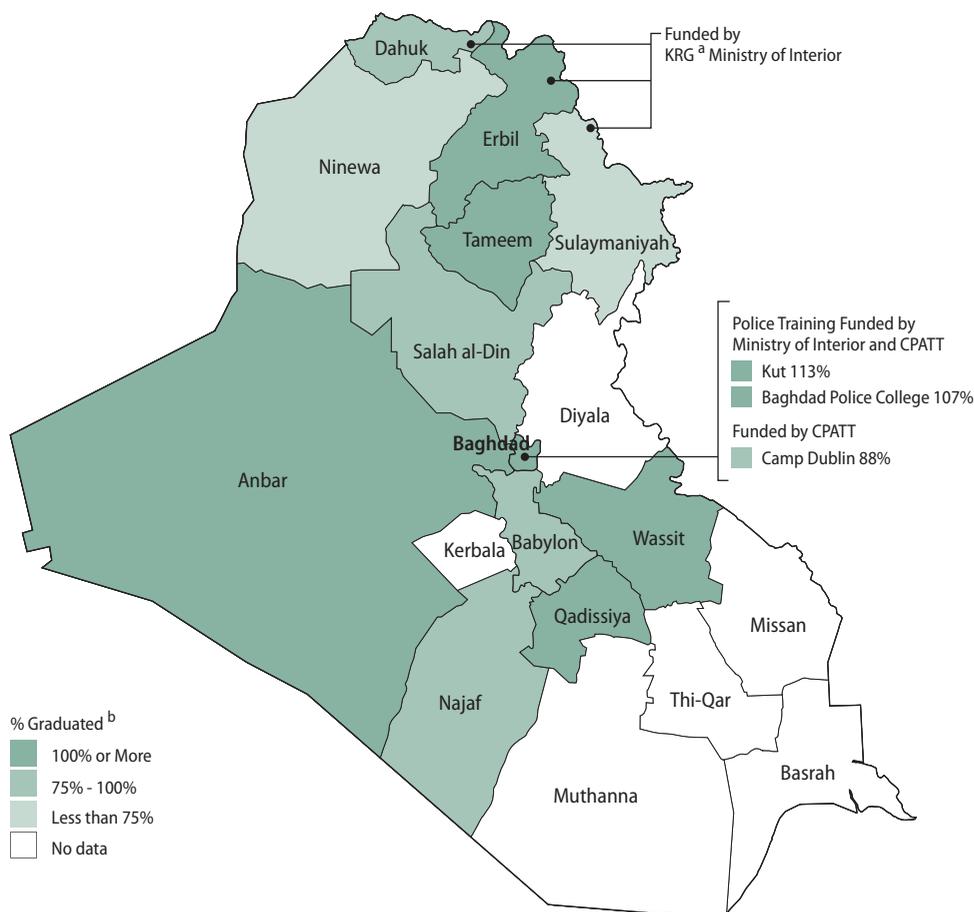
2007.²⁹ Nearly 34,900 recruits are scheduled to complete the programs by the end of November 2007.³⁰

This quarter, 9,764 recruits graduated from the IPS basic recruit training, and 5,051 are currently enrolled in the program. Regarding the National Police (NP), approximately 1,140 Iraqis

Figure 2.7

IRAQI POLICE TRAINING PROGRAMS - GRADUATES (JUNE 2007 - SEPTEMBER 2007)

Source: MNSTC-I, Response to SIGIR Data Call (10/9/2007)



Notes:

a. KRG refers to Kurdistan Regional Government

b. Percentages reflect the ratio of actual training graduates to anticipated program goals.

graduated from basic recruit training and 438 from specialized training. Approximately 1,735 NP recruits have enrolled in NP basic training, and 722 in specialized training courses.³¹ For police training programs, by location, see Figure 2.7.

The United States has begun a four-part special training series to improve the NP. The first phase, completed in May 2007, was an evaluation of police operations, including battalion inspections and leadership assessments.³² The second phase, still being conducted as of mid-October 2007, focuses on retraining every national police brigade.³³ This process is called “re-bluing” and is the latest phase in a Coalition effort to reform Iraq’s NP.

The September 2007 report by the Independent Commission on the Security Forces of Iraq, headed by retired General James L. Jones, recommended that the NP be eliminated because of militia infiltration.³⁴ The Commission noted that sectarianism, sparse leadership, and operational ineffectiveness threatened the viability of the NP.³⁵ The “re-bluing” is an attempt to reconstitute the NP into a meaningful security force.

Iraqi Army

Training activities for Iraq’s Army are occurring at regional, divisional, and combat training centers. Iraqis manage and fund 23 courses in basic

combat training, military occupational specialty qualification (MOSQ) training, leadership training, and other specialties.³⁶ Basic combat training and MOSQ training are conducted in 9 locations, leadership training at 13 locations, and specialty training at 10 locations.

Seven training cycles were planned in 2007 for basic combat training, MOSQ, and the non-commissioned officer education system. As of October 2007, six of the cycles were completed, and two additional training cycles had been added to meet new force generation requirements. CMATT estimates that all nine cycles will be completed by early January 2008.³⁷

Courses underway at the Iraqi Army Services and Support Institute in Taji focus on developing logistics, transport, maintenance, and administrative capabilities for more than 1,000 trainees. By mid-October, between 7,000 and 7,700 soldiers are expected to complete specialized weapon training, and CMATT anticipates that 10,000 will complete initial training by the end of 2007.³⁸

The Coalition has undertaken a variety of steps to strengthen Iraq’s Army, embedding transition teams and expanding funding to increase the number of Iraqi soldiers.³⁹

COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP)

In May 2003, the Coalition Provisional Authority (CPA) formalized the CERP, authorizing field commanders to use available funds to respond to urgent humanitarian, relief, and reconstruction requirements within the commander's area of responsibility by executing programs that immediately assist indigenous populations and achieve "focused effects."

Initial funding for the CERP came from seized Iraqi assets and the Development Fund for Iraq (DFI). By late 2003 the United States began to appropriate U.S. dollars to the CERP. Since 2003, the Congress has appropriated nearly \$2.29 billion to the CERP.

In November 2003, the Congress passed P.L. 108-106, allowing more flexible contracting regulations for CERP funds and leaving regulation of the funds to DoD. The Multi-National Corps-Iraq (MNC-I) became the overall program coordinator for the CERP. Its major subordinate commanders have approval authority of up to \$500,000.

Commanders prioritize projects in coordination with PRTs, the provincial governors, and Provincial Reconstruction Development Committees (PRDCs). PRDCs are province-based committees of Iraqi officials who select projects in their area.

CERP projects are chosen based on how quickly they can be executed, the calculated

benefit for affected Iraqis (including short- and long-term employment), and the visibility of the project.⁴⁰ Most CERP funds have been used for projects that improve water and sanitation, electricity, and civic cleanup. With the exhaustion of the IRRF, CERP now plays a larger role in the reconstruction effort, especially in the essential services sectors.

CERP project spending continues to increase in Iraq. Figure 2.8 shows the status of these funds.

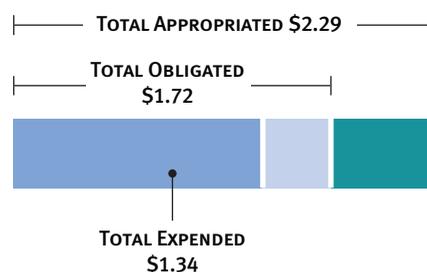
Figure 2.9 is a flowchart from SIGIR, the "Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction," released on July 27, 2007, showing the CERP funding process.

Figure 2.8

STATUS OF CERP FUNDS

\$ Billions

Sources: P.L.108-287; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L.110-28; IRMS, *MNC-I Quarterly Report (9/30/2007)*

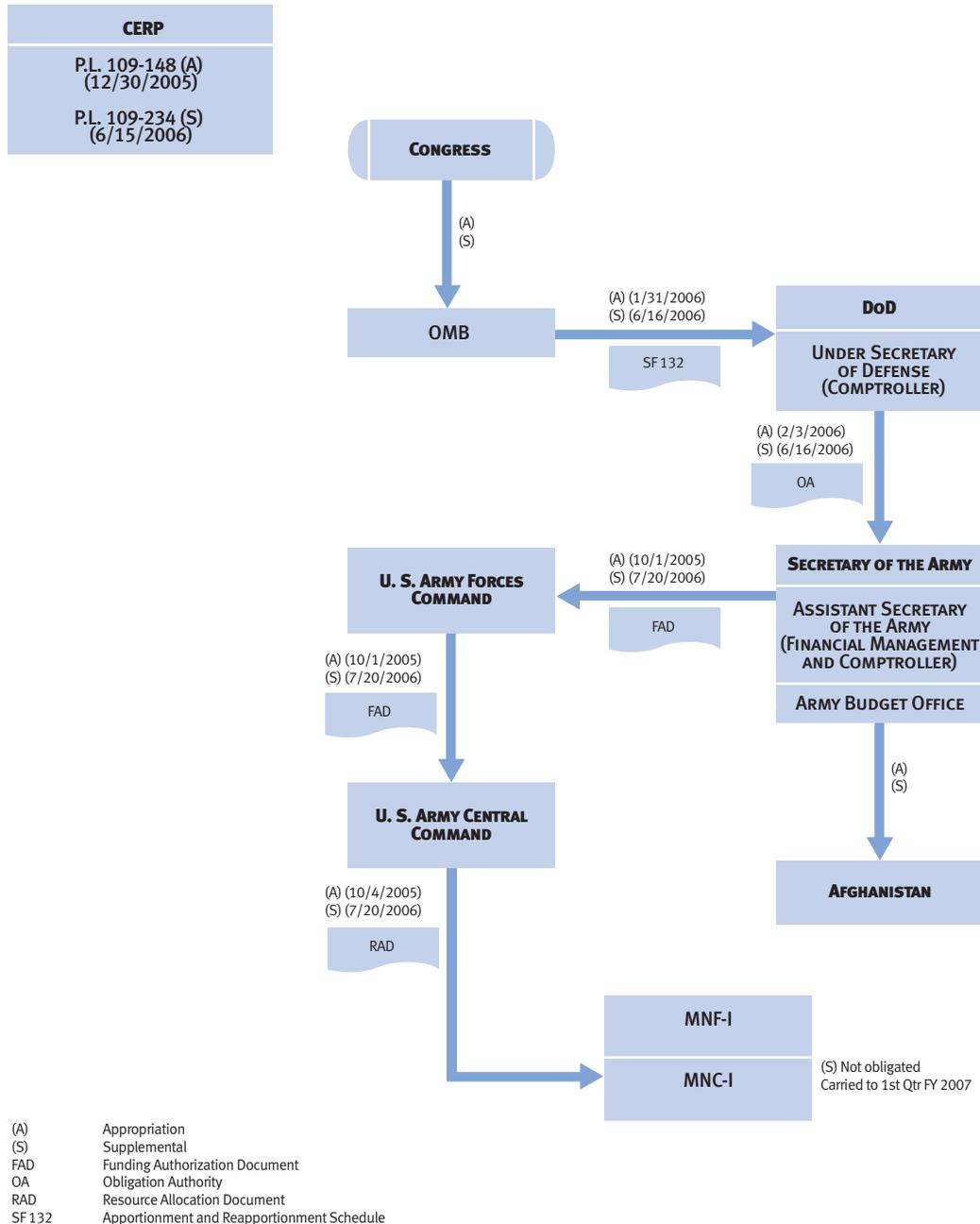


Note: Numbers are affected by rounding.

Figure 2.9

FLOW OF COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP) FUNDING FOR IRAQ

Sources: P.L. 109-148; P.L. 109-234; Office of Management and Budget; Assistant Secretary of the Army (Financial Management and Comptroller), U.S. Army Central Command; and the Multi-National Corps-Iraq



Funding Uses

Since 2004, the CERP has funded approximately 16,000 reconstruction and non-construction projects. The scope and obligations of CERP projects have grown since 2004. For CERP reconstruction projects, the average obligation has more than tripled since 2004—from an average of \$53,000 to more than \$170,000 in 2007.⁴¹ Although the average obligation per project has risen, most CERP projects remain relatively small: 75% of projects in FY 2007 were valued at \$100,000 or less.⁴²

Table 2.10 details the increase in average reconstruction and non-reconstruction

obligations.

The CERP has funded approximately \$39 million in condolence payments for Iraqis since 2004.⁴³ U.S. Brigade Commanders have approval authority to provide compensation up to \$2,500 for each injury or death and up to \$2,500 for each incidence of property damage.⁴⁴

In April 2006, MNC-I extended the use of condolence payments to the families of members of the Iraqi Security Forces who die in direct support of U.S. and Coalition force operations. A general officer must authorize these payments.⁴⁵

Since 2004, approximately 55% of CERP funds have been targeted for the Baghdad,

AVERAGE VALUE OF CERP PROJECTS BY FISCAL YEAR

	FY 2004	FY 2005	FY 2006	FY 2007 ^a
Average Reconstruction Obligations	\$53,882	\$139,994	\$165,885	\$172,959
Average Non-reconstruction Obligations	\$32,759	\$64,970	\$80,836	\$64,262

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

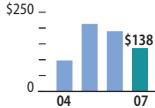
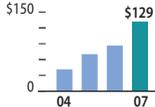
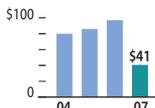
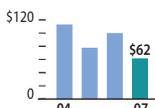
^a FY 2007 figures are representative of CERP obligations through September 30, 2007.

TABLE 2.10

Anbar, Diyala, and Salah al-Din provinces, four of the most violent provinces in Iraq.⁴⁶ Table 2.11 shows CERP use by the four governorates,

the change in average contract value for CERP project (by governorate), and the CERP funds allocated for condolence payments.

CERP FUNDING BY PROVINCE*

	MAJOR USES BY CATEGORY	AVERAGE PROJECT VALUE (\$ THOUSANDS) FY 2004 - FY 2007	CONDOLENCE PAYMENT ALLOCATION & USES
BAGHDAD	 <ul style="list-style-type: none"> • Since 2004, CERP has budgeted \$750 million for projects in Baghdad. • Water projects represent 43% of these funds, and electricity projects, approximately 12%. 		<ul style="list-style-type: none"> • Since 2004, CERP has budgeted approximately \$4 million in condolence payments for Baghdad. • Budgeted CERP condolence payments in Baghdad increased from approximately \$721,000 in 2006 to \$1,900,000 in 2007.
ANBAR	 <ul style="list-style-type: none"> • Since 2004, CERP has budgeted \$287 million for Anbar. • Water projects represent 20% of these funds, and electricity projects, 14%. 		<ul style="list-style-type: none"> • Since 2004, approximately 63% of CERP-funded condolence payments have been made for Anbar—more than \$22 million. • Condolence payments represent 21% of the 3,695 CERP projects undertaken in Anbar since 2004.
DIYALA	 <ul style="list-style-type: none"> • Since 2004, CERP has budgeted \$105 million for Diyala. • Water projects represent 31% of these funds. Transportation projects, such as road and bridge repair, represent 14% of these funds. 		<ul style="list-style-type: none"> • Total funds budgeted for condolence payments in Diyala have dropped every year since 2004—from \$630,000 in 2004 to \$130,000 in 2007. • Approximately \$1.2 million has been budgeted for condolence payments in Diyala.
SALAH AL-DIN	 <ul style="list-style-type: none"> • Since 2004, CERP has budgeted \$150 million for projects in Salah al-Din. • Water projects represent 21% of these funds, and transportation repairs, 15%. • Education projects represent 12% of budgeted CERP work in this province. 		<ul style="list-style-type: none"> • Since 2004, nearly \$3 million has been budgeted for condolence payments in Salah al-Din. • Condolence payments increased from approximately \$150,000 in 2004 to \$1.2 million in 2005. In 2006 and 2007, annual condolence payments decreased slightly from that peak.

Source: GRD, IRMS, as of September 30, 2007. SIGIR has not audited or verified this data.
 *FY 2007 data is as of September 30, 2007.

TABLE 2.11

Table 2.12 lists CERP funds by strategic city. High per capita spending in Ramadi, Fallujah, and Baghdad represents the commanders' preferences to use CERP to complement coun-

terinsurgency efforts in those areas during the reporting period. U.S.-funded projects in strategic Iraqi cities focus on essential services, like electricity and water.

CERP FUNDING FOR STRATEGIC CITIES

CITY	POPULATION	APPROXIMATE AMOUNT BUDGETED	\$ US PER CAPITA	STATUS OF WATER INFRASTRUCTURE	STATUS OF ELECTRICITY INFRASTRUCTURE
Ramadi	100,000	\$51,500,000	\$510.00	Water distribution lines are connected to about 60% of the businesses and residences in Ramadi.	Estimated that Ramadi needs 400 MW, but gets only 20 MW on average.
Fallujah	200,000	\$74,500,000	\$370.00	Approximately 80% of the residents have serviceable water. Although technically capable treatment plants are constructed and operational, no chemicals are used to treat water. In addition, no homes have operational sewage lines. The city has a storm-water system. Many homes illegally connect sanitary sewers to the storm-water sewer system, which introduces large amounts of untreated sewage into the Euphrates River.	Electrical distribution lines are connected to about 80% of the homes and businesses in Fallujah. Security improvements have improved the supply of electricity into the city and increased reliability to the local private generator grid.
Baghdad	5,949,000	\$568,000,000	\$95.47	Water distribution lines are connected to about 30% of homes and businesses in Baghdad.	Currently, distribution lines are connected to about 75% of homes and businesses.
Najaf	482,000	\$23,800,000	\$49.37	Approximately 30% of the residences have potable water connections, and 40% have sewer lines connected.	Lines are connected to about 90% of homes and residences. Lines and transformers are old, worn out, and in need of repair.
Mosul	1,750,000	\$42,000,000	\$24.00	Approximately 60% of residences and businesses have access to potable water, and 40% have access to sewage lines.	About 80% of the homes have power approximately 10 hours per day.
Kirkuk	750,000	\$15,500,000	\$20.65	Kirkuk has no sewerage system, and citizens use septic tanks and open drainage into alleys and streets.	The goal is to provide a reliable supply of electricity to the businesses and residences in Kirkuk.
Samarra	200,000	\$2,700,000	\$13.50	The city has no operating water department to maintain or repair the existing system, which is 20% operational. There is no sewerage system in Samarra, and citizens use septic tanks and open drainage to alleys and streets.	The goal is to provide a reliable supply of electricity to 80% of the businesses and residences in Samarra.
Basrah	2,000,000	\$22,000,000	\$11.55	Approximately 75% of residences have water lines connected. However, potable water is collected in containers. Approximately 50% of homes have sewer lines connected.	Lines are connected to about 90% of homes and residences.
Ba'quba	500,000	\$3,500,000	\$7.00	The city pumps river water to the treatment facilities and then into the city via main water lines. Approximately 90% of Ba'quba has access to water.	The grid is not connected to most of the homes.
North Babil	320,000	\$1,800,000	\$5.63	Water lines are connected to about 25% of homes and businesses.	Electrical distribution lines are connected to about 80% of homes and businesses.

Notes: Population estimates and water and electricity infrastructure reports are based on GRD's *Bi-Weekly Strategic Cities Report*, September 25, 2007. Although a city may report that 75% of homes have potable water lines connected, the United States is unable to measure how much potable water actually reaches Iraqis. Source: Budgeted amounts taken from IRMS CERP Excel Workbook, September 30, 2007.

TABLE 2.12

KEY CERP PROJECTS

The **Fallujah wastewater system project** comprises the main trunk pipeline and collection systems, pump stations, a wastewater treatment plant, and outfall and collection systems in three areas of the city. The project, now 34% complete, has been delayed by a poor security environment and the lack of payment by the GOI. Planned for completion in April 2008, this project will potentially serve 228,000 people in Fallujah City.

The **Mussayib Electrical Network, Mussayib Tank Farm, and Mussayib Gas Plant's Life Support and Security Contract** has the potential to add 450 MW to the grid and provide petroleum refining capability directly supporting power generation in Iraq.⁴⁷ GRD reports that the contractor has experienced difficulty in gaining local support. Community leaders have disagreed with the contractor on key issues of electrical line routing.

SIGIR inspectors visited four CERP projects this quarter and found them in generally good condition. In Ninewa province, SIGIR looked at a \$1.4 million CERP project to construct an 11-km road from Showairrej to Tak Harb; it appeared well planned and executed. According to MNC-I, the road connects three villages that were previously cut off from one another.⁴⁸

SIGIR inspectors also visited the CERP-funded Bartilla Booster Pump Station in Ninewa province. The objective of the Booster Pump Station project was to repair the pump station to an output rate of 200 cubic meters per hour, so that it could potentially serve 10,000 people.⁴⁹ SIGIR found that the booster pump, although

apparently in good condition, was not operating during the visit. For summaries of these inspections, see Section 3 of this Report.

Multi-National Corps-Iraq (MNC-I)

MNC-I publishes *Money as a Weapon System (MAAWS)*, a policies and procedures manual that directs program execution and establishes the goals for CERP funding. The most recent version of this handbook—issued in June 2007—includes updates to the CERP program.

CERP guidance directs U.S. military commanders to focus funds on projects that improve water and sanitation, electricity, and civic cleanup and that employ the most Iraqis over an extended period of time. Also, purchasing officers are encouraged to use local Iraqi firms to conduct CERP projects.

MAAWS notes that the CERP has added a micro-grant component, providing financial assistance grants—ideally under \$5,000—to Iraqi entrepreneurs who specifically support local electricity producers.

MNC-I reports that “measuring the effects of a CERP project is often complex, difficult, and accomplished differently by the various battle space commanders.” In some cases, it obtains feedback from local governments and tribal sheiks to assess whether CERP projects are meeting the original requirements.⁵⁰ Depending on the security situation, a USACE Reconstruction Liaison Team (RLT) may conduct assessments at the project sites. During missions, unit patrols assess neighborhoods and note “physical

and human indicators” of projects.⁵¹ Civil affairs teams also interact with the population and attempt to gauge anecdotal evidence of project effects.

Of concern to SIGIR was MNC-I’s observation that, when site visits or a full-effects analysis are not possible, it relies “on good faith that the work has been completed.”⁵²

Commanders view the CERP as a useful tool because it streamlines the contracting process. However, because the CERP includes thousands of small projects designed to provide immediate effect, quality assurance oversight of the program is less robust than with other reconstruction programs.

SIGIR Oversight

Next quarter, SIGIR will release an audit of CERP projects valued over \$400,000. This review will also address sustainment. CERP guidance covering standards of operation does not specifically address sustainment.

SIGIR previously identified the requirement for Iraqi institutions and provinces to take responsibility for the maintenance and

continued operations of infrastructure projects. There has been a growing recognition that the GOI is not yet effectively addressing the challenge of the near- and long-term management and funding of sustainment.

SIGIR underscored that problem in its asset transfer audit last quarter. Consequently, an integral part of all current reconstruction efforts—including CERP—is ensuring that the Iraqis plan to sustain completed projects with the requisite financing.

The major subordinate commands (MSCs) have realized varying degrees of success in incorporating sustainment into the planning and execution of the CERP projects. When coordination occurs among the MSCs, provincial reconstruction team, local and national Iraqi governance, and other stakeholders occurs, sustainment usually is well addressed. But many challenges remain before the United States can be assured that its large capital investment in CERP projects will be effectively sustained as they transition to Iraq.

ECONOMIC SUPPORT FUND (ESF)

Since 2003, the Congress appropriated more than \$3.272 billion to the Economic Support Fund (ESF)—a bilateral economic assistance account managed by DoS—for relief and reconstruction efforts in Iraq.

The total base and supplemental appropriations for each fiscal year has steadily increased since 2005. In FY 2004 and FY 2005, no funds were appropriated to the ESF for Iraq relief and reconstruction. This quarter, finalized FY 2007 Continuing Resolution (CR) levels included \$122.8 million for the ESF.⁵³

Table 2.13 shows the timeline of ESF appropriations since 2003.

Appropriations to the ESF account for approximately 7% of the total U.S. funding for Iraq reconstruction. Figure 2.10 shows the status of 97% of the ESF,⁵⁴ including approximately \$312 million in expenditures.⁵⁵

Background

The ESF provides assistance to countries transitioning to democracy and supports the financing of economic stabilization programs

CONGRESSIONAL APPROPRIATIONS TO THE ECONOMIC SUPPORT FUND FOR IRAQ EFFORTS (BILLIONS)

U.S. FUND	PUBLIC LAW	APPROPRIATED
ESF FY 2003	P.L. 108-7	\$0.040
ESF FY 2003 Supplemental	P.L. 108-11	\$0.010
ESF FY 2006 Appropriations for DoS	P.L. 109-102	\$0.060
ESF FY 2006 Supplemental	P.L. 109-234	\$1.485
ESF FY 2007 Supplemental	P.L. 110-28	\$1.554
ESF FY 2007 Continuing Resolution		\$0.123
Total		\$3.272

Note: Numbers are affected by rounding.

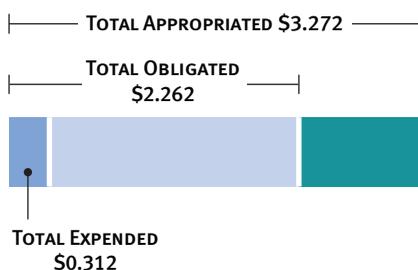
TABLE 2.13

Figure 2.10

STATUS OF ESF FUNDS

\$ Billions

Sources: ITAO, Response to SIGIR Data Call (10/15/2007); IRMS, ESF Cost to Complete (10/5/2007); USAID, Response to SIGIR Data Call (10/17/2007)



Notes:

1. Numbers are affected by rounding.
2. Funding details for approximately \$0.06 billion of FY 2006 DoS budget appropriations and \$0.033 billion in FY 2006 Supplemental allocations were unavailable.

throughout the world.⁵⁶ In Iraq, the ESF is used to build on several IRRF projects—mainly in economic reform, business development, and democracy-building—and supports new projects to improve political and economic governance, sustain infrastructure, develop capacity, and strengthen essential services.

Several ESF programs are managed through interagency agreements (IAAs) that fully obligate the affected funds at the time of the agreement. For purposes of this section, SIGIR considers ESF “obligations” for IAAs as funds “committed.” This comports with SIGIR’s practice to report only the funds that have been actually awarded by contract as “obligated.”⁵⁷

DoS has executed large-scale IAAs with GRD and DoJ. Table 2.14 shows the dollar value of the IAAs for FY 2006 Supplemental funds. DoS also executed an IAA with GRD for \$100 million in

FY 2007 Supplemental funds for the Provincial Reconstruction Team/Provincial Reconstruction Development Council (PRT/PRDC) program.⁵⁸

DoS manages ESF project identification, priorities, requirements, and funding; USAID, GRD, and other agencies execute the projects.⁵⁹ Programs managed by GRD and USAID—the primary executing agencies of the ESF—received approximately 90% of ESF allocations.⁶⁰ Table 2.15 shows the ten firms awarded the largest ESF contracts from these two implementing agencies.

A USAID/Iraq audit released on July 31, 2007, found that one of the largest ESF contractors, Research Triangle Institute (RTI), had not been submitting regular implementation and performance plans. Thus, measuring outputs for the contract was difficult.⁶¹ Since the release of the audit, RTI has agreed to comply with the contract requirements for implementation plans.

ESF INTERAGENCY AGREEMENTS FOR DoS – FY 2006 SUPPLEMENTAL (MILLIONS)

PROGRAM	AGENCY	FY 2006 SUPPLEMENTAL FUNDS	CONTRACTED AMOUNTS	EXPENDED AMOUNTS
PRT/PRDC	GRD	\$315	\$191	\$20
Infrastructure Security Protection	GRD	247	106	13
O&M Sustainment	GRD	285	259	50
Capacity Development and Technical Training	GRD	60	45	13
Regime Crimes Liaison Office	DoJ	33	*	15
Totals		\$940		\$111

Sources: ITAO, response to SIGIR data call, October 8, 2007. Contracted Amounts and Expended Amounts: IRMS, ESF Cost to Complete, October 5, 2007; ITAO, response to SIGIR data call, October 15, 2007.

Note: Numbers are affected by rounding.

*The contract award amounts for the Regime Crimes Liaison Office program were not available to SIGIR at the time of publication.

TABLE 2.14

RTI submitted a quarterly budget by activity on September 17, 2007.⁶²

FY 2006 SUPPLEMENTAL

Approximately 93% of appropriations to the ESF are contained in supplemental funding bills. The initial allotment of FY 2006 Supplemental funds took 85 calendar days to get to USAID-Iraq, and up to 167 calendar days to support DoS field activities that were implemented in Iraq by the DoJ, GRD, and ITAO (formerly IRMO).⁶³ A SIGIR review found that, on average, it takes much longer to move ESF funds from appropriation to field activities than for CERP (35 days) and ISFF (29 days) funds.⁶⁴

Figure 2.11 is a flowchart from SIGIR, the “Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and

Reconstruction,” released on July 27, 2007. It shows the desultory flow of ESF funds appropriated in the FY 2006 Supplemental.

FY 2007 SUPPLEMENTAL

The Congress appropriated \$1.554 billion of FY 2007 Supplemental funds to the ESF. Under P.L. 110-28, signed by the President in May 2007, ESF FY 2007 funds can be obligated or expended when the President certifies that Iraq has made satisfactory progress on 18 specific benchmarks.⁶⁵ The bill includes a waiver provision that releases funds from the requirement if the President submits a written certification to the Congress, including a justification for the waiver and a detailed benchmark assessment report.⁶⁶

The President has submitted two benchmark assessment reports (July 12, 2007, and September

TOP TEN ESF CONTRACTORS (MILLIONS)

CONTRACTOR	PARTNERING AGENCY	OBLIGATED
International Relief and Development	USAID	\$489 ^a
Research Triangle Institute (RTI)	USAID	245
Management System International	USAID	200
CHF International	USAID	140
Development Alternatives, Inc.	USAID	130
BearingPoint, Inc.	USAID	70
Louis Berger Group	USAID	64
Wamar International	GRD	58
Parsons Brinckerhoff	GRD	58
Iraqi Contractor – 4767	GRD	54
Total		\$1,508
Percentage of Total ESF Appropriations		46.1%

Note: USAID signs contracts/agreements, which can be funded from one or more funding accounts. This table includes contractors/grantees that received FY 2006 Supplemental and FY 2007 Supplemental funds for USAID contractors. GRD contractors received FY 2006 Supplemental funds.

^aApproximately \$25 million in FY 2007 CR funds was programmed to the Community Stabilization Program, which is executed by International Relief and Development. ITAO, response to SIGIR data call, October 15, 2007.

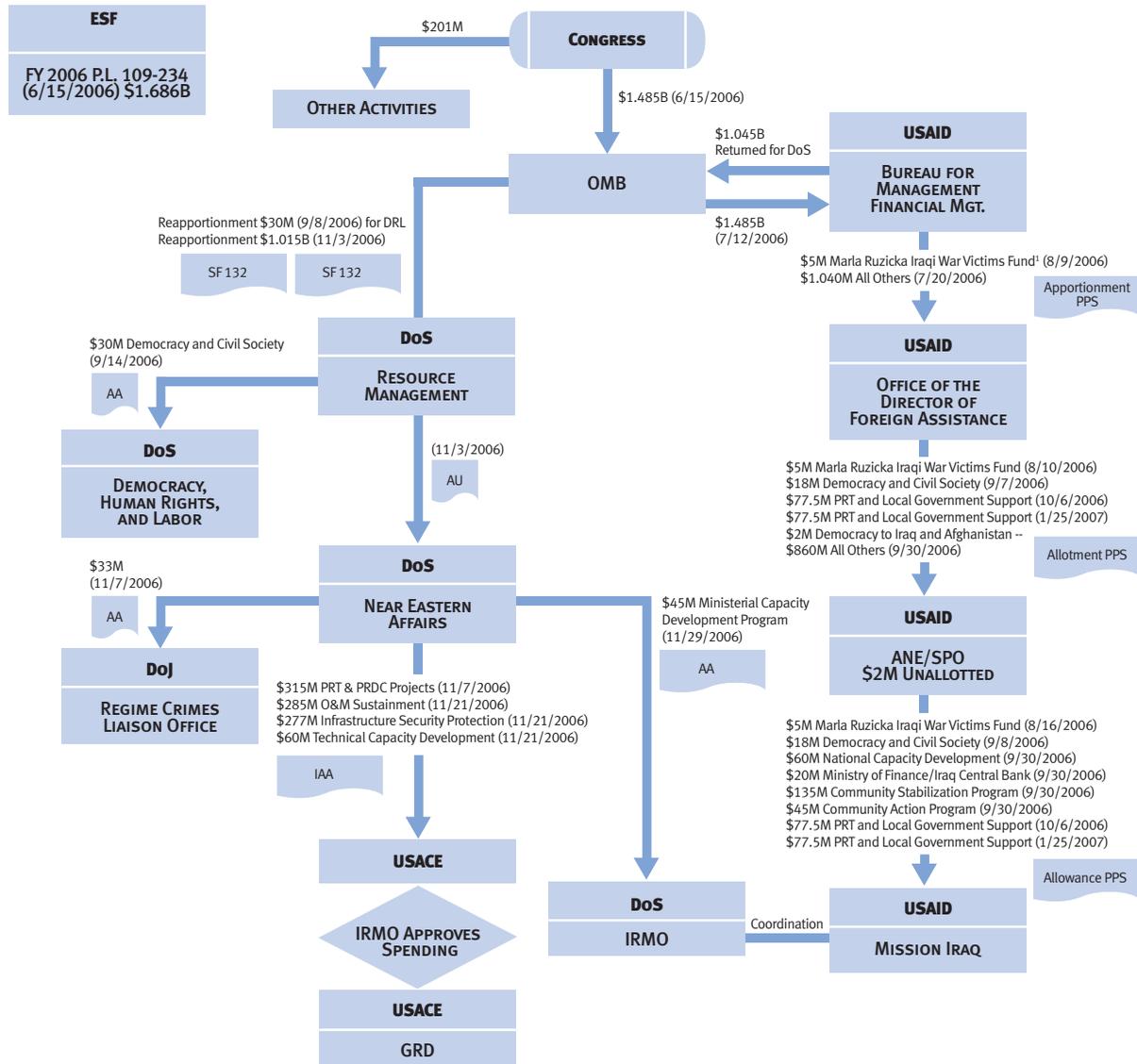
Source: USAID, response to SIGIR data call, October 17, 2007; GRD, response to SIGIR data call, October 1, 2007.

TABLE 2.15

Figure 2.11

FLOW OF ECONOMIC SUPPORT FUND (ESF), P.L. 109-234

Sources: DoS: Iraq Reconstruction Management Office, Bureau of Resource Management, Bureau of Near Eastern Affairs; and the Bureau of Democracy, Human Rights and Labor; U.S. Army Corps of Engineers Gulf Region Division; U.S. Agency for International Development; and the Office of Management and Budget



- AA Advice of Allotment
- ANE/SPO Bureau for Asia and the Near East/Strategic Planning & Operations
- AU Allotment Authority
- B Billion
- DRL Democracy, Human Rights, and Labor
- IAA Interagency Agreement
- IRMO Iraq Reconstruction Management Office (former name of ITAO)
- DoJ Department of Justice
- M Million
- PPS Posted in Phoenix Accounting System
- PRDC Provincial Reconstruction Development Committee
- PRT Provincial Reconstruction Team
- SF 132 Apportionment and Reapportionment Schedule

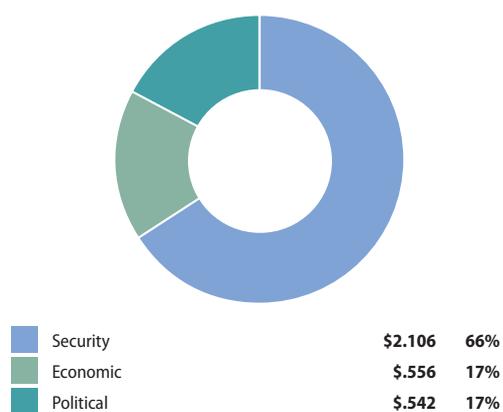
Notes:
 1. Marla Ruzicka Iraqi War Victims Fund was merged with IRRF funds on September 24, 2006.
 2. Dates presented are the initial transmittal dates of funds apportioned or allotted for each action and do not necessarily represent an action for the total amount of funds.
 3. By Executive Order, on May 8, 2007, the President created ITAO as the successor organization to the Iraq Reconstruction Management Office.

14, 2007) to the Congress, and the remaining FY 2007 Supplemental appropriations, totaling \$1.554 billion,⁶⁷ have been released by waivers. Approximately \$1.045 billion (includes FY 2007 CR funds) has been obligated, and about \$5 million has been expended.⁶⁸

Funding Uses

ESF program funding is aligned under security, economic, and political tracks. Programs in the security track have received the largest percentage of ESF allocations, as shown in Figure 2.12.

Figure 2.12
ALLOCATIONS OF ESF FUNDS BY TRACK
 \$ Billions, % of \$3.204 Billion
 Source: ITAO, Response to SIGIR Data Call (10/15/2007); USAID, Response to SIGIR Data Call, (10/17/2007)



Notes:
 1. Numbers are affected by rounding.
 2. The total amount represented by the pie chart is approximately 98% of all appropriated ESF funds for Iraq totalling \$3.272 billion. Program and track-level details were not available for \$50 million in FY 2003 ESF funds and approximately \$20 million in FY 2007 CR funds.

SECURITY TRACK

Programs in the security track aim to strengthen the links between the GOI and local communities and to improve the capacity of provincial governments to deliver essential services. Table 2.16 provides information on projects that have been funded by the ESF, including the percentage of funds allocated out of the security track.⁶⁹

Funds from the ESF support the overall PRT program. Three PRT programs have been allocated approximately 56% of total ESF security track funding:

- PRT/PRDC program—\$790 million
- PRT Local Governance Program (LGP)—\$245 million
- Quick Response Fund (QRF)⁷⁰—\$125 million

The ESF-funded **QRF program** is a new initiative implemented by the Chief of Mission to provide PRTs with a CERP-like funding source to execute high-value, quick-turnaround projects. The ISFF funds a similar rapid response program specifically for quick impact projects for the Iraqi Security Forces; this program is different than the ESF-funded QRF, which supports PRTs. DoS has allocated an initial \$200,000 in QRF to each PRT.⁷¹ QRF awards can be provided through micro-purchase agreements, grants, or standard procurements.

STATUS OF ESF PROGRAMS IN THE SECURITY TRACK (\$2.106 BILLION)

ESF PROJECT	% OF SECURITY TRACK	IMPLEMENTER	DESCRIPTION AND STATUS
PRT/PRDC PROJECTS	 <p>38%</p>	<p>GRD \$315 million FY 2006 Supplemental \$475 million FY 2007 Supplemental</p> <p>TOTAL: \$790 MILLION</p> <p>Source: GRD, response to SIGIR data call, October 18, 2007.</p>	<p>DESCRIPTION: Small projects intended to improve provincial government capacity to provide essential services. PRTs work with Iraqi-led PRDCs to compile a list of projects for approval by the U.S. Embassy.</p> <p>STATUS: For the FY 2006 Supplemental, PRDCs have submitted a list of projects. The National Embassy Team has approved 201, and 178 have been awarded at a cost of \$242.8 million, as reported by GRD on October 18, 2007. Per the provinces' decisions, some projects were dropped, but six more were added.</p>
PRT LOCAL GOVERNANCE PROGRAM	 <p>12%</p>	<p>USAID \$155 million FY 2006 Supplemental \$90 million FY 2007 Supplemental</p> <p>TOTAL: \$245 MILLION</p> <p>Sources: DoS, <i>Section 2207 Report</i>, August 28, 2007; USAID, response to SIGIR data call, October 1, 2007.</p>	<p>DESCRIPTION: Complements PRT efforts by facilitating advocacy efforts on policy reform, transferring functional control of activities from national to local governments, and strengthening provincial capacity to deliver essential services.</p> <p>STATUS: All of the \$155 million from FY 2006 Supplemental funds were carried over and obligated in FY 2007; of this amount \$143.4 million is expended.</p>
PRT/QRF	 <p>6%</p>	<p>USAID (80%) and DoS (20%) \$125 million FY 2007 Supplemental</p> <p>TOTAL: \$125 MILLION</p> <p>Source: OPA, Provincial Reconstruction Team Portal, "Guidelines for Administration of the PRT/ePRT Quick Response Fund Program," August 12, 2007; USAID, response to SIGIR data call, October 17, 2007.</p>	<p>DESCRIPTION: Mechanism for PRTs and ePRTs to support local neighborhood and government officials or members of community-based organizations, as well as small project needs for the provinces.</p> <p>STATUS: Program guidelines finalized. The Embassy committee to review grants has been established; first grants have been disbursed to PRTs/ePRTs in Anbar and Basrah. All but one PRT have been identified as cash handlers. USAID received its first ESF allocation for QRF (\$25 million) in August 2007.</p>
COMMUNITY STABILIZATION PROGRAMS IN STRATEGIC CITIES	 <p>24%</p>	<p>USAID \$135 million FY 2006 Supplemental \$354 million FY 2007 Supplemental \$25 million FY 2007 CR</p> <p>TOTAL: \$514 MILLION</p> <p>Sources: DoS, <i>Section 2207 Report</i>, August 28, 2007; USAID, response to SIGIR data call, October 1, 2007.</p>	<p>DESCRIPTION: Short-term projects in neighborhoods and districts that employ Iraqi youth in public works, employment generation, business development and training, and in programs that serve other youths.</p> <p>STATUS: The weekly average employment level was 73,926 for week ending September 15, 2007; 10,026 Iraqis have graduated from vocational skills training programs supported by Community Stabilization Programs.</p>
INFRASTRUCTURE SECURITY PROTECTION	 <p>12%</p>	<p>GRD \$247 million FY 2006 Supplemental</p> <p>TOTAL: \$247 MILLION</p> <p>Sources: DoS, <i>Section 2207 Report</i>, August 28, 2007; GRD, response to SIGIR data call, October 18, 2007.</p>	<p>DESCRIPTION: Projects improving infrastructure in oil, water, and electricity sectors—such as security barrier protection, hardening of structures and plants, and implementation of controlled access facilities.</p> <p>STATUS: As of October 15, 2007, 51 projects worth \$104.1 million have been awarded.</p>

STATUS OF ESF PROGRAMS IN THE SECURITY TRACK (\$2.106 BILLION)

ESF PROJECT	% OF SECURITY TRACK	IMPLEMENTER	DESCRIPTION AND STATUS
COMMUNITY ACTION PROGRAM	 <p>6%</p>	<p>USAID \$45 million FY 2006 Supplemental \$90 million FY 2007 Supplemental</p> <p>TOTAL: \$135 MILLION</p> <p>Sources: DoS, <i>Section 2207 Report</i>, August 28, 2007; USAID, response to SIGIR data call, October 1, 2007.</p>	<p>DESCRIPTION: Projects that strengthen links between the Iraqi government and local communities by facilitating community coordination with local and provincial governments and promoting transparency and local ownership of public goods.</p> <p>STATUS: As of October 1, 2007, 78 projects were completed, benefiting 1,624,386 Iraqis, generating 11,168 short-term jobs and 149 long-term jobs (as of September 9, 2007), as reported by USAID for Community Action Program II.</p>
IRAQI REFUGEES (JORDAN)	 <p>1%</p>	<p>USAID \$30 million FY 2006 Supplemental</p> <p>TOTAL: \$30 MILLION</p> <p>Sources: ITAO, response to SIGIR data call, October 10, 2007.</p>	<p>DESCRIPTION: United Nations Education appeal aims to enroll an additional 150,000 Iraqi children in Jordanian and Syrian schools; total program funding is \$130 million, of which the U.S. contribution is \$30 million of ESF funds and \$9 million of Emergency Refugee and Migration Assistance funds.</p> <p>STATUS: \$30 million of FY 2006 ESF funds was re-allocated from the Infrastructure Security Protection program to refugee and migration assistance for a back-to-school program for Iraqi refugees.</p>
MARLA RUZICKA IRAQI WAR VICTIMS FUND (TRANSFERRED TO IRRF)	 <p>1%</p>	<p>USAID \$5 million FY 2006 DoS Appropriations \$5 million FY 2006 Supplemental \$5 million FY 2007 Supplemental \$5 million FY 2007 CR</p> <p>TOTAL: \$20 MILLION</p> <p>Sources: IMF, "USAID: Assistance for Iraq," May 17, 2007, www.usaid.gov/iraq/; ITAO, response to SIGIR data call, October 10, 2007.</p>	<p>DESCRIPTION: Program aims to assist civilian victims of armed conflict; ensures that victims of conflict are specifically highlighted for funds to provide relief from severe suffering caused by conflict.</p> <p>STATUS: ESF funds for this program were subsequently transferred to the IRRF. As they originated as ESF funds, they are included in the calculations for total ESF amounts provided for Iraq reconstruction.</p>

Notes:

1. Sources for the programmed amounts are ITAO, response to SIGIR data call, October 15, 2007, and USAID, response to SIGIR data call, October 17, 2007. Sources included in the tables are relevant to that specific program description and/or program status.
2. Numbers affected by rounding.

TABLE 2.16

Table 2.17 shows the four tools available to organizations seeking funding from the QRF.

For projects valued at more than \$200,000, PRTs must submit funding requests to the Iraq-led PRDCs through the **PRT/PRDC program**. The National Embassy Team (NET) approves projects and funds them from the \$315 million in FY 2006 Supplemental funds or the \$475 million in FY 2007 Supplemental funds allocated for this program.

As of October 2, 2007, there were 201 NET-approved PRDC projects; 69 of these have

started, using FY 2006 funds.⁷² Figure 2.13 shows the geographic breakdown of PRDC-approved projects and started projects.

As of October 2, 2007, the PRDCs had selected a list of projects that consumed 97% of the \$315 million in FY 2006 allocated funding, and the NET had approved virtually all of them. Of these approved projects, approximately 78% have been awarded (an increase from the 41% awarded the previous quarter).⁷³

Using FY 2007 funding, PRDCs have selected 162 projects, worth more than \$224 million. As

TOOLS TO IMPLEMENT THE QRF

TOOL	DESCRIPTION	AMOUNT DEPLOYABLE
Micro-purchase	Similar to the CERP process, micro-purchases would allow PRTs/ePRTs to procure items or services that PRT team leaders deem vital to their engagement with local and provincial communities.	< \$25,000
	No Embassy approval is required.	
Small Grant	“Not withstanding” memo will allow for purchases up to \$25,000 and FAR flexibility.	< \$50,000
	One-time payment to an NGO/GOI to carry out activity	
	Tracked at the Embassy; implemented by PRT/ePRT	
Grant	Post-review and authorization of all grants	\$50,000 – \$200,000
	Grants over \$25,000 reviewed by Washington, D.C.	
	Tracked at the Embassy; implemented and monitored by USAID	
Direct Procurement	One-time payment to an NGO/GOI to carry out activity	< \$200,000
	OPA review and handoff to USAID	
	Activity complex enough that it requires a contract/lengthy statement of work; PRT team leaders approve purchase request	
Direct Procurement	Procurement order plausibility and implementation means made by USAID, JCCI, or GSO—depending on core competency.	< \$200,000
	USAID implementer, DoD’s Regional Contract Command (RCC) will handle monitoring component.	

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

TABLE 2.17

of October 2, 2007, the NET had approved 57 of the projects, valued at more than \$73 million.⁷⁴

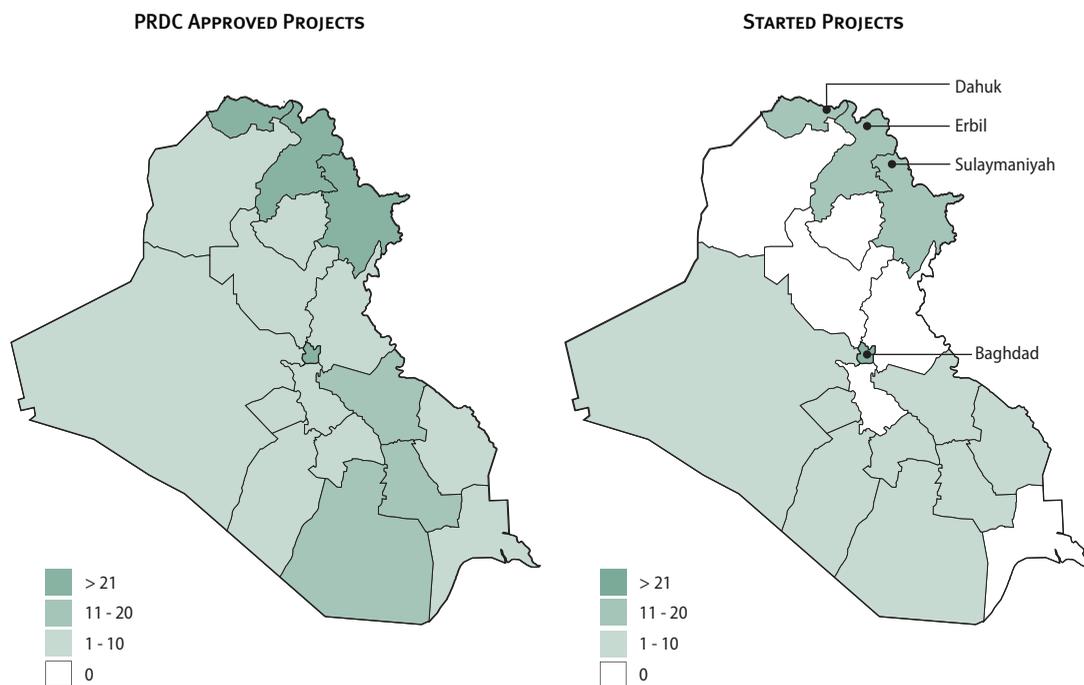
USAID's **Local Governance Program (LGP)** supports PRT efforts to build governance capacity. In addition to providing subject matter experts as part of the civilian surge, USAID's commitment to PRT staffing includes three full-time expatriate LGP personnel in each PRT.⁷⁵

This quarter, LGP contractors met with the Strategic Planning Board in Babylon to revise the draft of the Provincial Development Strategy and to identify goals for Iraq's services sector.⁷⁶ USAID contributes to the work of PRTs through its LGP, Community Stabilization Program, and Community Action Program.

Figure 2.13

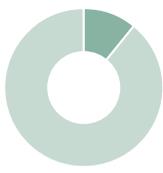
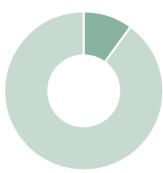
ESF FY 2006 SUPPLEMENTAL PRDC PROJECTS BY GOVERNORATE

Source: DoS, Response to SIGIR Data Call (10/12/2007)



Notes:
 1. PRDC-approved means approved and forwarded for NET consideration.
 2. Erbil, Sulaymaniyah, and Dahuk are combined under KRG, which has a total of 29 PRDC-approved projects and 18 started projects.
 3. Baghdad has 68 PRDC-approved projects, and 20 have started.

STATUS OF ESF PROGRAMS IN THE ECONOMIC TRACK (\$5.556 BILLION)

ESF PROJECT	% OF ECONOMIC TRACK	IMPLEMENTER	DESCRIPTION AND STATUS
O&M SUSTAINMENT	 <p>51%</p>	<p>GRD \$285 million FY 2006 Supplemental</p> <p>TOTAL: \$285 MILLION</p> <p>Sources: DoS, <i>Section 2207 Report</i>, August 28, 2007; GRD, response to SIGIR data call, October 18, 2007.</p>	<p>DESCRIPTION: Providing in-plant services, consumables, and spare parts at major power plants, water and wastewater plants, and health, transportation, and communication facilities to assist Iraqis with sustainment efforts.</p> <p>STATUS: 47 projects worth \$279.2 million have been awarded to support O&M Sustainment, as reported by GRD on October 18, 2007.</p>
INMA—PRIVATE SECTOR AGRIBUSINESS DEVELOPMENT	 <p>17%</p>	<p>USAID \$55 million FY 2007 Supplemental \$39.9 million in FY 2007 CR</p> <p>TOTAL: \$94.9 MILLION</p> <p>Sources: USAID, response to SIGIR data call, October 1, 2007, and October 17, 2007; USAID, "USAID Awarded Inma Agribusiness Program in Iraq," May 16, 2007.</p>	<p>DESCRIPTION: Projects that aim to improve agricultural quality and productivity, restore soil and water management systems, increase agribusiness competitiveness, and increase domestic and foreign partnerships.</p> <p>STATUS: Currently in mobilization phase; all \$55 million of FY 2007 Supplemental funds have been obligated.</p>
PLANT-LEVEL CAPACITY DEVELOPMENT & TECHNICAL TRAINING	 <p>11%</p>	<p>GRD \$60 million FY 2006 Supplemental</p> <p>TOTAL: \$60 MILLION</p> <p>Sources: DoS, <i>Section 2207 Report</i>, August 28, 2007; GRD, response to SIGIR data call, October 11, 2007.</p>	<p>DESCRIPTION: O&M training programs for plant and technician-level operators at major electricity power plants, water and wastewater plants, and health, transportation, and communication facilities.</p> <p>STATUS: As of October 18, 2007, 34 projects, worth \$41.2 million, have been awarded to support technical training.</p>
PROVINCIAL ECONOMIC GROWTH	 <p>11%</p>	<p>USAID \$44.9 million FY 2007 Supplemental \$14.6 million FY 2007 CR</p> <p>TOTAL: \$59.5 MILLION</p> <p>Sources: USAID, "Request for Proposals (RFP) No. 267-07-001," March 1, 2007; USAID, response to SIGIR data call, October 1, 2007.</p>	<p>DESCRIPTION: Follow-up program of IRRF-funded Izdihar; projects aimed at increasing access to finance and promoting growth for selected manufacturing and service sectors.</p> <p>STATUS: The Provincial Economic Growth (PEG) contract was awarded last quarter; project is delayed due to an award protest. Izdihar has been extended to March 2008 to ensure uninterrupted delivery of assistance. Of the \$59.5 million in ESF funds for this program, \$9.2 million from the FY 2007 Supplemental and \$14.6 million from the Continuing Resolution will be used for the continuation of the Izdihar Program.</p>
TARGETED DEVELOPMENT PROGRAM	 <p>10%</p>	<p>Chief of Mission \$57.4 million FY 2007 Supplemental</p> <p>TOTAL: \$57.4 MILLION</p> <p>Source: U.S. Mission Iraq, "Program Announcement: Targeted Development Program," September 10, 2007.</p>	<p>DESCRIPTION: A funding tool for non-governmental organizations (NGOs) to support economic, social, and governance initiatives in areas of conflict in Iraq; programs focus on conflict mitigation, building national unity, and other development efforts.</p> <p>STATUS: Program is in the start-up phase. As of September 10, 2007, U.S. Mission elements began submitting proposals. The Program Review Board will begin reviewing the initial round of proposals during the last week in September 2007.</p>

Notes:

- Sources for the programmed amounts are ITAO, response to SIGIR data call, October 15, 2007, and USAID, response to SIGIR data call, October 17, 2007. Sources included in the tables are relevant to that specific program description and/or program status.
- Numbers are affected by rounding.

TABLE 2.18

ECONOMIC TRACK

Programs in the economic track promote economic development, capacity development, and operations and maintenance (O&M) sustainment. Table 2.18 provides information on programs that have been funded by the ESF, including the percentage of funds allocated out of the economic track.⁷⁷

A new ESF project funded by the FY 2007 Supplemental, the **Provincial Economic Growth (PEG) program**, is a follow-on effort to the IRRF-funded Izdihar program. Completion of Izdihar was scheduled for September 30, 2007; however, the award of a contract for the PEG

program has been delayed since late July because of an unsuccessful protest from a bidder.⁷⁸ GAO dismissed the protest on the condition that USAID reevaluate the proposals for the PEG program. Reevaluation of the proposals is not likely to be resolved for several months. Thus, USAID has extended Izdihar through March 31, 2008, to continue support for Iraq's economic development.⁷⁹ ESF FY 2007 funds will support the continuation of Izdihar's efforts.

The largest program in the economic track is GRD's \$285 million **O&M Sustainment program**. Figure 2.14 shows a time series of the amounts awarded under the O&M sustainment

Figure 2.14

O&M SUSTAINMENT PROGRAM AWARDS
\$ Billions, \$.285 Total ESF FY 2006 Supplemental Program Funding
Source: IRMS (10/5/2007); GRD, Response to SIGIR Data Call (10/18/2007)

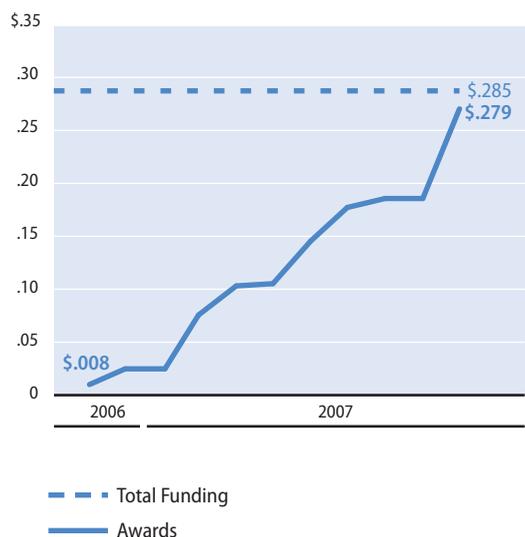
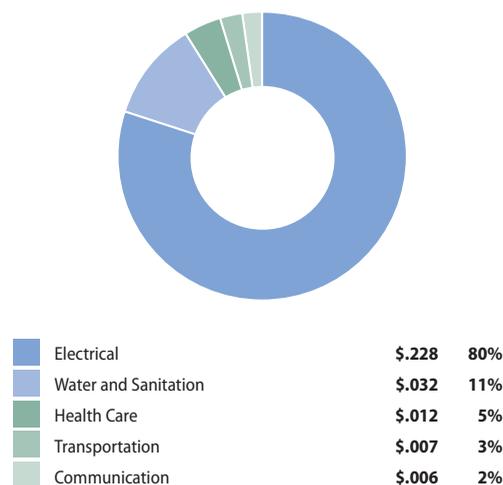


Figure 2.15

O&M SUSTAINMENT PROGRAM - ALLOCATIONS BY SECTOR
\$ Billions, % of \$.285 Billion
Source: GRD, "Program Review Board," p. 51 (9/7/2007)



Note:
Numbers are affected by rounding.

program. Of the \$285 million available for the program, approximately \$279 million has been awarded.

O&M Sustainment funds are allocated to five sectors—electrical, health care, transportation, communication, and water and sanitation. Figure 2.15 shows the percentage of the total \$285 million provided to each of these sectors.

Projects supporting O&M and sustainment in the electricity sector received the largest allocation (80%) of the programmed amount. Of the \$228 million allocated to the electricity sector, approximately 94% has been obligated, as of October 18, 2007.⁸⁰ A recent project in this sector is the \$3 million O&M Generator Support Contract; the program provides preventative and corrective maintenance activities for 175 emergency generators in Iraq.⁸¹

These are examples of completed GRD electrical O&M Sustainment projects:⁸²

- **Renovation of Project Phoenix III Shuiba Unit B Gas Turbine (\$2.56 million)** was completed on October 11, 2007, and the project awaits an acceptance letter from the Ministry of Electricity.
- **Doura 5 Maintenance Oversight and Maintenance Electrical Support (\$4.2 million)** was completed on September 9, 2007, and the facility has been turned over to Iraq's Ministry of Electricity.

Last quarter, SIGIR issued an inspection of the Doura Power Station Units 5 and 6. U.S. funds—primarily through \$90 million awarded to Bechtel—had paid for the repair of the two

power-generating units; however, the Iraq Ministry of Electricity failed to sustain them. SIGIR inspectors noted a need for the Ministry of Electricity's O&M practices to improve and that the ministry frequently improperly operated and poorly maintained equipment, increasing the likelihood of equipment failure.⁸³

POLITICAL TRACK

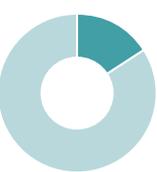
Programs in the political track help GOI strengthen core ministry functions and support governance and democracy-building efforts.

Table 2.19 provides information on projects that have been funded by the ESF, including a percentage of funds allocated out of the political track.⁸⁴

The **Iraq Financial Management Information System (IFMIS)** is a U.S.-funded effort that aims to enable the GOI to have real-time budget reporting and management across spending agencies. The project began under USAID's **Economic Governance II (EG II)** program, which was funded by the IRRF and continues with ESF monies. Available information shows that the system development and implementation costs are about \$38 million.⁸⁵ However, progress on the project has halted:⁸⁶

- May 2007—The work stopped on the budget and procurement models after key IFMIS team members were kidnapped.
- July 2007—The U.S. Embassy suspended the IFMIS project pending clarification of GOI support for the effort.
- August 2007—As part of a World Bank assessment of the IFMIS, a survey was

STATUS OF ESF PROGRAMS IN THE POLITICAL TRACK (\$.5423 BILLION)

ESF PROJECT	% OF POLITICAL TRACK	IMPLEMENTER	DESCRIPTION AND STATUS
CAPACITY DEVELOPMENT	 <p>45%</p>	<p>ITAO (18%), USAID (82%) \$105 million FY 2006 Supplemental \$140 million FY 2007 Supplemental</p> <p>TOTAL: \$245 MILLION</p> <p>Sources: DoS, <i>Section 2207 Report</i>, August 28, 2007; USAID, response to SIGIR data call, October 17, 2007.</p>	<p>DESCRIPTION: Projects that strengthen leadership capacity of key government offices, assist with budget execution, improve delivery of essential services, and build capacity of the GOI to manage training programs to build key public administration functions.</p> <p>STATUS: ITAO has obligated \$11.9 million for strengthening leadership capacity, \$19.5 million for budget execution assistance, and \$14.6 million to strengthen service delivery to ministries. USAID’s cumulative number of enrollees in ministry training programs was 1,125. USAID’s National Capacity Development program—in its second phase—has awarded 81 scholarships.</p>
DEMOCRACY AND CIVIL SOCIETY	 <p>33%</p>	<p>USAID (50%), DRL (50%) \$56 million FY 2006 Budget \$50 million FY 2006 Supplemental \$67.6 million FY 2007 Supplemental \$2.5 million FY 2007 CR</p> <p>TOTAL: \$176.1 MILLION</p> <p>Sources: DoS, <i>Section 2207 Report</i>, August 28, 2007; USAID, response to SIGIR data call, October 1, 2007.</p>	<p>DESCRIPTION: Projects that support the Council of Representatives democracy-building efforts and support women and minority participation in the political process.</p> <p>STATUS: IFES, which continues to support election activities, received 50% of FY 2007 Supplemental funding for this program; the other half will be programmed as the provincial elections draw nearer.</p>
ECONOMIC GOVERNANCE II POLICY & REGULATORY REFORMS	 <p>16%</p>	<p>USAID \$20 million FY 2006 Supplemental \$50 million FY 2007 Supplemental \$18.2 million FY 2007 CR</p> <p>TOTAL: \$88.2 MILLION</p> <p>Sources: USAID, “USAID Award Economics Contract in Iraq,” September 20, 2004; USAID, response to SIGIR, October 1, 2007; DoS, <i>Section 2207 Report</i>, August 28, 2007.</p>	<p>DESCRIPTION: Projects that assist the GOI in reforming tax, fiscal, monetary, and customs policies and build the capacity of the Central Bank of Iraq; assist Ministry of Finance in modernizing banking sector, compliance with the SBA, and promoting private sector-led growth in Iraq.</p> <p>STATUS: The IFMIS project was suspended by the U.S. Embassy in July 2007. Additional efforts include assisting the GOI in completing the census of all public service employees; the survey will be collected by the end of 2007. Assisted the GOI to implement fiscal reform initiatives, overhauling the Iraqi tax system, strengthening Iraq’s tax and customs authorities, and completing the 2007 Charts of Accounts in accordance with IMF recommendations.</p>
REGIME CRIMES LIAISON OFFICE	 <p>6%</p>	<p>NEA, DoJ \$33 million FY 2006 Supplemental</p> <p>TOTAL: \$33 MILLION</p> <p>Source: ITAO, response to SIGIR data call, October 15, 2007.</p>	<p>DESCRIPTION: Ensures the security and safety of witnesses and victims of crimes under investigation by the Iraqi High Tribunal.</p> <p>STATUS: Approximately \$15.14 million is expended of the \$33 million programmed amount; the program assisted the tribunal in submission of materials for the Anfal trial.</p>

Notes:

1. Sources for the programmed amounts are ITAO, response to SIGIR data call, October 15, 2007, and USAID, response to SIGIR data call, October 17, 2007. Sources included in the tables are relevant to that specific program description and/or program status.
2. Numbers are affected by rounding.

TABLE 2.19

conducted of GOI officials to obtain views of stakeholders on aspects of the IFMIS arrangement.

In a letter report released this quarter, SIGIR provided a preliminary assessment of IFMIS relative to the five preconditions—clear commitment/ownership, reform-ready preconditions, sound project design, capable project management, and adequate resources—identified by the IMF for the successful development of a financial management system in Iraq. For a summary of SIGIR's letter report, see Section 3 of this Report.

In addition to IFMIS, other components of the EG II program include capacity-building support to the Central Bank of Iraq (CBI), strengthening monetary policy, technical assistance on developing laws on bankruptcy and movable transactions, and advice on pensions and social safety reform.⁸⁷

USAID and ITAO implement the ESF-funded **Capacity Development** programs, which account for approximately 45% of ESF funds in the political track. To implement capacity-building programs, USAID was allocated \$60 million (in FY 2006 Supplemental funds), focusing on long-term sustainment training, capacity building, and development of public administration functions.⁸⁸ ITAO's focus on immediate support to key ministries was funded by \$45 million.

USAID's National Capacity Development program—which was allocated \$140 million in FY 2007 Supplemental funds—is in its second phase with expanded involvement in executive branch and line ministries. Details on these efforts are provided in the Capacity Development section of this Report.

IRAQ RELIEF AND RECONSTRUCTION FUND (IRRF)

On April 16, 2003, the Congress passed P.L. 108-11, establishing the Iraq Relief and Reconstruction Fund (IRRF 1). The Congress authorized five agencies to use the \$2.475 billion in IRRF 1: DoD, DoS, USAID, the Department of Treasury, and the U.S. Trade and Development Agency.

In November 2003, the Congress provided a second appropriation to the IRRF (IRRF 2), funding an additional \$18.44 billion for relief and reconstruction in Iraq.

Status of Funds

As of September 26, 2007, SIGIR found that an estimated 9% of the IRRF 1 (\$243 million) is still listed as unobligated. ITAO's Office of the CFO responded that \$184 million of unobligated IRRF 1 funds were used to directly reimburse DoS for reconstruction costs incurred before the

Congress appropriated funds to IRRF 1. Thus, less than \$60 million of IRRF 1 funds have yet to be obligated.⁸⁹ More than \$300 million of IRRF 1 dollars remain unexpended.⁹⁰

Approximately 4% of the IRRF 2 (\$770 million) remains unobligated, and \$2.21 billion of IRRF 2 funds are unexpended.⁹¹ Most of the unexpended IRRF funds are obligated for work in the electricity and water sectors.⁹²

Figure 2.16 shows the status of the IRRF 2, in billions.

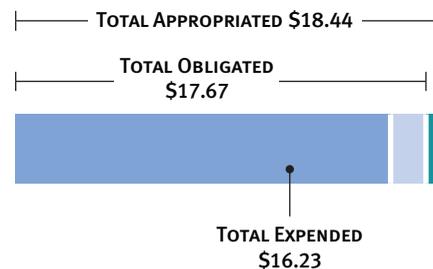
Although IRRF 2 expenditures continue to trend upward, as expected, the total amount still under contract has varied over time because of de-obligations and re-obligations. This quarter, \$130 million of the IRRF 2 was de-obligated because of project completions or obligation terminations, but it apparently has yet to be

Figure 2.16

STATUS OF IRRF 2 FUNDS

\$ Billions

Sources: P.L. 108-106; DoS, *Iraq Weekly Status* (9/26/2007)



Note: Numbers are affected by rounding.

re-obligated.⁹³ De-obligated IRRF funds are returned to OMB to be re-apportioned.⁹⁴ Figure 2.17 shows obligations and expenditures of the IRRF 2, from July 2004 to July 2007.

SIGIR Oversight

This quarter, SIGIR issued three audits related to the IRRF.

In the first, “Agency Management of the Closeout Process for IRRF Contracts,” SIGIR auditors found that the DoD and civilian agencies conducting contract activities in Iraq generally adhered to FAR guidelines, with priority given to financial closeout requirements, such as

settling final payments with the contractor and de-obligating unused contract funds. Historical practice indicates that these large contracts can take up to 15 years to close.⁹⁵

SIGIR also reviewed “Controls over Unliquidated Obligations in the IRRF.” The purpose of this audit was to determine the amounts of unliquidated (or unspent) IRRF dollars still retained by DoD, DoS, and USAID and to assess whether adequate controls were in place to manage these unliquidated funds.

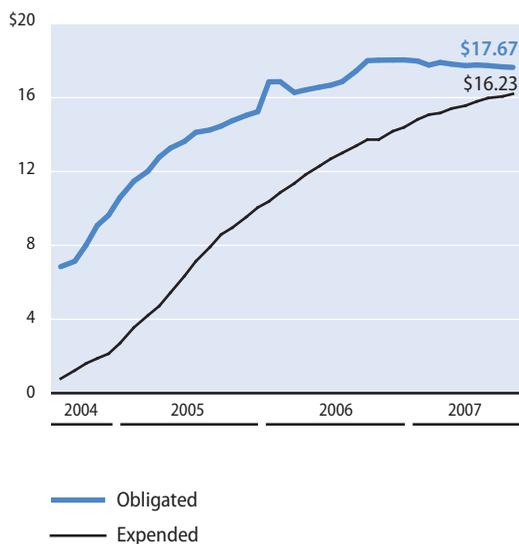
SIGIR auditors found that the agencies are monitoring their unliquidated obligations and conduct at least one annual review of these funds. However, SIGIR auditors also found that the rationale for maintaining certain obligations was not always clear. SIGIR oversight identified several million dollars that could be de-obligated because there had been virtually no activity under the contract for a significant period of time. SIGIR recommended that the agencies improve their documentation and tracking procedures.

Figure 2.17

IRRF OBLIGATED AND EXPENDED

\$ Billions

Sources: IRMO/ITAO *Weekly Status Reports*



SIGIR recently released a “Review of the Use of Contractors in Managing IRRF Projects.” SIGIR auditors questioned the effectiveness of using contractors to manage other contractors because of weaknesses in contracting policies. Though each contractor was evaluated through an award-fee process, only limited performance data was documented. Work on these program management support contracts is nearly complete; thus, SIGIR auditors documented lessons learned to inform future contracting actions.⁹⁶ For more information on these audits, see Section 3 of this Report.

Funding Uses

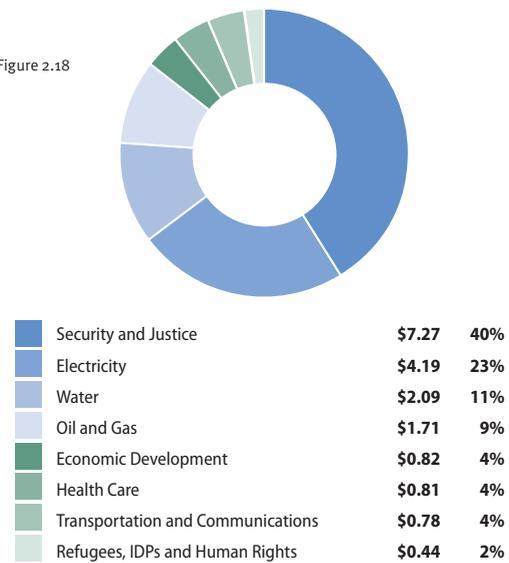
Of the \$18.44 billion in appropriated IRRF 2 funds, \$18.32 billion has been allocated to reconstruction sectors that SIGIR has been reporting on for over a year and a half. Figure 2.18 shows sector allocation of the IRRF 2. The security and justice sector received the largest share of IRRF 2 allocations, nearly 40% of the total. Electricity has the second largest allocation, with an estimated 23% of the IRRF.

Table 2.20 provides project updates by sector. For a cross-reference of how IRRF 2 sectors relate to the sectors defined by SIGIR in this Report, see Appendix D.

IRRF 2 CURRENT ALLOCATIONS BY SECTOR

\$ Billions, % of \$18.32 Billion Allocated
Source: DoS, *Iraq Weekly Status* (9/26/2007)

Figure 2.18



Notes:
1. Numbers are affected by rounding.
2. See Appendix D for P.L. 108-106 cross-reference to SIGIR-defined sectors.
3. An additional \$0.21 billion allocated to Reconstruction Management.

IRAQ RELIEF AND RECONSTRUCTION FUND

IRRF 2 SECTOR UPDATE

SECTOR	% OF TOTAL IRRF 2 ALLOCATIONS	ALLOCATED (BILLIONS)	SECTOR UPDATE
SECURITY & JUSTICE	 <p>39.6%</p>	\$7.27	IRRF funding is being used to construct and renovate prison facilities. Currently, Nassriya, Phase 1 and Phase 2, and Fort Suse receive IRRF funding.
ELECTRICITY	 <p>22.8%</p>	\$4.19	<p>This quarter, production averaged approximately 4,550 MW per day—Iraq's highest quarterly average since 2003.</p> <p>At the Mussaib Power Station, a new gas turbine has come online.</p>
WATER	 <p>11.4%</p>	\$2.09	<p>SIGIR inspectors report that the execution of 21 contracts, valued at \$27 million, was not consistent with the original project objectives to provide the Mosul Dam and Ministry of Water Resources personnel with critically needed spare and replacement parts and the ability to conduct massive grouting or to fully implement enhanced grouting.</p> <p>The Nassriya Water Project was completed and turned over to the Ministry of Public Works and Water.</p>
OIL & GAS	 <p>9.3%</p>	\$1.71	Three key repair and reconstruction projects were completed this quarter: Natural Gas Liquids Plant in North Rumaila, LPG plant at Khor Zubair, and storage facilities at Umm Qasr.
ECONOMIC DEVELOPMENT	 <p>4.4%</p>	\$0.82	The Izdihar project has been extended until March 2008 because of a bid conflict with its successor, the Provincial Economic Growth (PEG) program.

IRRF 2 SECTOR UPDATE

SECTOR	% OF TOTAL IRRF 2 ALLOCATIONS	ALLOCATED (BILLIONS)	SECTOR UPDATE
HEALTH CARE	 <p>4.4%</p>	\$0.81	<p>Of the 142 funded PHCs, 80 have been completed, and 37 have been turned over to the Ministry of Health.</p> <p>The Basrah Children’s Hospital is 66% complete.</p>
TRANSPORTATION AND COMMUNICATIONS	 <p>4.2%</p>	\$0.78	<p>After many delays, the Roll On-Roll Off (RO-RO) Berth Project was completed this quarter.</p> <p>The Nelcon Crane Project is currently 88% complete, but non-operational generators at the site present challenges to operation.</p>
REFUGEES, IDPS, AND HUMAN RIGHTS	 <p>2.4%</p>	\$0.44	<p>In the Human Rights sector this quarter, DoS started producing and disseminating the electronic newsletter, <i>Human Rights Defenders Network</i> (HRDN).</p> <p>The IRRF has funded construction of 810 schools, providing classrooms for more than 323,000 students.</p>

Sources:

Allocations and Percentages: DoS, *Iraq Weekly Status*, September 26, 2007.
 Security and Justice: INL, response to SIGIR data call, October 17, 2007.
 Electricity: ITAO, *Daily Electricity Report*, July 1, 2007–September 30, 2007.
 Water: Mosul Dam: SIGIR Inspection PA-07-105, “Relief and Reconstruction at the Mosul Dam,” October 2007; Nassriya: ITAO, *Weekly Status Report*, September 11, 2007.
 Oil and Gas: DoS, *Section 2207 Report*, July 2007.
 Economic Development: USAID, response to SIGIR data call, October 1, 2007.
 Health Care: GRD response to SIGIR data call, October 10, 2007; DoS, *Iraq Weekly Status*, October 10, 2007.
 Transportation and Communications: GRD, response to SIGIR data call, October 9, 2007.
 Refugees, Human Rights, and Education: DoS, *Section 2207 Report*, July 2007.

Note: Percentages may vary due to rounding; an additional \$210 million of the IRRF 2 was allocated to Reconstruction Management.

TABLE 2.20

Among contractors, Bechtel National received the most IRRF 2 funding—more than \$1.2 billion obligated, as of October 15, 2007. For more information, see SIGIR’s audit of this contract in the July 2007 Quarterly Report. For the top ten IRRF 2 contractors, see Table 2.21.

Key U.S. Projects

According to ITAO, 44 IRRF 2 projects were scheduled for completion in September 2007, 56 in October, and 71 in November.⁹⁷ ITAO expects 65 more projects to be completed in the electricity sector before the end of 2007.⁹⁸

This quarter, SIGIR inspectors visited the **Qudas Power Plant Turbine Restoration Project** (valued at \$90.6 million) and the **Qudas Power Plant Expansion Project** (valued at \$147.4 million), in south Baghdad.⁹⁹ SIGIR inspectors found that Qudas projects to restore

turbine units and expand electricity generation capacity were adequately designed and moving forward satisfactorily at the time of their assessment. SIGIR inspectors also determined that sustainability for Qudas turbine projects was adequately planned and well-addressed in the contracts or task orders.¹⁰⁰

GRD turned over the **Nassriya Water Project** this quarter. Valued at \$276 million,¹⁰¹ this water treatment facility is expected to serve more than 500,000 people in the Thi-Qar province.¹⁰² The project had been delayed for several quarters because of an insufficient number of ministry-trained employees and inadequate power supplies.¹⁰³ Last quarter, SIGIR reported that the Nassriya Water Project was operating at 21% capacity.¹⁰⁴ SIGIR plans to inspect this project next quarter.

TOP TEN IRRF 2 CONTRACTORS (\$ MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED
Bechtel National, Inc.	\$1,214	\$1,177
FluorAMEC, LLC	\$964	\$927
Parsons Global Services, Inc.	\$695	\$635
Parsons Iraq Joint Venture	\$581	\$573
Kellogg, Brown & Root Services, Inc.	\$568	\$541
Washington Group International	\$509	\$499
Development Alternatives, Inc.	\$440	\$436
Environmental Chemical Corporation	\$352	\$349
Anham Joint Venture	\$259	\$259
Symbion Power, LLC	\$251	\$158

Sources: Corps of Engineers Financial Management System, All Items Report for PMCON and All Items Report for PMNCN, October 1, 2007; USAID, *Activities Report* (10/15/2007).

Note: This list is produced by compiling contract-level obligation data provided by GRD and USAID only.

TABLE 2.21

OTHER U.S. RELIEF AND RECONSTRUCTION FUNDS

In addition to the four main funding streams, the Congress appropriated more than \$5.012 billion for 28 other Iraq reconstruction activities. This section highlights funding for the largest of those activities:

- DoS Bureau of International Narcotics and Law Enforcement Affairs (INL)
- Migration and Refugee Assistance Fund
- Iraq Freedom Fund

INL

INL operates in many locations around the world, supporting programs in counter-narcotics, civilian police training, human trafficking, rule of law, and other areas related to international crime.¹⁰⁵ It began receiving funds for use in Iraq in 2003. INL carries out its mission in Iraq primarily through the use of contractors.

To date, INL has received more than \$2.5 billion from the IRRF, ISFF, and transfers from DoD, as well as \$261 million appropriated directly from the Congress.

FUNDING USES

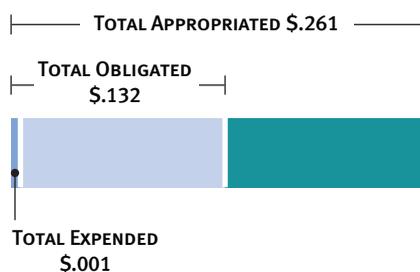
In Iraq, INL funds several activities in support of the civilian police, corrections, and the rule of law. For the status of INL funding, see Figure 2.19. Figure 2.20 is a flowchart from SIGIR, the “Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction,” released on July 27, 2007, showing the INL funding process.

Figure 2.19

STATUS OF INL FUNDS

\$ Billions

Sources: INL, Response to SIGIR Data Call (10/18/2007)



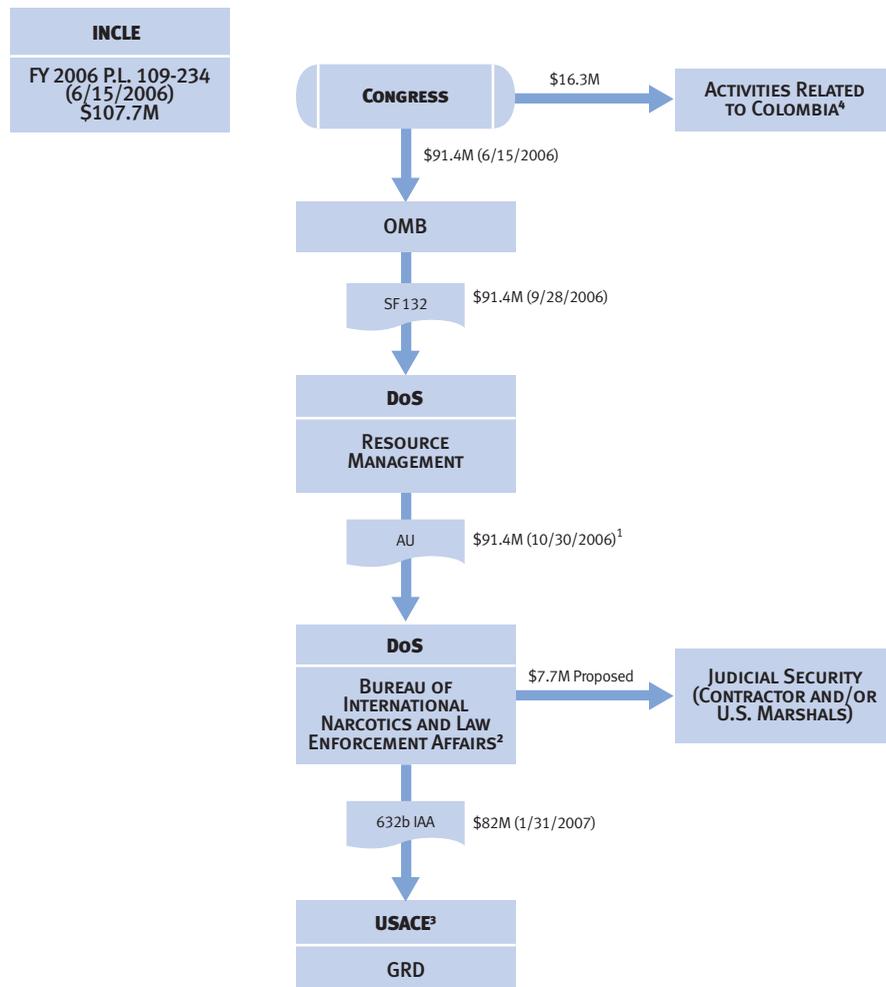
Note: Numbers are affected by rounding.

OTHER FUNDING

Figure 2.20

FLOW OF INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT (INCLE), P.L. 109-234

Sources: DoS Bureau of International Narcotics and Law Enforcement Affairs and Bureau of Resource Management, Office of Management and Budget, and P.L. 109-234



AU Allotment Agency
 IAA Interagency Agreement
 M Million
 SF 132 Apportionment and Reapportionment Schedule

Notes:
 1. Dates presented are the initial transmittal dates of funds apportioned or allotted for each action and do not necessarily represent an action for the total amount of funds.
 2. \$1.7M for Bureau program support costs.
 3. Funds have been obligated, as of May 23, 2007.
 4. These funds were rescinded.

Police

Civilian police training programs in Iraq are run by the Civilian Police Assistance Training Team (CPATT), which was established in 2004¹⁰⁶ to “man, train, and equip the Iraqi Civilian Security Force.”¹⁰⁷ INL received more than \$2.3 billion from the IRRF, DoD, and ISFF for these initiatives.¹⁰⁸ DoD transferred about \$1.4 billion to INL to assist in the effort, particularly to provide police advisors.¹⁰⁹

INL was originally tasked with supplying 690 International Police Liaison Officers, 192 International Police Trainers, and 143 Border Enforcement Advisors for the effort.¹¹⁰ The number of requested Border Enforcement Advisors has since been reduced to 70.¹¹¹ For an expanded discussion of this program, see the Iraq Security Forces Fund section in this Report.

This quarter, SIGIR issued an interim review of INL’s contract with DynCorp for police training. SIGIR has not completed its review because INL did not have the information and documentation needed to identify what DynCorp provided under the contract and how it spent the money. Similar problems were identified in a July 2007 DoS OIG report and in a January 2007 report issued jointly by SIGIR and the DoS OIG.

INL has undertaken a number of improvement initiatives, and SIGIR temporarily suspended its work to give INL the time needed to implement them. In the meantime, SIGIR recommends that INL develop a coordinated and comprehensive corrective-action plan approved by the Assistant Secretary, INL.

Corrections

The INL’s prison construction effort is a part of the corrections program. It chiefly aims to build high-security facilities for post-conviction prisoners but is also involved in building limited detention facilities for pre-trial detainees.¹¹²

INL has received more than \$203 million for corrections work in Iraq since 2003—approximately \$82 million appropriated directly to the construction effort.¹¹³

INL entered into an interagency agreement with USACE-GRD to construct and renovate prison facilities.¹¹⁴ The work includes projects in Nassriya (Phase II), Chamchamal,¹¹⁵ and Fort Suse.¹¹⁶

Rule of Law

Since 2003, approximately \$300 million has been provided to support rule-of-law programs, \$137 million of which was appropriated directly to INL; INL has obligated \$26.6 million of this amount.¹¹⁷

The U.S. rule-of-law program also works to develop Iraq’s judicial capacity by providing security for judges, training judicial staff, and engaging Iraqi lawyers in professional capacity-building activities.¹¹⁸ In a program managed by the U.S. Marshals Service, INL is providing secure housing for 40 judges and their families.¹¹⁹

Small and unarmed security details¹²⁰ and frequent travels to corrections facilities¹²¹ contribute to judicial vulnerability. Since 2003, 33 judges—22 of them in Baghdad¹²²—and 30 judicial bodyguards have been killed.¹²³

The Inspector General met with judges in August during his trip to Iraq and learned that judicial bodyguards cannot get the Ministry of Interior to issue them permits for weapons. A senior judge in Baghdad reported to the IG that this greatly increases the vulnerability of all judges to intimidation and attack.

The problem of judicial security began to be addressed in April 2006, when Iraq's Chief Judge signed an order establishing the Judicial Protection Service (JPS) to improve judicial security. INL and the U.S. Marshals Service are helping create the JPS, which is modeled in part after the Marshals Service.¹²⁴ Although the Higher Judicial Council requested authorization to hire candidates for training in July 2007, it is still waiting for GOI approval.¹²⁵ An INL manager is finalizing a Statement of Work for bids to assist with policy development, construction of a training facility, and to train 1,000 Iraqis under the program.

INL has provided \$1.2 million through an interagency agreement with the Marshals Service to train 120 leadership officials in the United States.¹²⁶ INL plans to fund an additional \$10.8 million to establish a temporary training facility and to train JPS officers in Iraq.¹²⁷

The United States and the GOI are taking steps to improve judicial infrastructure as part of the rule-of-law judicial security initiative.¹²⁸ Currently, there are 93 courthouses in Iraq. INL, through a partnership with the U.S. Marshals Service, plans to provide \$2.9 million in security upgrades to courthouses in Basrah, Mosul, Ba'quba, and Kirkuk.¹²⁹

Detainees

Iraqi detainee management remains a complicated issue confronting the rule-of-law community in Iraq. Facilities are overcrowded,¹³⁰ abuse is a problem,¹³¹ and the juvenile population in the system has increased disproportionately.¹³²

The United States and Iraq are taking steps to address these challenges, including building additional detention compounds, increasing the number of judges and judicial panels, tracking detainees,¹³³ and establishing an overarching Iraqi plan to improve detainee management.¹³⁴

Although maintaining an accurate list of detainees has been difficult. On August 25, 2007, Iraq's Chief Judge ordered the Ministries of Interior, Defense, and Justice to develop a list of all detainees (along with the arrest date, penal code, and originating institution that charged them) in their custody.¹³⁵

On September 20, 2007, Iraq's Prime Minister signed a plan to improve detainee conditions and processing. The plan, which was drafted and signed by the President/Chief Judge of Iraq's Higher Judicial Council, the Iraqi National Security Advisor, and the Deputy Prime Minister, provided 30 recommendations for the legal sector, the judiciary, and other ministry functions.¹³⁶ The plan was crafted from recommendations presented to the signing parties by the Embassy Rule of Law Coordinator and U.S. Embassy staff.¹³⁷ Table 2.22 briefly outlines the plan.

IRAQI DETAINEE PLAN, SIGNED SEPTEMBER 20, 2007

SECTOR RESPONSIBILITIES	MAIN TOPICS
Legal 15 Recommendations	<ul style="list-style-type: none"> • Develop a comprehensive detainee list by the Ministries of Justice, Interior, Defense, and Labor and Social Affairs by September 1, 2007. • Classify detainees by criminal, terrorist, or organized crimes, and juveniles must be separated from adults. • Activate the Rule of Law and Detention Follow-up Committee, which is directed to hold weekly meetings and submit monthly reports. • Provide adequate living conditions for detainees that will be reviewed by inspectors. All human rights violators are required to be punished. • Prohibit arrests without warrants; except for witnessed crimes or “public outbursts/ strikes.” • Task the Ministry of Labor and Social Affairs with keeping and developing reports on juvenile detainees. • Promptly release detainees within 48 hours of judicial order verification. • Prohibit investigators from attending judicial investigations in the presence of the detainee. • Provide sick detainees with medical care at assigned clinics.
Judiciary 8 Recommendations	<ul style="list-style-type: none"> • Need for defense lawyers to be present at trials. • Need for overtime work, if necessary, to complete cases. • Activate and possibly increase the number of judicial panels. • Improve coordination with the Ministry of Interior to expedite investigations or trials. • Train both judicial and police investigators to improve their skills. • Give “special interest and care” to cases involving senior citizens and juveniles.
Other Ministries 7 Recommendations	<ul style="list-style-type: none"> • Organize committees to oversee detainee management and reintegration into society. • Task the Ministries of Interior, Labor and Social Affairs, and Justice with improving detainee living conditions. • Task the Ministry of Health with providing medical and mental health screening. • Create a central office in the Ministry of Justice to track detainee information. • Work to complete cases of detainees held by the Multi-National Force-Iraq (MNF-I). • Develop a reeducation curriculum for detainees. • Assess the possibility of a special amnesty program, except for those accused of terrorist, organized, or integrity crimes.

Source: GOI, “Plan: Dealing with the Problems of the Detainees,” September 20, 2007.

TABLE 2.22

Migration and Refugee Assistance

Established in 1962, the Migration and Refugee Assistance Fund provides U.S. support to international aid organizations.¹³⁸ The fund assists Iraqis as part of its aid to refugees around the world.¹³⁹

On May 25, 2007, P.L. 110-28 allocated \$45 million to fund Migration and Refugee Assistance in Iraq.¹⁴⁰ This \$45 million is in addition to a \$20 million appropriation through the 2007 Foreign Assistance Continuing Resolution and \$14.4 million from the IRRF funds to aid Iraqi refugees in Jordan, Syria, and Lebanon.¹⁴¹ These funds will provide refugee healthcare, education, shelter support, and relief commodities.¹⁴² For more information about refugee assistance this quarter, see the Refugees, IDPs, and Human Rights section of this Report. Table 2.23 shows recent allocations to the Migration and Refugee Assistance Fund for use in Iraq.

Iraq Freedom Fund

On April 16, 2003, the Congress created the Iraq Freedom Fund (IFF) through P.L. 108-11, which provided \$15.6 billion of support for the Global War on Terror. GAO defines the IFF as “a special account providing funds for additional expenses for ongoing military operations in Iraq and those operations authorized by P.L. 107-40.”¹⁴³

On May 25, 2007, P.L. 110-28 appropriated over \$355 million for the IFF. Of this amount, \$150 million has been designated for reconstruction efforts.¹⁴⁴ Of this \$150 million, \$100 million was assigned to Provincial Reconstruction Teams, and \$50 million was allocated for the Task Force To Improve Business and Stability Operations (TF-BSO). As of October 8, 2007, \$37 million of the TF-BSO funds had been obligated.¹⁴⁵ For more information on PRTs and TF-BSO, see the PRT and Economic Development sections in this Report.

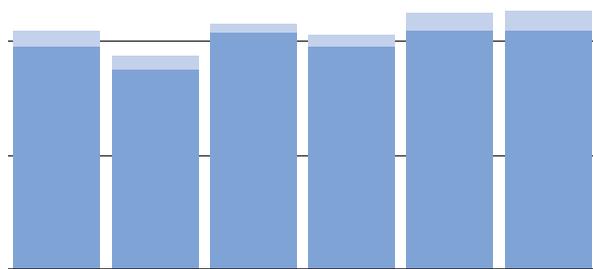
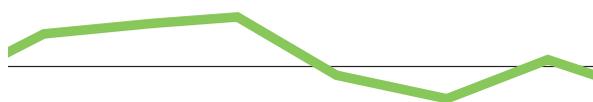
MIGRATION AND REFUGEE ASSISTANCE FUND WITHIN IRAQ

FISCAL YEAR	AMOUNT (IN MILLIONS)	FUND ORIGINS
FY 2004	\$105.0	IRRF
FY 2005	\$54.0	IRRF
FY 2006	\$27.0	IRRF
FY 2007	\$45.0	P.L. 110-28
FY 2007	\$8.6	Reallocation of Funds
FY 2007	\$14.4	Reallocation of Funds
FY 2007	\$20.0	2007 Foreign Assistance Continuing Resolution

Sources:
 FY 2004, 2005, 2006: DoS, *Section 2207 Report*, July 2006, p. I-115; DoS, *Section 2207 Report*, October 2006, p. I-104. FY 2007 \$45: P.L. 110-28 Conference Report, Report 110-107, April 24, 2007, p. 206, accessed at www.thomas.gov, October 17, 2007; FY 2007 \$8.6: DoS, *Section 2207 Report*, April 2007, p. I-86. FY 2007 \$14.4: DoS, *Section 2207 Report*, July 2007. FY 2007 \$20: OMB, response to SIGIR data call, September 26, 2007.

TABLE 2.23

IRAQ'S DEVELOPMENT





PROVINCIAL RECONSTRUCTION TEAMS

The Provincial Reconstruction Team (PRT) program is the most important governance capacity-building program currently managed by the United States in Iraq.

The program comprises integrated, multidisciplinary teams of Coalition civilian and military personnel who teach, train, and mentor provincial and local government officials in economic development, governance, rule of law, reconstruction, and political reconciliation.¹⁴⁶

The PRT program's objectives include improving stability, increasing local institutional capacity, facilitating reconstruction activities, and executing strategic communications at the local and provincial levels.¹⁴⁷

Original PRT Mission

The PRT program was established in 2005 as a civil-military initiative overseen jointly by DoS and DoD. The program began with a plan to create ten province-based PRTs and seven Provincial Support Teams (PSTs). PSTs are collocated with the PRTs and travel to provinces to engage provincial and local officials and conduct capacity-building activities.

PRT Mission Expansion

Along with the military surge, which began in January 2007, came a "civilian surge" that saw 15 new PRTs embedded in Army maneuver brigade combat teams (BCTs). The mission of embedded PRTs (ePRTs)—which are directed by BCT commanders—differs from the original PRTs, as does their employment doctrine. The ePRTs support field commanders by carrying out economic and capacity-building initiatives that complement BCT security operations. They are located primarily in the same battle space as the surge BCTs: Baghdad, Anbar, and Diyala provinces.

The ePRTs add a notable new dimension to the PRT program in that they primarily support counterinsurgency operations and will stand down or relocate as their respective BCTs are withdrawn. They do not chiefly aim at promoting capacity-building activities. Rather, they focus on activities that potentially will win the loyalties of local populations.

The expanded PRT program now comprises the 10 original PRTs, the 15 new ePRTs, and the 7 PSTs. Of the original 10 province-based PRTs, 7 are led by the United States, and 3 are led by Coalition partners. Of the 15 new U.S.-led ePRTs, 9 are located in Baghdad, 3 in Anbar, 1



Figure 2.21

PROVINCIAL RECONSTRUCTION TEAM PROGRAM IN IRAQ

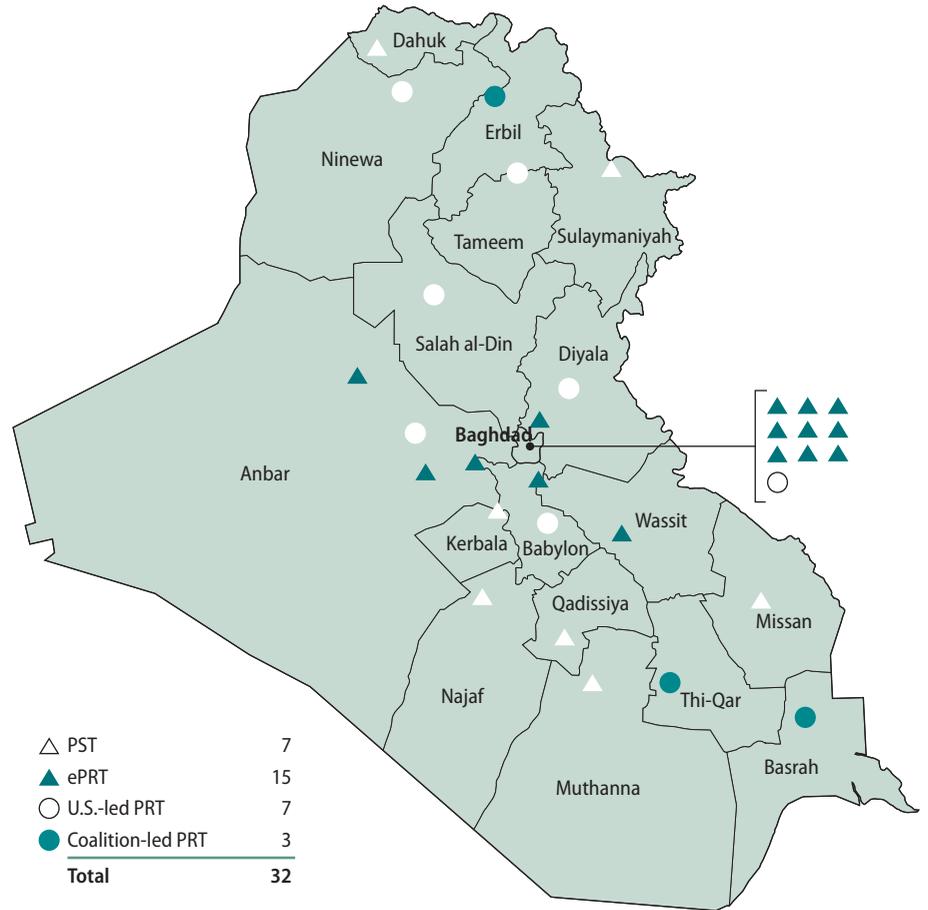
Source: SIGIR-07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq" (October 2007)

in northern Babylon, 1 in southern Diyala, and 1 in Wassit province. Figure 2.21 shows the footprint of the expanded PRT program in Iraq.

PRT Funding

To date, almost \$2 billion has been appropriated for the PRT program, and nearly another billion has been requested.¹⁴⁸ PRT program activities receive support from the Economic Support Fund (ESF). Table 2.24 provides an overview of PRT funding, which has increased from \$700 million in FY 2006 to \$1.104 billion in FY 2007—an increase of nearly 58%.

GRD's PRT/PRDC program has consistently received most of the PRT allocations from each Supplemental. This program funds reconstruction projects that the Provincial Reconstruction Development Councils (comprised of local Iraqi officials) select and that are then approved by the National Embassy Team. For the percentage of each Supplemental provided to both operational and program-level funding, see Figure 2.22.



Note: Locations are approximate.



U.S. SUPPORT FOR THE PRT PROGRAM (MILLIONS)

PRT FUNDING CATEGORY	FY 2006 SUPPLEMENTAL ENACTED	FY 2007 SUPPLEMENTAL ENACTED	TOTAL	FY 2008 BUDGET REQUESTED
Operational Funding	\$230 ^a	\$414	\$644	\$679
Program Funding from ESF				
PRT/PRDC Projects	315	475	790	160
PRT Local Governance Program	155	90	245	98
Quick Response Fund		125	125	
Total ESF	470	690	1,160	258^b
Grand Total	\$700	\$1,104	\$1,804	\$937

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

Notes:

^aNone of the operating funds from FY 2006 were obligated or expended in FY 2006; they were carried forward into FY 2007.

^bIncludes \$93 million in base agency funding and \$165 million in Global War on Terrorism (GWOT) funding.

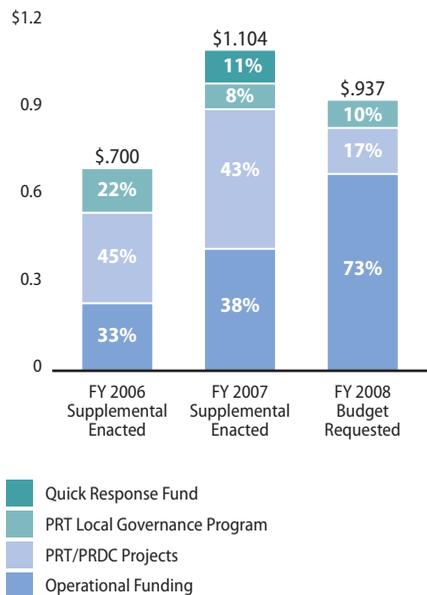
TABLE 2.24

Figure 2.22

PROGRAM AND OPERATIONAL FUNDING FOR THE PRT PROGRAM

\$ Billions

Source: SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," (October 2007); ITAO, Response to SIGIR Data Call (10/18/2007)





PRT Staffing

During 2007, the number of PRT personnel has more than doubled. Just over a year ago, 238 individuals were staffing PRTs; now, more than 600 persons are deployed, and many more are en route or in the employment pipeline. The growth has been driven primarily by the creation of the 15 new ePRTs.

The PRT expansion has a three-phase staffing plan. Figure 2.23 shows an overview of the pro-

gram and the timeline for filling surge positions at the PRTs.

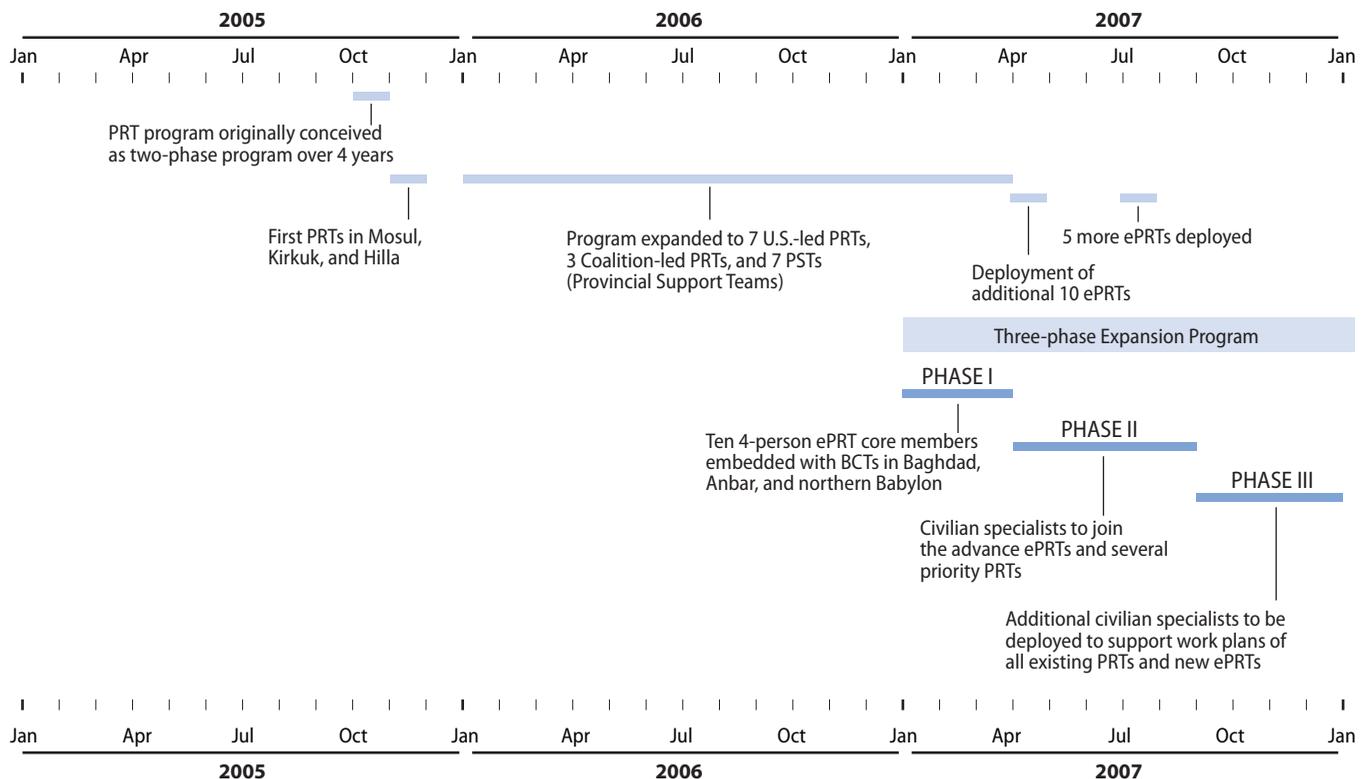
Although progress has been made this quarter in meeting targeted staffing levels, a number of positions remain unfilled. For the status of PRT surge staffing, see Table 2.25.¹⁴⁹

DoS reports that it is aggressively working with the Office of Provincial Affairs (OPA) to meet the goal of 111 personnel for Phase III positions by the end of the year.¹⁵⁰ Of the 76 selected

Figure 2.23

PRT PROGRAM TIMELINE

Source: SIGIR Audit 07-014, "Status of the Provincial Reconstruction Team Program Expansion in Iraq" (7/25/2007)





STATUS OF THE PRT STAFFING SURGE, AS OF AUGUST 30, 2007*

AGENCY	PHASE I		PHASE II		PHASE III	
	REQUIRED	ONBOARD	REQUIRED	ONBOARD	REQUIRED	SELECTED ⁹
Department of Defense	9	9	98	95	-	-
Department of State	20	20	23	0	74	46
Other Agencies	9	9	12	0	37	30
Totals	38	38	133	95	111	76

Source: OPA, response to SIGIR data call, August 31, 2007

Notes:

*PRT staffing numbers shift constantly. This table represents a snapshot at August 30, 2007.

⁹For Phase III, the OPA provided the total number of personnel “selected” for positions. A later response to a SIGIR data call identified 18 of the 76 onboard as of October 11, 2007. At this time, information about the agency distribution of the 18 onboard is not available.

TABLE 2.25

for Phase III, 18 are onboard, and 58 individuals have been hired and are undergoing in-processing and training, as reported by OPA.¹⁵¹ Figure 2.24 shows the status of the identified Phase III positions, as of October 11, 2007.

USAID is providing 45 subject matter experts (SMEs) through a contractor.¹⁵² OPA has designated PRT/ePRT positions for most of these SMEs, and the remainder are stationed at the Local Governance Program’s regional centers to address special PRT requests and to fill vacancies in designated positions.

PRT Progress in the Provinces

As the PRT program in Iraq enters its third year, the effectiveness of its efforts in developing Iraq’s provincial and local government capacity remains largely unmeasured, primarily because there are few indicators to gauge progress.

This quarter, SIGIR released an audit that assessed PRT progress. In the course of carrying out the audit, SIGIR visited ten PRTs, nine ePRTs, and seven PSTs to assess five core areas—governance, rule of law, economic devel-

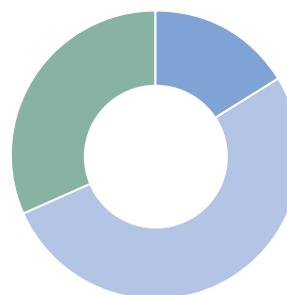
opment, reconstruction, and political reconciliation. Overall, SIGIR found that the PRT program is making incremental progress in capacity-building at the provincial and local levels. For the executive summary of SIGIR’s audit of the PRT program, see Section 3 of this Report.

Table 2.26 presents an overview of the audit’s findings for each region in Iraq for the five areas of PRT program emphasis. (The U.S. agencies operating in Iraq use different spellings of Iraqi provinces and cities. This figure reflects the spellings used by the PRT program, not by SIGIR.)

Figure 2.24

PHASE III PRT SURGE PERSONNEL, AS OF OCTOBER 11, 2007

Civilian Personnel
Source: OPA, Response to SIGIR Data Call (10/11/2007)



On Board	18	16%
In Pipeline	58	52%
To Be Filled	35	32%

PROGRESS VIEWED ACROSS REGIONAL AREAS OF THE COUNTRY

REGIONAL AREAS	PRT OFFICIALS REPORT	PRT INITIATIVES
<p>NORTHERN PROVINCES</p> <p>Better security situation, with relative peace and stability in Kurdish provinces. Concerns exist that situation could worsen if insurgents flee north.</p>	<p>Progress in governance skills of Iraqis. Better links between provincial officials and counterparts at the local/central levels.</p> <p>All provinces were making progress executing 2007 budgets and were ahead of 2006 pace.</p> <p>Mixed assessment of provinces' law enforcement and judicial systems' effectiveness.</p> <p>In Ninewa, public confidence in judicial system increased from 6-25% this period.</p> <p>Establishment of Major Crimes Court in Ninewa with other provinces in progress.</p>	<p>Teaching and coaching provincial officials on governance issues.</p> <p>Actively assessing the justice system by visiting judicial, prison, and police facilities.</p>
<p>RULE OF LAW</p>	<p>Healthy economic growth in Kurdish region because of ability to attract international donors and investors. Shortages of fuel and reliable power constrain development in other provinces.</p>	<p>Efforts underway in all provinces to develop financial sectors and assist small businesses and agricultural efforts—but efforts are fairly small.</p>
<p>ECONOMIC DEVELOPMENT</p>	<p>Provincial officials are now able to identify, prioritize, and coordinate projects.</p> <p>Provincial reconstruction process has expanded to include GOI funds and is slowly transitioning to full Iraqi control.</p>	<p>Teaching management skills to provincial officials rather than funding construction projects.</p>
<p>RECONSTRUCTION</p> <p>POLITICAL RECONCILIATION</p>	<p>Efforts have failed to significantly influence sectarian and tribal leaders to address the issue of reconciliation.</p> <p>Uncertainty created by upcoming Article 140 referendum to determine if Kirkuk and Northern Iraq's disputed territories will be part of the Kurdistan region is casting a shadow over the region.</p>	<p>Trying to assist in finding common ground between parties.</p>

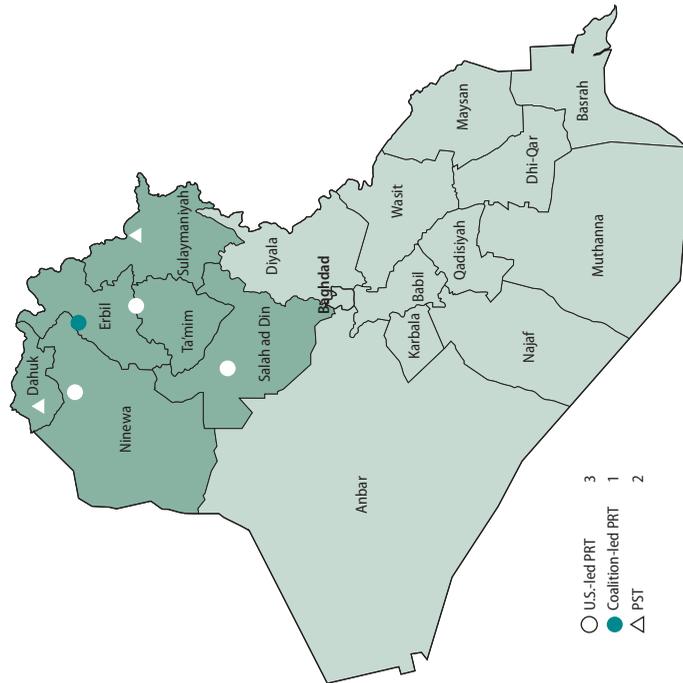


TABLE 2.26

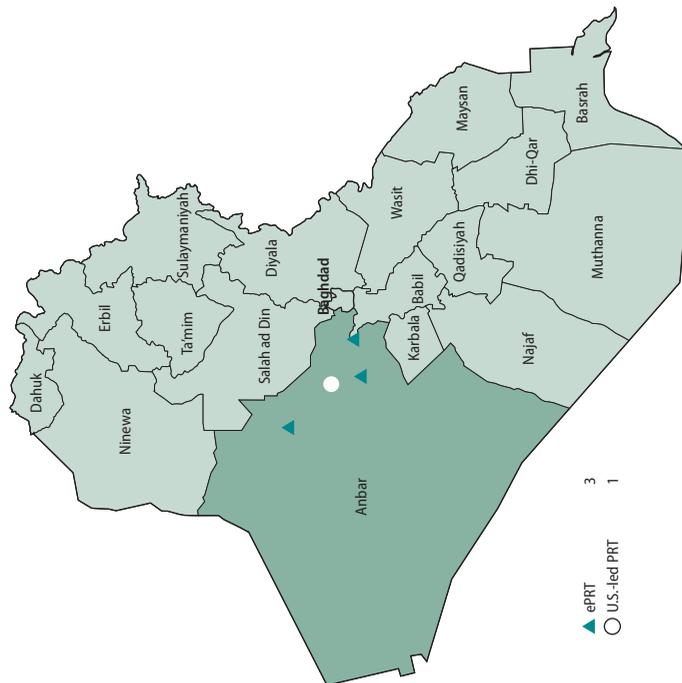
PROGRESS VIEWED ACROSS REGIONAL AREAS OF THE COUNTRY

REGIONAL AREAS

WESTERN PROVINCE

By spring of 2007, tribes had banded together to oppose Al-Qaeda, improving the security situation. Many who fled are returning and seeking their former positions.

With improved situation, PRTs/ePRTs expect their efforts will begin showing results in the next 4-6 months.



PRT OFFICIALS REPORT

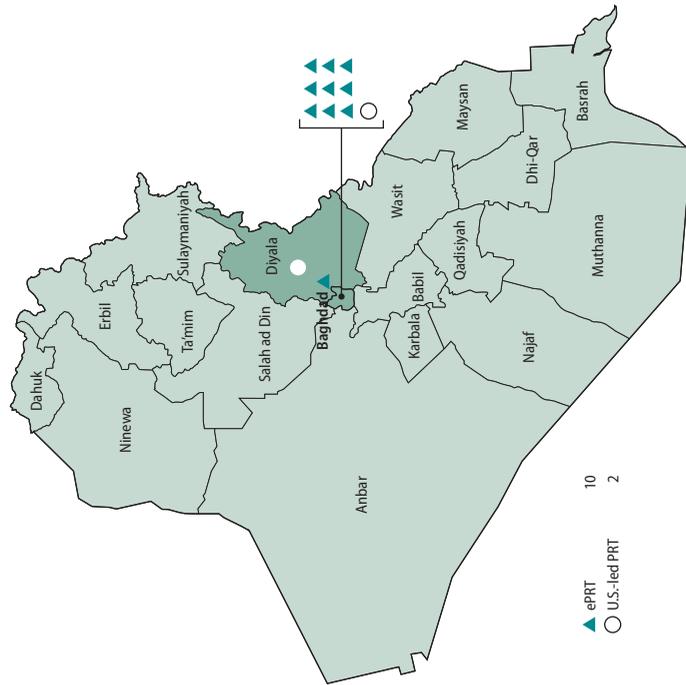
GOVERNANCE	PRT OFFICIALS REPORT	PRT INITIATIVES
	Integral components of provincial government are in place; however, ineffective linkages and relationships are limiting effectiveness. Governance is in formative stages as key stakeholders remain in a state of flux.	Trying to improve communication between various levels of government.
RULE OF LAW	Although civil courts had been functioning, security issues prevented judges from hearing major crime cases. Little linkage or chain-of-command relationships between police, courts, and correction personnel.	Initiatives limited because PRTs/ePRTs lack a sufficient number of experts to provide the needed legal and judicial assistance.
ECONOMIC DEVELOPMENT	Efforts to foster economic development are underway now that large-scale combat operations have ended. However, the lack of programs to create permanent jobs, lack of fuel, and sporadic power access undermines factory restarts and other development.	Efforts since arrival of economic specialists in mid-June include restarting a factory and reopening the city's main market.
RECONSTRUCTION	Progress is slow in beginning to spend GOI funds for reconstruction involving essential services. Ramadi and Fallujah infrastructure remains largely destroyed from years of fighting.	Teaching management skills to provincial officials.
POLITICAL RECONCILIATION	As a result of the tribes having mobilized to align with coalition forces against Al-Qaeda's presence in Iraq, officials are optimistic that measurable progress may now be made. However, concerns persist about dormant tribal issues that could emerge.	Efforts to impress on predominantly Sunni provincial government officials the need to obtain funding and services from the central ministries.

PROGRESS VIEWED ACROSS REGIONAL AREAS OF THE COUNTRY

REGIONAL AREAS

CENTRAL PROVINCES

Significant security challenges remain. However, PRT Baghdad made more than 1,500 trips during the past year to areas outside the International Zone. New ePRTs have expanded U.S. interaction with Iraqis at the neighborhood, district, and municipal levels. BCT leaders seem convinced that ePRTs constitute a tangible benefit.



PRT OFFICIALS REPORT

PRT INITIATIVES

GOVERNANCE

Governance remains extremely contentious; Shia parties continue to fight any structural changes that might weaken their position. Some areas of governance have improved, but challenges remain in keeping provincial and local officials on task to solve problems and take ownership of their government.

Working to establish links between local and provincial officials. Assisted Baghdad province in submitting a budget resulting in district funding for the first time.

RULE OF LAW

Concern that focus is too short-term at the expense of long-term needs of the judicial system. Iraqi police have not earned the trust of the population, and judicial orders tend to be ineffective.

Upgrading technical skills of judicial personnel and addressing overcrowded conditions in prisons.

ECONOMIC DEVELOPMENT

Security issues and sporadic power supplies continue to hinder growth in Baghdad. North Diyala has had stable growth, South Diyala is dysfunctional because of the tenuous security situation.

Although insecurity hinders PRTs, efforts made in securing/re-opening Baghdad markets, promoting micro-lending, and assessing state-owned enterprises to determine viability.

RECONSTRUCTION

Baghdad's institutions are assuming functions formerly carried out by U.S. officials, but getting them to take responsibility for maintaining facilities remains a significant challenge. In Diyala, the sectarian divide undercuts efforts, and the province is having difficulties executing its budget.

Managing reconstruction efforts and working with provincial counterparts, encouraging them to take responsibility for maintaining their infrastructure.

POLITICAL RECONCILIATION

Despite reduced violence, officials are pessimistic that lasting reconciliation is occurring and expressed concern that a departure of U.S. forces would result in ethnic cleansing.

Projects implemented through the provincial reconstruction process split roughly 50-50 between Sunni and Shia neighborhoods.

In Diyala, there is a desire to work toward reconciliation, but it will take years to overcome ill-will between tribes.

PROGRESS VIEWED ACROSS REGIONAL AREAS OF THE COUNTRY

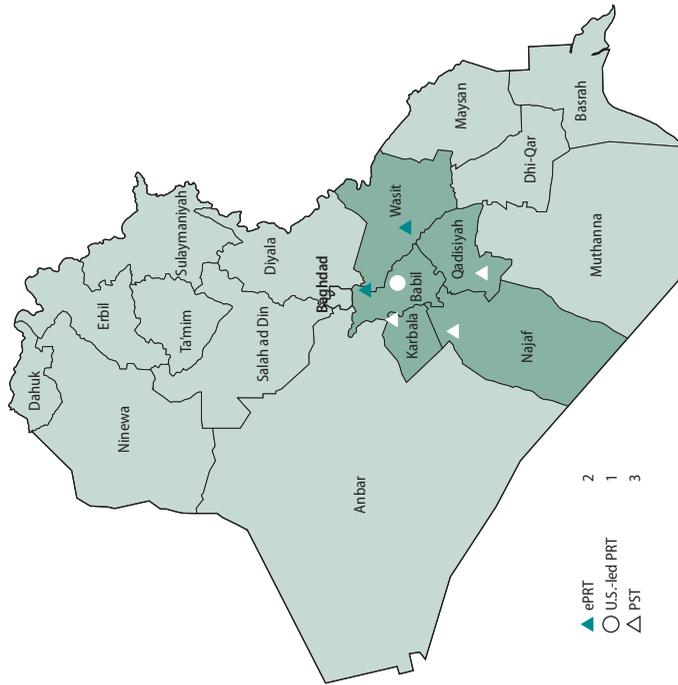
REGIONAL AREAS

SOUTH-CENTRAL PROVINCES

Fundamental issue facing PRTs is movement security, limiting their ability to effectively engage Iraqi counterparts and assess progress.

Tangible progress being made in Babil, but officials in Najaf, Karbala, and Qadisiyah are less optimistic.

Region is known as the Shia heartland: security is generally calm for Iraqis and Iranians, but dangerous for Coalition forces, civilians, and PRT personnel.



PRT OFFICIALS REPORT

GOVERNANCE
All five provinces are finishing Provincial Development Strategy plans and modest improvement to budgeting, strategic planning, and forming civil societies.

RULE OF LAW
Governments are marginally able to provide law enforcement and judicial functions that openly and fairly protect and serve the population. Advisors believe wholesale reform of Iraqi law is needed to bring coherence to the law and fill many gaps in political and regulatory practices.

ECONOMIC DEVELOPMENT
Region is economically stagnant with little evidence of growth or permanent job creation. Religious tourism and small-scale agricultural production constitute main economic activities. Pressing need to reduce unemployment to counter recruitment by militias. Security has restricted commercial credit and Iraqi and foreign investment in small and medium-sized businesses. PRT Babil reports an acute need for business development training.

RECONSTRUCTION
Provinces are doing a reasonably effective job of managing reconstruction efforts despite poor performance in staffing and sustaining facilities once built. All provinces are on course to execute their 2007 capital budgets.

Karbala and Najaf are generally able to provide basic services, but the other provinces struggle to do so.

POLITICAL RECONCILIATION
Provincial elections are planned, and political parties are working to consolidate power. Political dialogue is scarce, and civil society too weak to mediate.

Predominantly Shia, this region does not face the sectarian problems of the mixed areas in and around Baghdad. One exception in the northern districts of Babil and Wasit, where sectarian fighting and insurgent infiltration have become endemic.

Provincial government has largely abstained from working to solve problems in the north.

PRT INITIATIVES

Limited ability to teach, coach, and mentor because of tenuous security situation.

Judges and lawyers are reluctant to work closely with U.S. personnel. Some progress has been made (i.e. distributing laptops to judges with software capable of searching Iraqi law).

Opening of business development centers and plan to use quick response funds to increase agricultural production.

Security situation limits ability to teach, coach, and mentor Iraqi counterparts.

Limited. PRT officials on the ground question what role and effect they can have on the reconciliation process.

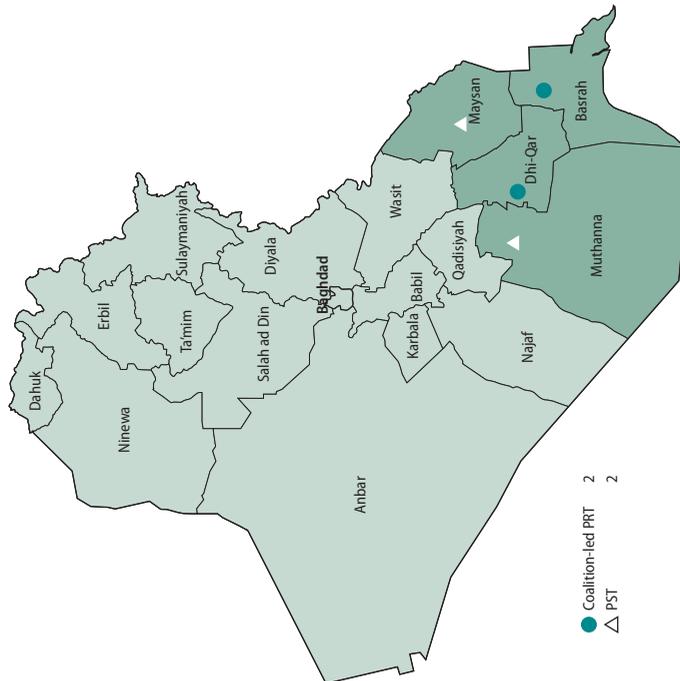
PROGRESS VIEWED ACROSS REGIONAL AREAS OF THE COUNTRY

REGIONAL AREAS

SOUTH-EASTERN PROVINCES

The political and security situation in Basrah, which is home to 2/3 of Iraq's oil resources, casts a political and economic shadow over the other three provinces.

Security situation has stilled PRT in Basrah; PST personnel in Muthanna feel that their province offers the most relaxed security environment and the key to their footing in the southeast region.



PRT INITIATIVES

PRT coaching and mentoring to encourage government officials to develop overall provincial plans and transition to a more participatory, transparent mode of governance.

PRT OFFICIALS REPORT

Provinces possess generally functional governments that were on track to expend entire 2007 budgets. However, officials lack hard skills in areas such as administration, management, planning, and accounting. Also, officials have shown themselves incapable of providing and sustaining essential services. Most of the region suffers from low literacy and a lack of skilled labor.

GOVERNANCE

Differences among the provinces. Police officers are viewed with suspicion by the local population because of their links to local militias and corrupt activities.

RULE OF LAW

Until the violence in Basrah subsides, they do not expect much economic growth. Except for the oil industry and ports in Basrah, there is little new economic activity. Unemployment is estimated at 40-60%, and subsistence agriculture is the main source of jobs. Before 2003, small to medium-sized business flourished but then stopped. Efforts to restart them are stymied by a lack of skill or interest.

ECONOMIC DEVELOPMENT

Provinces recently developed their Provincial Development Strategy. However, most reconstruction projects have been carried out by coalition forces with little Iraqi input. Provincial officials have little ability to manage and sustain those projects.

RECONSTRUCTION

Reconciliation, in terms of sectarian considerations, is not an issue in this region because the vast majority of the population is Shia. Conflict between political parties is nonetheless a concern in some areas. Shia political groups are locked in violent struggle in Basrah, leaving the city in control of militias and criminal gangs.

POLITICAL RECONCILIATION

Recent violence in Dhi-Qar broke months of relative calm. In Muthanna, tribal loyalties take precedence over political parties.



Provincial Iraqi Control Over Security

Provincial Iraqi Control (PIC) is the term used to describe a province that has transitioned its security responsibility to Iraqi control. This quarter, the March 2008 target date for completing the PIC for all provinces was extended to July 2008.¹⁵³ This is the latest adjustment of the

PIC completion date. Previously, PIC completion was expected by the end of 2007.¹⁵⁴

Seven provinces have already achieved PIC status, as shown in Figure 2.25.¹⁵⁵ Last quarter, an eighth province (Basrah) was identified as a “priority province” for PIC, but the transfer has yet to occur.¹⁵⁶

DoD recently noted that PIC transition is not

Figure 2.25

PROVINCIAL SECURITY TRANSITION ASSESSMENT, AS OF AUGUST 2007

Source: DoD, *Section 9010 Report* (9/14/2007)





a sufficient condition for withdrawal of Coalition forces and that the Multi-National Force-Iraq (MNF-I) will assume an “overwatch” posture to support emergent security requirements beyond the control of Iraqi security forces.¹⁵⁷

As Coalition military forces reduce their presence in provinces that have returned to PIC, MNF-I is expected to reduce its presence while maintaining the ability to support PRT and Transition Team efforts.¹⁵⁸ But the planned turnover of Coalition Forward Operating Bases (FOBs) in provinces slowed as force levels increased for the military surge. Between August 2006 and September 2007, the number of FOBs increased 13.6% (from 110 to 125); 61 FOBs have been turned over to Iraqi control.¹⁵⁹

PRT Program Challenges

PRT program coordination and staffing challenges persist. A September 2007 USAID audit reported deficiencies in the interaction and coordination of some USAID PRT representatives with their cognizant technical officers and in the activities being implemented in their areas.¹⁶⁰ The audit also identified a lack of procedures and poor coordination.¹⁶¹

SIGIR has performed three audits on PRTs, which were released in October 2006, July 2007, and October 2007. In each of these audits, SIGIR has made relevant recommendations to address program challenges. The challenges and related SIGIR recommendations are summarized in Table 2.27.¹⁶²

SIGIR’s recommendation to develop objectives and performance measures is still appropriate. The need for such measures is especially pressing in Basrah, Najaf, Kerbala, Qadissiya, and Missan, where PRT access to Iraqi officials is limited because of the difficult security conditions.

The need to effectively coordinate PRT programs continues to present challenges. In some provinces, commanders are using CERP funds to conduct projects that are more appropriate for local and provincial governments, but this work has sometimes conflicted with PRT activities.¹⁶³ In provinces where commanders are coordinating well with PRT team leaders, reconstruction projects are achieving better results.



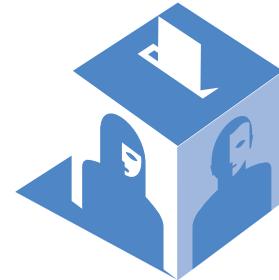
PRT CHALLENGES AND SIGIR RECOMMENDATIONS

PRT CHALLENGES	RELATED SIGIR RECOMMENDATIONS
SEARCH FOR SKILLED PERSONNEL	
<ul style="list-style-type: none"> Agencies have struggled to field civilian advisors; many PRTs are at half capacity. There is a mismatch of skill sets to fit the responsibilities of the PRT role; fits are improving but remnants of mismatch remain. There is a shortage of Arabic-speaking bilingual bicultural advisors (BBAs); only 29 of the 610 filled slots are BBAs, as of August 2007. Staffing and continuity issues persist in relation to the transition of PRT program oversight to OPA. 	<ul style="list-style-type: none"> Develop a workforce plan for OPA to fill critical staff vacancies and ensure continuity in leadership and experience managing the PRT program (July 2007). Specify skill set requirements for civil affairs personnel at PRTs to enable better training, selection, and assignment (October 2006).
CIVILIAN AND MILITARY INTEGRATION	
<ul style="list-style-type: none"> No permanent, predictable method of integrated decision-making exists, and resource-sharing between civilian and military structures is challenging. There is a patchwork quilt of memoranda of agreement, cables, and military orders. Synchronization is needed in short-term counterinsurgency operations, medium-term stabilization efforts, and long-term development programs. 	<ul style="list-style-type: none"> Jointly establish a comprehensive plan with elements tailored for each PRT; plan should clearly define objectives and performance measures, and milestones for achieving stated objectives, be linked to funding requirements, and identify the organization(s) within each agency that are accountable for the plan's implementation (October 2007). Require PRTs to submit work plans for accomplishing objectives within established milestones (July 2007). Issue a joint statement reaffirming that the PRT initiative is a DoS-DoD priority, clearly defining the mission, and delineating lines of authority and coordination between civilian and military personnel (October 2006). Issue a joint statement reaffirming the lines of authority and coordination to achieve effective civilian and military integration in the PRT program (October 2006).
PHYSICAL SECURITY AND MOBILITY	
<ul style="list-style-type: none"> Only by supporting PRT movements to and from government centers and meetings with provincial leaders are PRTs able to carry out their work. In some places, PRTs rarely travel to the cities for which they are responsible, limiting their interaction with Iraqi counterparts. Movements at many PRTs are limited to one or two per day. 	<ul style="list-style-type: none"> Assign responsibility for reporting attack incidents to one individual at each Regional Embassy Office and military FOB; coordinate closely with U.S. Embassy's Tactical Operations Center (October 2006). Until security improves, consider temporarily assigning the PRT personnel identified for Anbar, Basrah, and the local governance satellite offices in south-central Iraq to functioning PRTs (October 2006).
COORDINATION OF PROGRAMS	
<ul style="list-style-type: none"> The multi-layered nature of programs results in several independent U.S. entities funding, managing, and engaging at all levels of the GOI. Inherent disconnects between the national and local government exacerbate the problem. PRTs spend an inordinate amount of time coordinating but are still falling short. 	<ul style="list-style-type: none"> Develop guidance on the use and synchronization of CERP funds to support the U.S. government's capacity development mission (October 2007). Develop a performance monitoring system to determine what the PRTs are accomplishing, including clearly defined objectives, performance measures, and milestones for achieving stated objectives (July 2007). Finalize a memorandum of agreement that spells out the shared approach of funding infrastructure, life support, and operating costs of the PRTs at DoS and DoD sites (October 2006). Develop detailed plans for completing and sustaining the PRTs, including clearly defined objectives and performance measures, milestones for achieving stated objectives, future funding requirements, and strategy for sustaining results and successfully transitioning the program to USAID (October 2006).

Sources: SIGIR Deputy Inspector General, "The Role of the Department of Defense Provincial Reconstruction Teams," testimony before the House Committee on Armed Services, September 5, 2007, pp. 4-7; SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," SIGIR Audit 07-014, "Status of the Provincial Reconstruction Team Program Expansion in Iraq," July 25, 2007; SIGIR Audit 06-034, "Status of the Provincial Reconstruction Team Program in Iraq," October 29, 2006.

TABLE 2.27





DEMOCRACY AND CIVIL SOCIETY

This quarter, limited progress was made in promoting national reconciliation. Without more success on this issue at the national level, it will be difficult for the GOI to meet some of the political reform benchmarks, including:¹⁶⁴

- amending the Iraqi Constitution
- promoting a de-Ba'athification law
- organizing provincial and local elections

Other GOI challenges this quarter include ongoing leadership issues in many ministries. As of October 15, 2007, the cabinet had lost 16 ministers and ministers of state. Of the 29 ministers currently serving, 8 are not attending cabinet meetings.¹⁶⁵

Amending the Iraqi Constitution

Since November 2006, the Constitutional Review Committee (CRC) has worked to create a report with recommendations for amendments that will reflect the new political environment in Iraq.¹⁶⁶ In May 2007, the Committee issued an interim report to the Council of Representatives (CoR), outlining its efforts and requesting an extension for the final report.¹⁶⁷

In June, the CRC's deadline was extended through September 2007.¹⁶⁸ On September 8,

2007, the CoR again extended the deadline to the end of December 2007, at the request of the Chairman of the CRC.¹⁶⁹

The CRC has found it difficult to resolve certain controversial issues, such as:¹⁷⁰

- blocking of presidential powers by the CoR
- balancing power between the central and regional governments
- disputed claims of territorial ownership, particularly Kirkuk

In August 2007, the Prime Minister, the three-member Presidency Council, and the President of the Kurdish Region met to discuss ways to improve decision-making and power-sharing arrangements. This eight-day meeting resulted in limited progress on a number of topics, but it did produce a vehicle for continuing dialogue designated as the "3 Plus 1 Plus 1 Group."¹⁷¹

The De-Ba'athification Law

The de-Ba'athification legislation is critical to national reconciliation, but it has been held up on disagreements about Iraqi justice, accountability in government, and monetary compensation for victims.¹⁷² At its meeting on August 26, 2007, the 3 Plus 1 Plus 1 Group announced that it had reached an agreement on a draft



de-Ba'athification law and had submitted it to the CoR. The potential law would replace the current de-Ba'athification Law with the Law on the Higher National Commission for Accountability and Justice. The draft is currently being reviewed by the CoR.¹⁷³

Organizing Provincial and Local Elections

Although the GOI ostensibly has long intended to hold new provincial elections, the necessary preconditions for the elections have never been met.¹⁷⁴ The Prime Minister had targeted provincial elections for 2007.¹⁷⁵ As of October 15, 2007, a date for provincial elections had not been set.¹⁷⁶

Before provincial and local elections can take place, the GOI and CoR must meet four goals:¹⁷⁷

- The CoR must nominate candidates for the governorate chief electoral officer positions.
- The GOI and CoR must pass a provincial election law.
- The GOI must set a date for provincial elections.
- The CoR must provide appropriate budgets for voter registration and provincial elections.

Until the GOI and CoR pass the elections legislation, the Iraq High Electoral Commission (IHEC) cannot complete an update of the voter registry.¹⁷⁸ The IHEC is currently training staff, creating a national elections operation plan, and preparing to compile a voter registry.¹⁷⁹ This quarter, nine governorates provided candidate lists to the CoR, including nominees for the Governorate Electoral Officer, which are reviewed by the CoR and passed to the IHEC.¹⁸⁰ In July 2007, IHEC reported that this task has been complicated by the growing number of internally displaced persons (IDPs) in Iraq.¹⁸¹ For more on IDPs, see the Refugees, IDPs, and Human Rights section of this Report.

USAID has provided a non-profit democracy development organization with a \$30 million grant to provide capacity building and training for the IHEC.¹⁸² The grant will fund work through December 2008.¹⁸³ USAID reports that the grant will support registering voters, conducting strategic planning, setting up public affairs departments, and creating systems at the Governorate Electoral Offices.¹⁸⁴



ECONOMIC DEVELOPMENT

National economic development in Iraq remains sluggish. The failure of the CoR to pass a comprehensive hydrocarbon law notably limits growth by inhibiting the expansion of the oil sector. Moreover, persistent security challenges impede economic progress.¹⁸⁵ Nevertheless, there are some signs of improvement at the provincial and local levels. The U.S. Coordinator for Economic Transition estimates that Iraq's economy will grow by more than 6% in 2007.¹⁸⁶

This is the status of Iraq's main economic indicators this quarter:

- Unemployment is estimated as high as 40%;¹⁸⁷ but reports put it in the 20–25% range.¹⁸⁸
- The consumer price inflation rate (year-on-year) has decreased from 46% at the end

of June 2007 to 20% at the end of August 2007.¹⁸⁹

- The Central Bank of Iraq (CBI) has maintained interest rates at 20%, which reflects Iraq's continued monetary policy measures aimed at decreasing inflation.¹⁹⁰
- As of October 11, 2007, the exchange rate was 1,232 dinars to the dollar, up marginally from 1,249 over the previous quarter.¹⁹¹ Since November 2006, the dinar has appreciated by more than 19% against the dollar.¹⁹²



Figure 2.26 plots the exchange rate and the overall annual consumer price inflation rate as reported by the CBI.¹⁹³ The line at November 2006 indicates the month that the CBI began targeting interest rates to curb rising inflation. This monetary policy measure—recommended by the IMF in its Stand-By Arrangement (SBA) with Iraq—is one factor in the dinar’s appreciation relative to the dollar since that time.

Overall inflation declined and stabilized during the early months of this year, partly because of the CBI’s policy of exchange rate appreciation.¹⁹⁴

In addition to easing inflation via monetary policy measures, Iraq has made progress implementing other structural reforms recommended by the IMF’s SBA that are necessary for economic growth.

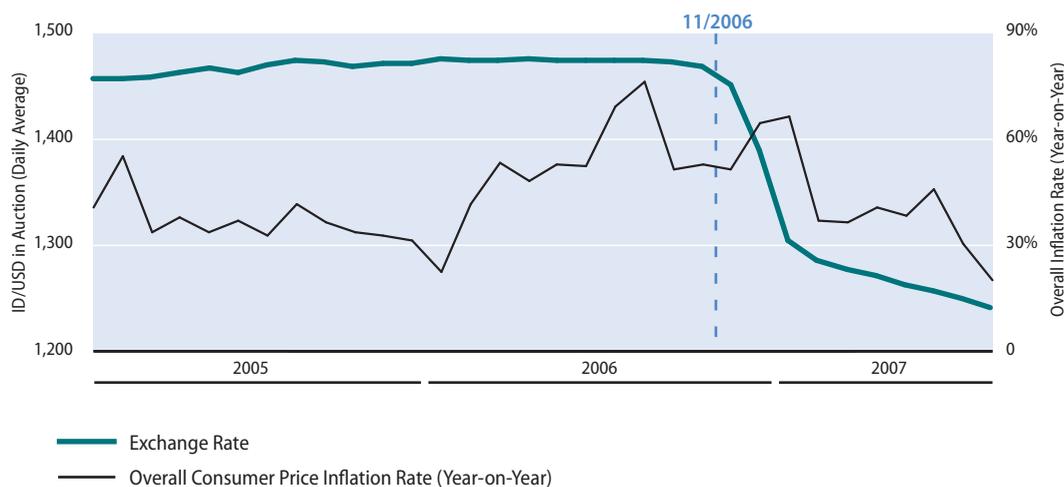
These reforms include:¹⁹⁵

- the increase of official fuel prices to the levels of other oil exporters in the region
- the liberalization of private sector importation of fuel products
- a finalized interim audit of the CBI’s 2006 financial statements
- the adoption by the Ministry of Finance of a new chart of accounts and budget classification

Figure 2.26

EXCHANGE RATE AND OVERALL INFLATION RATE

Source: Central Bank of Iraq, “Key Financial Indicators” (9/19/2007)





IMF stipulations in Iraq’s SBA specify various measures that GOI must implement to address some of the country’s structural deficiencies.

Iraq’s Economy—Oil Sector

The oil sector accounts for about 65% of Iraq’s gross domestic product (GDP).¹⁹⁶ Although there were some signs of economic and structural progress in the sector, Iraq’s oil production still has not expanded as expected.

Average annual crude oil production has remained at approximately 2 million barrels per day since 2004.¹⁹⁷ Oil production and export volumes have been lower than anticipated because of Iraq’s inability to expand capacity, but higher oil prices have compensated for stagnant output.¹⁹⁸ Measured annually, oil exports are essentially unchanged, ranging from 518 million to 541 million barrels over the past three years, as shown in Figure 2.27.

In its fifth review under Iraq’s SBA, the IMF reported that Iraq could gradually expand its crude oil production if it protects its oil installations and carefully plans investments in the sector.¹⁹⁹ For more details on oil metrics, see the Oil and Gas section of this Report.

Iraq’s Economy—Non-oil Sectors

Growth in Iraq’s non-oil sectors is essential for the country to transition to a market-based economy. U.S. efforts are underway to improve Iraq’s agricultural capacity, identify economically viable firms for potential privatization, improve GOI investment promotion activities, and increase Iraqi contractor involvement in reconstruction efforts.

AGRICULTURE

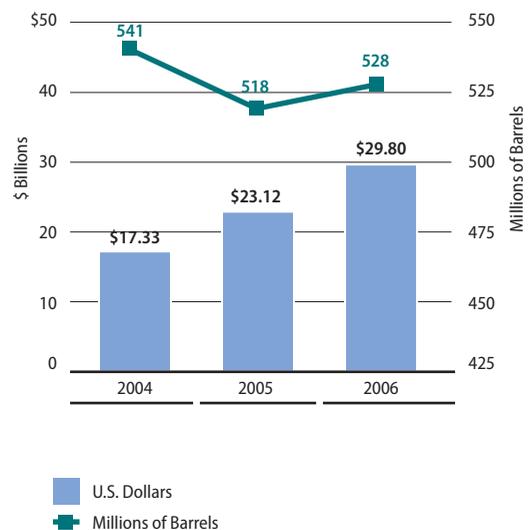
The agricultural sector employs approximately 25% of the Iraqi workforce.²⁰⁰ The sector thus is the largest employer in Iraq and the second-largest contributor to the country’s GDP.²⁰¹ U.S. efforts in the agricultural sector aim at implementing a market-oriented environment for agricultural products and developing a cohesive agricultural policy for the GOI.

Figure 2.27

IRAQ’S OIL EXPORTS

\$ Billions, Millions of Barrels

Source: IMF, “Iraq: Statistical Appendix,” p. 16 (August 2007)





Two shepherds and an employee from the Diyala Department of Veterinarians process sheep through a dowsing basin to rid the animals of parasites and increase their value.

To support U.S. objectives for the agricultural sector, USAID assists the GOI in developing provincial-level agronomic systems. The **Inma Agribusiness Program**, a \$208.6 million effort, works with PRTs to promote agribusiness and value-added processing of agricultural products. Inma employs a broad range of strategies to assist in Iraq's agricultural transformation including.²⁰²

- direct improvements to production, such as changes in seed or modernizing processing equipment
- indirect production improvements, such as creation of companion service industries, including input sales and financial services
- grants, technical assistance, and training to address supply chain deficiencies

The U.S. Department of Agriculture (USDA) has enlisted a consortium of universities to strengthen agricultural extension and training at Iraqi universities. The stakeholders of this program—the **Iraq Agriculture Extension Revitalization (IAER)** project—have planned seven additional training sessions since its initial July 2007 training in Cairo. Training is scheduled throughout October 2007 through February 2008 in the topics of field crops, beekeeping, dairy, irrigation, project planning, horticulture, and poultry.²⁰³

The PRT program—through its civilian agricultural specialists—also supports Iraq's agricultural development. **PRT Diyala** recently assisted the provincial government in launching a **sheep-dipping program**—a cleaning process that enables local shepherds to reduce parasitic infestation in their flocks. The tanks were made



locally with U.S. funding support, and the Civil Affairs Units transported the tanks to selected sites. Additionally, CERP funds were used to purchase the necessary cleaning chemicals.²⁰⁴

MANUFACTURING

Iraq's manufacturing industry accounts for approximately 2% of Iraq's GDP.²⁰⁵ Before 2003, state-owned enterprises (SOEs) and companies had 240 factories operating at 70-80% productivity, according to Iraq's Minister of Planning. Just 175 are now operational, and current production levels range from 10-30%.²⁰⁶ Some idle state-owned factories have signed loan agreements to restart operations.²⁰⁷

In November 2006, the DoD-funded **Task Force To Improve Business and Stability Operations (TF-BSO)** began assessments of industrial operations at state-owned businesses. In conjunction with civil affairs commands within deployed divisions in Iraq, TF-BSO began efforts to restart idle factories at selected sites.

In March 2007, DoD expected that the TF-BSO would assist in restarting more than 140 Iraq factories and employ 150,000 people during the next 6 to 18 months (September 2007 to September 2008).²⁰⁸ The short-term aggressive

plans for TF-BSO have yielded some results: 17 factories have been restarted as of September 2007. The net employment benefit for these 17 factories is approximately 5,000 employees returning to work.²⁰⁹ Moreover, the pace of the program appears to be picking up: 11 of those 17 factories restarted production between July and September 2007.²¹⁰

In June 2007, TF-BSO received its first allocation of U.S. support—\$50 million from the Iraq Freedom Fund. The task force is executing a grant portion of this funding to support the revitalization of more than 30 factories to provide small investments for machine maintenance, tooling, training, and raw materials. Figure 2.28 shows the location of the factories that are to receive a portion of the \$50 million of U.S. funds.

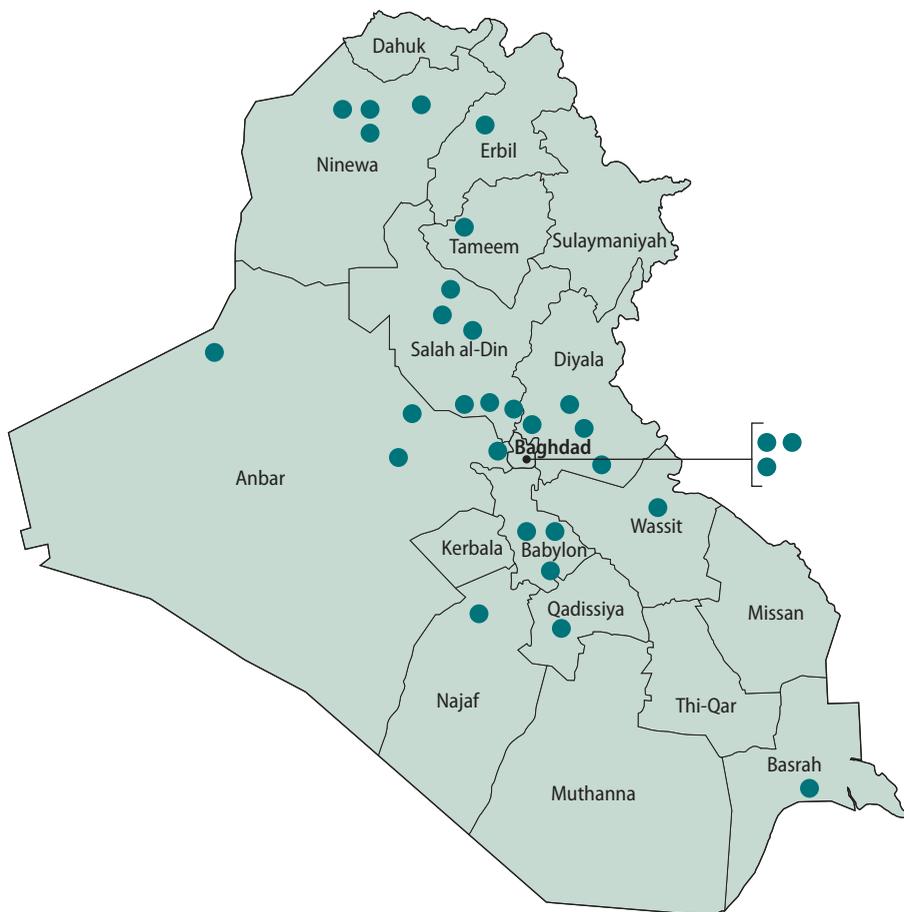
TF-BSO has announced that it is in discussions to establish investment and production partners from the United States and internationally. Anticipated projects at revived facilities include the manufacture of farm equipment, generators, commercial food service equipment, manufactured homes, and pharmaceuticals. One immediate plan involves marketing Iraqi-made clothing in the United States during the holiday season.²¹¹



Figure 2.28

30 FACTORIES RECEIVING U.S. FUNDS FOR TF-BSO

Source: DoD, "MNC-I Commanding General Update: TF-BSO" (10/8/2007)



Note: Locations are approximate.



PROCUREMENT SERVICES

Another U.S.-initiated private sector development program is the **Iraqi First Program**, which aims to increase the number of U.S. reconstruction contracts awarded to local Iraqi firms. Implemented by the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), the program estimates that it has generated employment for more than 50,000 Iraqi workers.

More than 3,000 private Iraqi businesses have been awarded contracts since the program's inception.²¹² Obligations to Iraqi firms totaled \$445 million for September 2007, increasing from August 2007's total of \$234 million.²¹³ The

purpose of the Iraqi First Program is to develop Iraq's economic capacity through greater use of direct, fixed-price contracting with local Iraqi vendors.²¹⁴ As of August 2007, Iraqi contractors received a higher percentage of total FY 2007 contract award amounts compared to FY 2006. Figure 2.29 shows the percentage of the total reconstruction contract amounts awarded to Iraqi firms for FY 2006 and FY 2007 (as of August).

Figure 2.30 shows the amount of contract dollars awarded to private Iraqi vendors from November 2006 to August 2007.

Figure 2.29

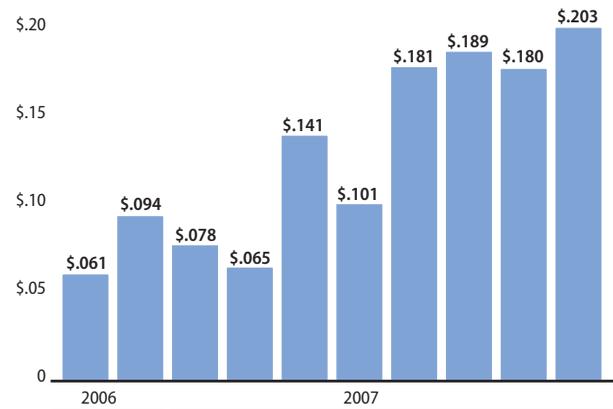
PERCENT OF CONTRACT AMOUNTS AWARDED TO IRAQI FIRMS
\$ Billions
Source: JCC-I/A, Response to SIGIR Data Call (9/19/2007)



Notes:
1. Numbers are affected by rounding.
2. FY 2007 numbers are as of August 2007.

Figure 2.30

CONTRACT DOLLARS AWARDED TO IRAQI FIRMS
\$ Billions
Source: DoD, "MNC-I Commanding General Update: TF-BSO" (10/8/2007)





Iraq's Economy— Banking Sector

The consolidated assets of Iraq's 22 private banks and 7 state-owned banks total approximately \$26 billion, which is about 51% of total GDP, as reported by the IMF.²¹⁵ Figure 2.31 shows the distribution of those assets between the private and state-owned banks. The two largest state-owned banks hold approximately 70% of the total assets in this sector.

The private sector in Iraq continues to experience a dearth of available capital from the banking sector. Financial intermediation—borrowing money from consumers to lend to companies in need of investment

resources—remains weak. Total deposits in the banking sector were \$12.9 billion, and the loan portfolio of the banks was \$2.2 billion at the end of 2006.²¹⁶ This deposit base and loan portfolio is relatively small when compared to other countries in the region.²¹⁷

U.S. TECHNICAL ASSISTANCE TO THE CBI

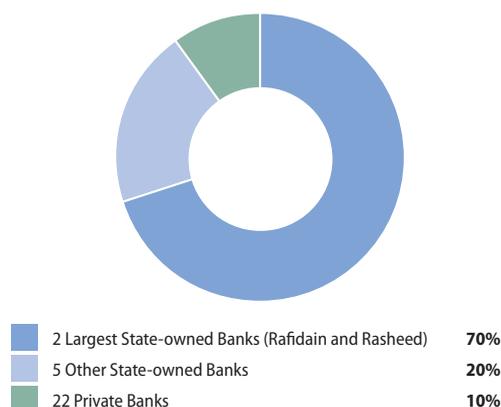
The IMF reports that banking supervision has improved over the past two years.²¹⁸ Several U.S.-supported programs have provided technical assistance to the GOI to improve supervision of the banking sector and transparency of GOI financial systems.

Figure 2.31

CONSOLIDATED ASSETS OF IRAQ'S BANKING SECTOR

% of \$26 Billion

Source: IMF, "IMF Country Report No. 07/301," p.18 (August 2007)





U.S. efforts aim to reduce the amount of cash movement in Iraq by supporting **electronic funds transfer (EFT)** capabilities. In Baghdad, EFT is the mandatory method of payment on all JCC-I/A contracts over \$50,000. Effective October 1, 2007, this requirement is expected to shift Baghdad payments from approximately 95% cash to 95% EFT.²¹⁹ This JCC-I/A initiative aims to assist the GOI in moving the country from collateral-based to cash-flow-based lending and supports the development of a modern banking sector in Iraq.²²⁰

With the assistance of the U.S. Treasury, approximately 18 private banks are connected to the Real Time Gross Settlement and Automated Clearing House systems.²²¹ The Treasury's initiative facilitates electronic connectivity between Iraqi banks allowing greater uses of the **Iraq Payment System**. The CBI expected to expand the coverage of the new payment system by the end of 2007.²²²

The GOI is required to develop a plan to overhaul the tax system as part of its SBA. USAID's **Economic Governance II** program has assisted the Tax Policy Unit (TPU) of the Ministry of Finance to develop and approve a comprehensive tax reform plan. Moreover, the TPU also supports the Ministry in developing a tax modernization strategy, which includes a sales tax law—the first step toward a value-added tax—to be applied initially at the border with an eventual extension to domestic production.²²³

U.S. EFFORTS TO SUPPORT PRIVATE SECTOR INVESTMENT

Limited access to capital financing is one of the primary constraints to private sector investment in Iraq. USAID and other U.S. Mission programs are involved in an array of legal, regulatory, and structural efforts that aim to implement investment laws and create an enabling environment for banks and investment programs to operate.

USAID reported these efforts through its **Izdihar** program:²²⁴

- assisted Iraq's Ministry of Planning to establish the Iraqi Investment Promotion Agency and worked with the Ministry of Trade to form the Iraqi Trade Information Center
- facilitated the drafting and passage of a new investment law
- continued support to micro-finance institutions through loan capital, technical assistance, and training
- issued 18 guarantees, worth \$358,361, through the Iraqi Company for Bank Guarantees—formed by 11 private Iraqi banks with USAID assistance. These guarantees support approved loans totaling \$482,816 to small and medium-sized enterprises.²²⁵

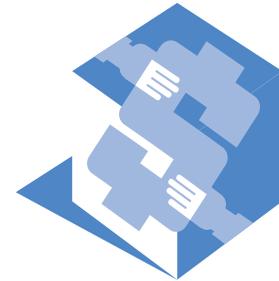


Moreover, the **Iraq Stock Exchange (ISX)** opened to foreign investors on August 2, 2007.²²⁶ There are 93 listed companies on the exchange, according to the ISX.²²⁷ Trading volumes totaled approximately \$8.2 million with almost 7 billion shares traded in the month of September 2007.²²⁸

CONTRIBUTIONS OF PRTS TO THE BANKING SECTOR

PRTs and ePRTs have evaluated the banking situation throughout Iraq. DoS reports that field

visits by banking specialists revealed that few retail banking services are available to most of the Iraqi population.²²⁹ PRTs and ePRTs coordinate with the Embassy's Treasury contingent to identify bank branches for the two national banks—Rafidain and Rasheed—that potentially can be revitalized and opened shortly to provide retail banking services to the population.²³⁰ For more information on PRT initiatives in the area of economic development, see the Provincial Reconstruction Teams section of this Report.



CAPACITY DEVELOPMENT

Capacity development continues to be an important element of U.S. efforts to strengthen the GOI. The development of sustainable policies and processes is essential to the GOI's ability to implement budgets, administer programs, and deliver essential services. Although U.S. assistance to the GOI continues to focus on budget execution and ministerial capacity, the absence of a centralized U.S. capacity-building plan with clear goals and milestones makes it difficult to gauge the effectiveness of overall U.S. capacity development efforts.

SIGIR's January 2007 audit, "Status of Ministerial Capacity Development in Iraq,"²³¹ and the GAO's October 2007 report on the issue²³² identified significant risks to the development of competencies critical to stabilizing, rebuilding, and sustaining Iraq's central services and infrastructure.

Budget Execution

Budget execution is the process by which governments, municipalities, and other governmental entities allocate and spend the financial resources made available for overhead costs, salaries, projects, and other expenses. In Iraq, the fiscal year begins on the first of January, and although the GOI has been able to spend more in 2007, its ability to overcome challenges in capacity development and financial processing remains a primary concern.

This quarter, SIGIR released an "Interim Report on Efforts and Further Actions Needed to Implement a Financial Management Information System in Iraq." The report reviewed a U.S.-funded effort to develop a new automated Iraqi financial management information system (IFMIS) for the Ministry of Finance. The IFMIS project was suspended for various reasons related to the GOI's lack of commitment to the project. SIGIR recommended that future U.S. investment in the IFMIS be contingent upon an independent assessment of the current state of the project, a plan of action for the way forward, and clear GOI commitment to ownership of the final system.

NATIONAL BUDGET

Last quarter, SIGIR noted again that the GOI executes budgets for government salaries well, but it has experienced difficulty in executing capital budgets; the GOI had spent only \$2.454 billion of the \$41 billion in its 2007 budget.²³³ Treasury noted that year-to-date expenditures total \$10.4 billion.²³⁴

The 2007 ministerial capital budget is \$10.1 billion dollars, almost 25% of Iraq's total budget. In September 2007, the White House Benchmark Report noted that the ministries had spent approximately 24% (\$2.4 billion) of these funds.²³⁵



The challenges facing the GOI in budget execution include a reporting gap of three to four months, a lack of multi-year budgeting, and a complex process by which money must flow from the central government out to the provinces.²³⁶ Working through Treasury advisors, the United States aims to improve management and execution of the system, helping Iraq to institute best practices and increase transparency and to support an Iraqi-led course in capital investment.²³⁷

Foreign Military Sales

Iraq's Ministry of Interior and Ministry of Defense use Foreign Military Sales (FMS) as a key procurement tool for assistance. FMS allows the purchase and transfer of equipment, training, and other services through government-to-government channels.

Although the process is useful in circumventing inefficient Iraqi contracting mechanisms, it has not been effective in speeding delivery of resources.²³⁸ Moreover, there is no indication that the FMS will ameliorate the ministries' procurement challenges.²³⁹

FMS was not intended to provide for the "rapid delivery of equipment given the constraints of the competitive bidding process."²⁴⁰ However, the GOI committed \$1.7 billion to FMS in 2006²⁴¹ and had approximately \$1.2 billion in signed FMS contracts by the end of June 2007.²⁴² By July 2007, however, Iraq had received only \$300 million of FMS supplies, which has been called "weak and frankly embarrassing" by the Independent Commission on the Security

Forces of Iraq (the Jones Report).²⁴³

Despite the challenges with FMS, Iraq's Prime Minister plans to commit an additional \$1.6 billion for 2007 FMS. The funds will be distributed to Iraq's Ministry of Interior (\$500 million) and Ministry of Defense (\$1.1 billion).²⁴⁴

PROVINCIAL BUDGET

Last quarter, SIGIR reported that Iraq's provinces continued to struggle with budget execution. Although 11 provinces have obligated more than 50% of their 2007 budgets, only 6 provinces have spent more than 25% of their total funding.²⁴⁵ By the end of September 2007, the provinces had spent \$249 million (11%) of their 2007 budgets.²⁴⁶

In addition, the provinces have obligated 94% and expended 82% of their 2006 budgets, which rolled over from last year:

- Diyala remains the only province yet to obligate more than 80% of its 2006 capital budget. Treasury noted that Diyala was limited "early in the year due to kinetic operations."²⁴⁷ It has now committed 33% of its budget, up 13% from last quarter.
- Wassit has now obligated 98% of its 2006 budget, up 25% from the last quarter.

Provincial expenditures for 2006 rose to 94% of obligated funds, up 1% from August 2007.²⁴⁸ Affected by security, capacity, and funding challenges, expenditure rates also reflect contracting to long-term projects and slower spending over time.²⁴⁹



The U.S. government works with local officials and budget managers to simplify the provincial budget process. This effort aims to augment provincial knowledge of contracting and procurement laws and to expand the “understanding of procedures required for obtaining additional capital releases.”²⁵⁰

IRAQI-U.S. PROCUREMENT PARTNERSHIP

The United States provides technical advice to the Iraqi-led Procurement Assistance Program (PAP). PAP supports training in procurement, budget execution, and technology for Iraqi government and provincial officials.²⁵¹ Procurement Assistance Centers (PACs) work with Iraqi ministries, provinces, municipalities, and state-owned enterprises, offering guidance, integration, workforce management, and professional development.²⁵²

PACs work with the Ministry of Planning and Development Cooperation’s Office of Government Public Contracting Policy to provide policy analysis, to “direct assistance for complex contract actions,” and to assist with “the establishment and growth of new and existing Ministerial Procurement Offices.”²⁵³ There currently are three PACs established—two in Baghdad are open²⁵⁴ and the Erbil PAC is scheduled to open in November 2007.²⁵⁵ In Baghdad, the central PAC in the International Zone is staffed by 22 people, and Baghdad’s Karradha center has 5 employees.

In the short-term, PAC will provide immediate contracting and policy advice, conduct outreach programs to Iraq’s governmental entities, publish the Iraq Procurement Handbook, and standardize forms, which will result in clarification of the procurement process and improved contract execution.²⁵⁶

In the medium-term and long-term, PAC will work throughout the GOI to initiate a system-wide process to manage budget execution, establish advisory services, and improve overall policy mechanisms.²⁵⁷

PAP has also established groups to work at the provincial level on procurement and budget processes.²⁵⁸ Three-person Provincial Procurement Assistance Teams (PPATs) “will advise and assist in the establishment and maturation of the applicable provincial procurement office until release of the FY 2008 budget, at which time a decision will be made as to whether. . .they will become MoP [Ministry of Planning] staff or Provincial staff.”²⁵⁹

PPATs are staffed by Iraqis and operate at the provisional level.²⁶⁰ Twelve provinces have agreed to use the teams,²⁶¹ and during the first week of October, additional discussions began with Kerbala, Najaf, and Qadissiya.²⁶² As part of the process to integrate PPATs, the Ministry of Planning has signed Memoranda of Understanding with provinces,²⁶³ including Erbil, Diyala, Babylon (Babil), Wassit, Missan, Basrah, and Muthanna.²⁶⁴



Key U.S. Programs

DoS provides immediate assistance to the ministries, the Prime Minister's office, and the Council of Ministers Secretariat through the Iraq Transition Assistance Office (ITAO).²⁶⁵ USAID, which also works within these entities, works through the National Capacity Development Program (NCD), known as Tatweer.²⁶⁶ Currently in its second phase, NCD's 126-person staff²⁶⁷ focuses on creating consistent policy mechanisms within the GOI by conducting training workshops for civil servants, offering scholarships for graduate work, and advising ten key ministries. The funding discussion of both agency capacity development efforts appears in the Economic Support Fund section of this Report.

USAID is institutionalizing training by working with Iraq's primary public administration training facility, the National Center for Consultancy and Management Development (NCCMD). Its main center is in Baghdad, and Tatweer is helping to set up satellite offices in Basrah and Mosul.²⁶⁸ A third regional center has been established with the Kurdistan Regional Government, in Erbil.²⁶⁹

Tatweer's workshops include courses for training the trainers, case studies on project management, business English, financial management (cash, budget, and government), human resources management, and leadership and communication. As of September 20, 2007, more than 1,750 GOI employees had participated in 94 courses, including 700 women. Last quarter, more than 800 people had attended approxi-

mately 50 training sessions.²⁷⁰ Several GOI employees have attended multiple classes, and approximately 144 civil servants are now trained GOI trainers.²⁷¹

As part of the effort to strengthen Iraq's policy capacity, Tatweer sponsors scholarships for civil servants to earn master's degrees in public management or public administration. By October 17, 2007, 81 scholarships had been awarded. Tatweer is in the third round of applications and expects to offer an additional 100 scholarships.²⁷²

USAID is also collaborating with Iraqi ministries to improve their planning processes and implement their capacity development efforts. Last quarter, Public Management Advisors (PMAs) were operating in seven ministries. This quarter, 11 PMAs assisted the GOI with fiscal management, strategic planning, and project management.²⁷³

- Nine advisors are in the targeted ministries.
- One operates in the NCCMD.
- One advises the Council of Ministers, the Deputy Prime Minister's Office, and the Prime Minister's Office.²⁷⁴

USAID uses Public Management Units (PMUs) to augment ministerial assistance. The PMUs work wherever they are needed,²⁷⁵ assisting in accelerating capacity development processes and performance management.²⁷⁶ Three PMUs—staffed by eight personnel—provide assistance in information technology, statistics, and procurement. They have operated in the Prime Minister's Office and the ministries



of Oil, Electricity, Municipalities and Public Works, Justice, Health, Planning and Development Cooperation, Water Resources, Human Rights, Agriculture, and the Council of Ministers Secretariat.²⁷⁷

Other examples of capacity development initiatives include:

- training on structural geology, coordinated between the U.S. Embassy and five officials from the Ministry of Oil²⁷⁸
- two online seminars for Iraqis—one addressing concrete deterioration and repair and one addressing project work plans²⁷⁹
- two networking meetings for Iraqi businesses to assist with contracting training and responding to tenders²⁸⁰
- a conference, hosted by the Iraqi-American Chamber of Commerce and Industry,

where Iraqi and U.S. speakers addressed economics, business, and vocational training²⁸¹

- training plant managers and technicians to sustain electrical generation units at the Doura Plant Units 5 and 6²⁸²
- on-site support for employees at 12 water and wastewater treatment plants²⁸³

GRD's IRRF programs are contributing \$60 million to capacity development and \$97.4 million for Operations and Maintenance (O&M) Sustainment.²⁸⁴ Examples of projects include:

- three ITAO-managed seminars related to oil projects
- ten electrical sustainment projects
- one water O&M project





REFUGEES, IDPs, AND HUMAN RIGHTS

The United Nations High Commissioner for Refugees (UNHCR) reports that the unstable security situation in Iraq has forced more than 4.4 million Iraqis from their homes³⁹¹—more than 3.2 million since 2003.³⁹² More than 2.2 million Iraqi refugees now live in other countries, and 2.2 million Iraqis are displaced internally.³⁹³

UNHCR estimates that 60,000 Iraqis are being displaced every month.³⁹⁴ Approximately 15.7% of the Iraqi population has been forced from their homes.³⁹⁵

Internally Displaced Persons (IDPs)

In October 2006, UNHCR reported 1.5 million Internally Displaced Persons (IDPs) in Iraq.³⁹⁶ Over the past year, this number had risen to 2.2 million.³⁹⁷ The International Organization for Migration (IOM) cites increasing sectarian violence and widespread lawlessness as key reasons for the increase.³⁹⁸ Figure 2.32 shows the percentage of IDPs from each province.

More than half of Iraq's governorates have implemented entry restrictions for displaced persons. These restrictions vary by governorate. Table 2.28 shows each governorate's restrictions on IDP entry and the percentage of IDPs originating there.

USAID's Office of U.S. Foreign Disaster Assistance (OFDA) received \$45 million for humanitarian assistance to IDPs in Iraq. This funding allows implementing agencies in all 18 provinces to provide IDPs with emergency relief supplies; water system and infrastructure rehabilitation; small-scale, cash-for-work activities; and support for mobile medical teams and emergency health programs.³⁹⁹

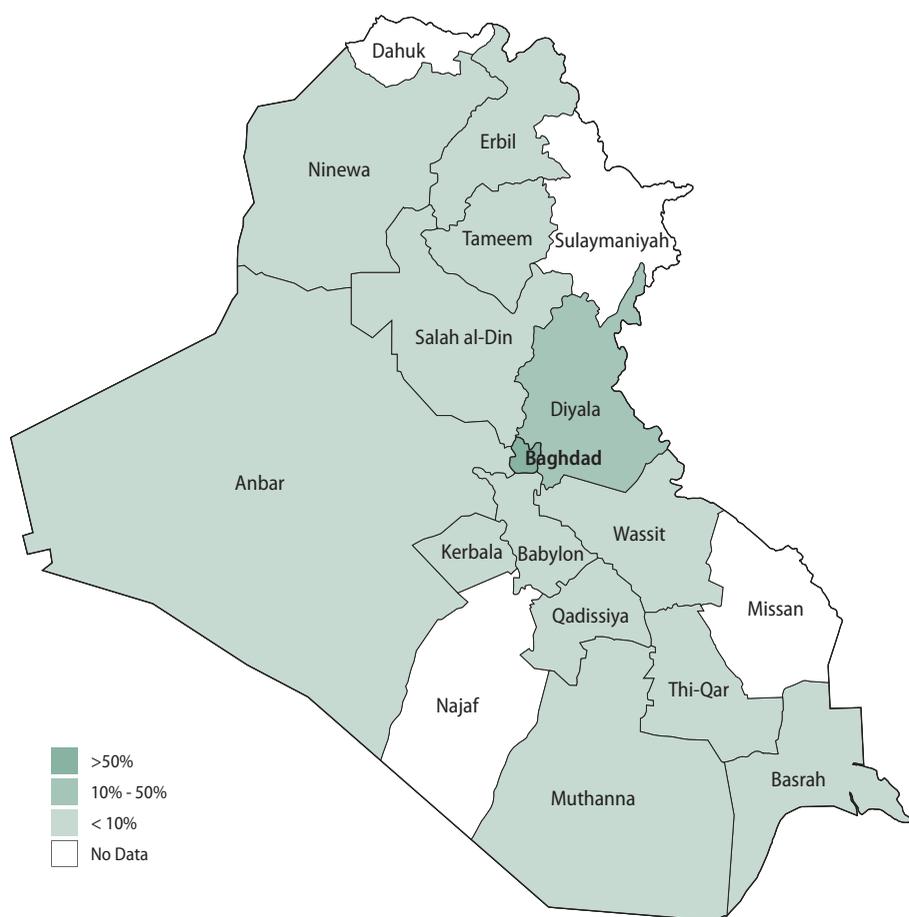
When IDPs emigrate into new governorates, religious and ethnic groups often clash. In response to the escalating tension, the National Democratic Institute for International Affairs (NDI) has launched several programs to peacefully work through conflict.⁴⁰⁰ In Erbil, for example, the NDI funds a program that works to encourage tolerance among local youths.⁴⁰¹



Figure 2.32

INTERNALLY DISPLACED PERSONS (IDPs) - LOSS OF POPULATION BY DISPLACEMENT

Source: International Organization for Migration, IOM Emergency Needs Assessment (9/15/2007)





IDP ENTRY RESTRICTIONS BY GOVERNORATE

GOVERNORATE	GOVERNORATE LOCATION	PERCENTAGE OF TOTAL IDPs ORIGINATING IN GOVERNORATE	ENTRY RESTRICTIONS
ANBAR		6%	IDP families are deported if any link to the insurgency is suspected.
BABYLON		1%	No IDPs have been permitted to enter Babylon since March 2007. Exceptions include professionals and former residents of the governorate.
BAGHDAD		68%	There are no reported IDP restrictions for entry into Baghdad. Many IDPs here have moved from heterogeneous to homogeneous communities within the city.
BASRAH		2%	No IDPs are permitted to register in Basrah. Exceptions are made only for former Basrah residents.
DAHUK		0%	Dahuk is imposing restrictions on IDP entry into the governorate. Dahuk has accepted Yazidi IDPs who were displaced after the Sinjar bombing in Ninewa.
DIYALA		15%	Although no specific IDP restrictions are reported in Diyala, checkpoints have been set up at governorate borders and within the city.
ERBIL		0%	Erbil is now restricting IDP entry into the governorate. Erbil has accepted Yazidi IDPs who were displaced after the Sinjar bombing in Ninewa.

REFUGEES, IDPs, AND HUMAN RIGHTS



IDP ENTRY RESTRICTIONS BY GOVERNORATE

GOVERNORATE	GOVERNORATE LOCATION	PERCENTAGE OF TOTAL IDPs ORIGINATING IN GOVERNORATE	ENTRY RESTRICTIONS
KERBALA		0%	IDPs were not permitted for many months, but Kerbala has reportedly begun registering those it deems "most vulnerable."
MISSAN		0%	No restrictions reported.
MUTHANNA		0%	Only IDPs belonging to a specific Muthanna tribe are permitted to register in the governorate.
NAJAF		0%	No new IDPs have been permitted to enter Najaf City since December 2006.
NINEWA		2%	An IDP camp in Ninewa was closed this quarter due to insufficient funds and unsustainable living conditions.
QADISSIYA		0%	No new IDPs will be accepted in Qadissiya except for former residents, who will be permitted to return.



IDP ENTRY RESTRICTIONS BY GOVERNORATE

GOVERNORATE	GOVERNORATE LOCATION	PERCENTAGE OF TOTAL IDPs ORIGINATING IN GOVERNORATE	ENTRY RESTRICTIONS
SALAH AL-DIN		4%	Reports indicate that all IDPs from Diyala and Anbar have been removed from the governorate due to the deteriorating security situation in Salah al-Din.
SULAYMANIYAH		0%	Sulaymaniyah is currently placing restrictions on IDP entry into the governorate.
TAMEEM		1%	No IDP restrictions have been reported for Tameem this quarter.
THI-QAR		1%	Only IDPs with tribal connections to Thi-Qar will be registered.
WASSIT		1%	Wassit is currently accepting all IDPs. Reports indicate that the number of IDPs entering Wassit is straining the governorate's infrastructure.

*Only governorates with relevant percentages of IDPs included in detailed updates.

**IOM percentages have been rounded to the nearest whole number.

Source:
IOM, "Emergency Needs Assessment: Post February 2006 Displacement in Iraq," September 1, 2007.

TABLE 2.28



Refugees

Many Iraqi refugees have sought safety in Iraq's neighboring countries: Syria, Jordan, Egypt, Lebanon, and Iran. Figure 2.33 shows an overview of their emigration.

This quarter, both Syria and Jordan⁴⁰² closed their borders to Iraqi refugees.⁴⁰³ Iraqis who seek residency in Syria or Jordan must now apply for a visa.⁴⁰⁴ Syria has reported that 1.5 million Iraqi refugees have already crossed its borders.⁴⁰⁵ Iraqis now represent approximately 7.7% of Syria's population.⁴⁰⁶ Jordan has accepted 500,000-750,000 Iraqi refugees.⁴⁰⁷ Iraqi refugees represent 8-12% of Jordan's population.⁴⁰⁸

Many refugee children are unable to attend school.⁴⁰⁹ To address this issue, UNHCR and UN Children's Fund (UNICEF) have established a \$129 million fund to return approximately 155,000 Iraqi refugees in Jordan and Syria⁴¹⁰ to school.⁴¹¹ The United States has identified \$39 million for this campaign—\$30 million from the ESF Infrastructure Security Protection Program and \$9 million from Emergency Refugee and Migration Assistance.⁴¹²

This year, the U.S. Migration and Refugee Assistance Fund will receive \$14.4 million to provide more aid for Iraqi refugees in Jordan, Syria, and Lebanon.⁴¹³ Four international aid agencies have issued an appeal to the United

States for an additional \$84.8 million to help host nations provide basic health and nutrition for Iraqi refugees.⁴¹⁴ The World Health Organization, UNHCR, UN Population Fund, UNICEF, and World Food Programme (WFP) are especially concerned with the conditions in Syria and Jordan.⁴¹⁵ Syria, Jordan, and Egypt have provided refugees with the same access to health care as their own citizens.⁴¹⁶ This has put substantial strain on national resources.⁴¹⁷

Human Rights

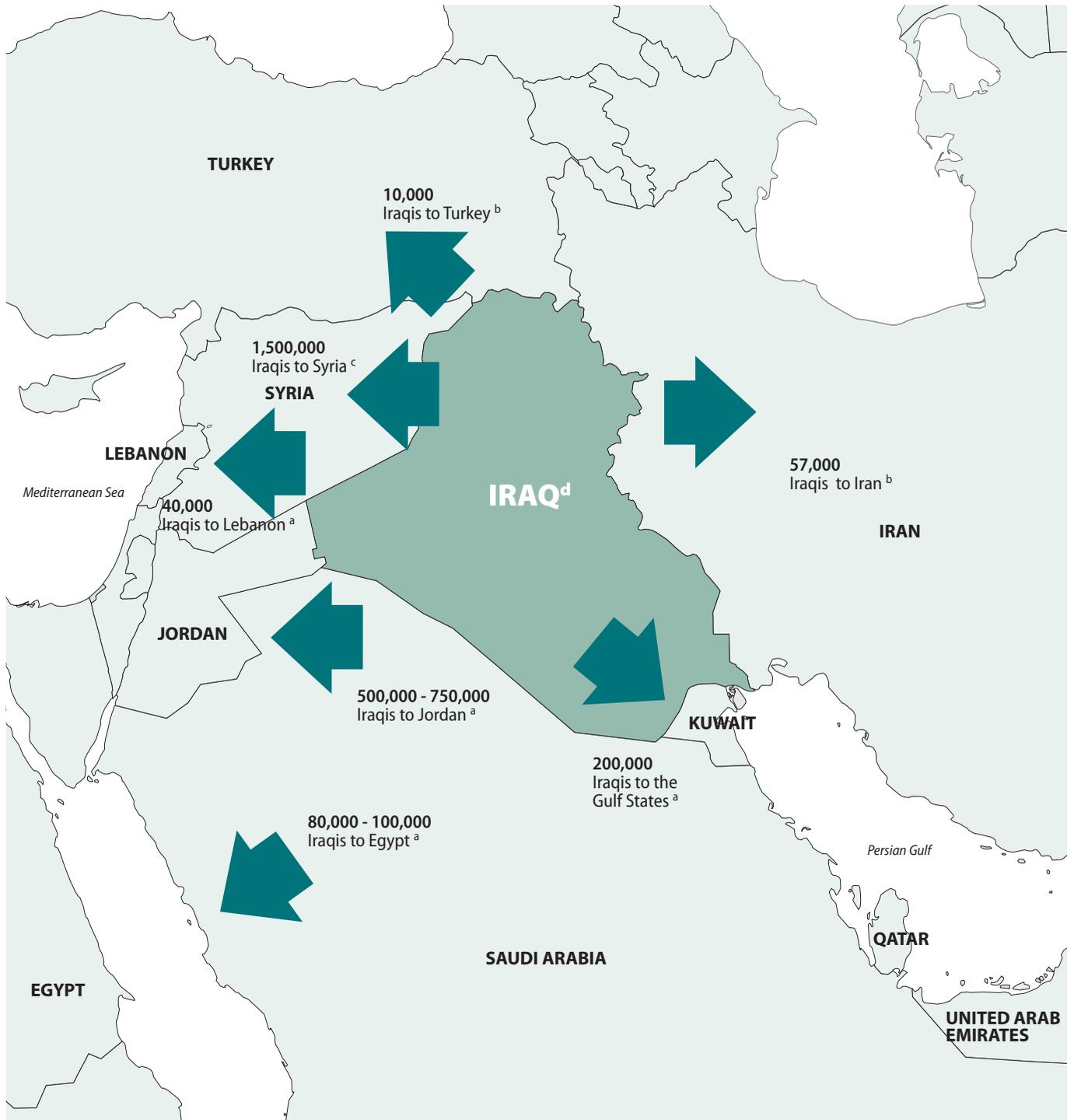
Of the \$15 million allocated for human rights, \$14 million has been expended.⁴¹⁸ According to DoS, the purpose of human rights funding is to "address the atrocities of the Saddam regime and create a climate for the promotion of fundamental human rights and dignity in Iraq."⁴¹⁹

DoS provided these updates on human rights projects this quarter:⁴²⁰

- continued holding human rights workshops in Baghdad and Basrah
- continued producing and broadcasting radio programs on human rights through the al Iraqiya station
- started producing and disseminating the electronic newsletter, *Human Rights Defenders Network* (HRDN)



Figure 2.33



Notes:

a. UNHCR, Iraq Situation Map, July 2007.

b. UNHCR, Statistics on Displaced Iraqis Around the World, September 2007.

c. UNFPA, UNHCR, UNICEF, WFP, WHO, "Health Sector Appeal: Meeting the Health Needs of Iraqis Displaced in Neighboring Countries," September 18, 2007.

d. Estimated current population of Iraq: 27,996,000, IOM.





ESSENTIAL SERVICES

This section updates the progress of Iraq’s development in five key areas:

- Electricity
- Oil and Gas
- Water
- Health Care
- Transportation and Communications

Electricity

In October 2003, the UN/World Bank Iraqi Needs Assessment predicted that Iraq would need \$12.1 billion to rebuild the electricity system. Subsequent assessments put the figure at \$20 billion. Since 2003, the electricity sector has received the second-largest investment of U.S. Iraq reconstruction funds—more than \$4.6 billion.

Electricity production this quarter set a post-war record, averaging approximately 4,550 megawatts (MW) per day, its highest quarterly average since the start of the war. On September 11, 2007, another record was set when the production capacity peaked at 5,530 MW. Furthermore, the Iraqi power grid reached 5,200 MW production capacity every day from early August through the end of September.²⁸⁵

In recognition of this important milestone, the U.S. Embassy sent a letter to the GOI, crediting the Ministry of Electricity for this important achievement. According to GRD, sustaining production capacity at 5,530 MW has

the potential to serve approximately 4.9 million Iraqi homes.

In addition to reaching an average monthly production record, on September 16, 2007, the system also hit a record peak load served when it produced 123,000 megawatt-hours (MWh), meeting 60% of nationwide demand. ITAO notes that megawatt-hours is a superior measurement to megawatts because it more accurately measures output over time, which is how consumers experience power usage.²⁸⁶

DoS cites five reasons for improved electricity output in Iraq:

- U.S.-funded O&M programs have improved operational efficiencies.
- Recently, new Iraqi generation units and units rehabilitated through U.S.-funded projects have come online.
- The surge of U.S. forces in Iraq has suppressed attacks on infrastructure and repair teams.
- Capacity increases have helped to marginally boost the resiliency of the network.
- Cooler weather allows generators to operate more efficiently.

Despite the recent gains in electricity production, ITAO cautions that elevated production may temporarily decline because scheduled maintenance will take some generators offline. To mitigate generation drops caused by planned



maintenance and to sustain the new baseline production level, the Ministry of Electricity may be assessing the feasibility of re-routing fuel from the power plants that are closed for maintenance to functioning plants that lack fuel.²⁸⁷ The United States is also working with the Ministry to facilitate the delivery of diesel fuel (\$150 million) that awaits transport from Kuwait to the Mussayib and Qudas power stations.²⁸⁸

Providing enough power to Iraqis remains a challenge, even as demand for electricity in Iraq increases. Purchases of air conditioners, refrigerators, and satellite TVs all have increased since 2003. Because the GOI almost entirely subsidizes electricity, Iraqi consumers have little incentive to economize their use of electricity.²⁸⁹

Figure 2.34 shows the trajectory of electricity

production in Iraq. For the month of September, the average monthly production was 4,800 MW per day.

In October 2003, the CPA established 6,000 MW per day as the U.S. reconstruction target. This target is shown on Figure 2.34. Moreover, this quarter the IMF released a Statistical Assessment Report with more robust pre-war production measures, as shown in Figure 2.34. This quarter's average monthly production was approximately 500 MW above the IMF pre-war measure of approximately 4,075 MW.²⁹⁰

CHALLENGES

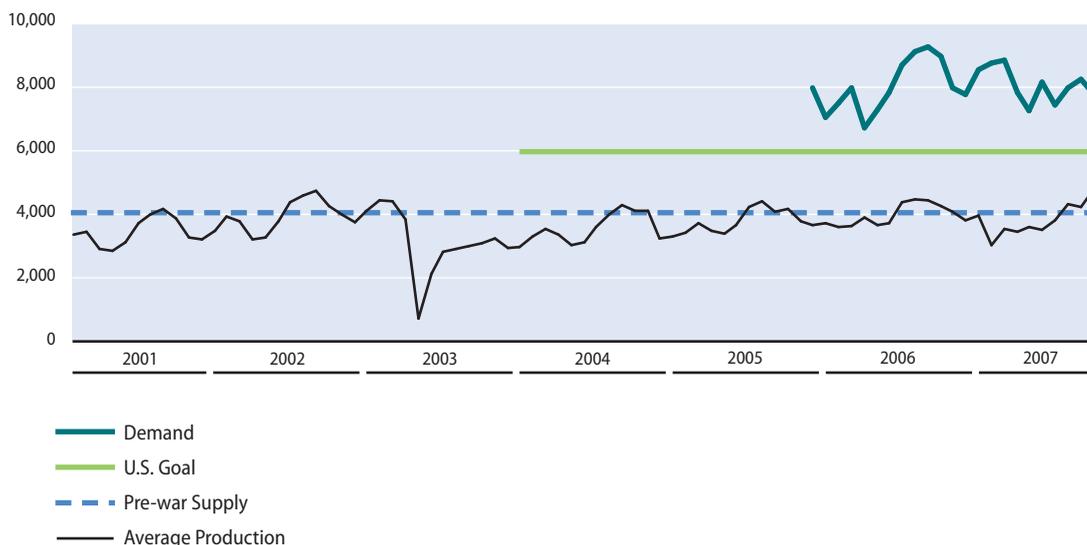
The circular dilemma of fuel demand at power plants and power shortages at oil facilities remains a major challenge for the electricity

Figure 2.34

IMF AVERAGE ELECTRICITY PRODUCTION

Megawatts

Sources: IMF Iraq: Statistical Appendix (August 2007); 2007 Average Electricity: ITAO, *Daily Electricity Report* (1/1/2007 - 9/30/2007)





Regional transmission lines remain vulnerable to attacks and looting.



and oil sectors. The Ministry of Electricity has cited a lack of fuel to run power plants, while the Ministry of Oil has noted a lack of electricity to power the oil refineries. In January 2007, SIGIR reported that solving the fuel and power shortages requires coordination between the two ministries, but subsequent joint discussions have yet to produce a coordinated plan.

This quarter, the Energy Fusion Cell reported that the Ministry of Oil and the Ministry of Electricity entered into a joint venture with Iraq's oil operating companies to capture associated gas (which is otherwise flared into the atmosphere) to be used to power a generation station in North Rumaila.²⁹¹ This coordinated action represents a significant first step toward an overarching coordinated national energy plan.²⁹²

A former Iraqi Ministry of Electricity official recently noted that the U.S. effort to reconstruct the electricity sector complicated power production in Iraq because the United States over-

populated power stations with new generators of different makes, capacities, and technologies, which exacerbated fuel issues.²⁹³ Furthermore, many generating units that the United States purchased and installed remain idle because no suitable fuel is available. If planners had considered coordinating fuel types, quantities, and availabilities before purchasing and installing electricity generators at plants, shortages could have been alleviated, according to the report. While acknowledging the challenge of matching fuel types, quantities and availabilities, U.S. analysts have noted that installment decisions made in 2003 were driven by the need to quickly add new power with limited funding.²⁹⁴

In addition to fuel issues, Iraq's centralized electricity system is highly vulnerable to interdiction. Eight regional 400-kV transmission lines are out of service in October because saboteurs attacked large sections of the grid, and looters brought down electricity towers.²⁹⁵ The



Iraqi Air Force (IAF) has deployed 35 helicopters to provide reconnaissance; however, the IAF is not armed. The IAF patrols intend to provide information so that repair workers are not subject to attack at the sites.

Last quarter, SIGIR reported that provinces producing more electricity than they consume remain reluctant to share electricity with other regions on the grid. The amount of power that the provinces use and the level allocated to the province by the Ministry of Electricity change daily. Table 2.29 shows a snapshot as of October

9, 2007. As the table shows, 14 provinces took a greater share than they were allocated by the Ministry. As Figure 2.35 shows, most provinces are using more than 100% of the power allocated for their usage by the Ministry of Electricity.

Another issue is that many projects have been started and then stopped, adding to project costs. This quarter, the Supervisory Control and Data Acquisition (SCADA) contractor was ordered not to start any new work, to complete any work already in progress, and to close out the SCADA project, producing handover pack-

ELECTRICITY ALLOCATION AND USAGE, BY PROVINCE

Governorate	Load Served			Province Allocation MW	% of Province Allocation
	Total MWh	Average MW	Peak MW		
Baghdad	21,685	904	1,050	1,200	75%
Diyala	2,165	90	125	116	78%
Erbil	4,172	174	240	209	83%
Sulaymaniyah	5,475	228	376	236	97%
Wassit	2,915	121	140	120	101%
Ninewa	10,883	453	560	400	113%
Babylon	3,558	148	160	124	119%
Tameem	4,311	180	210	147	122%
Kerbala	2,880	120	130	98	123%
Najaf	3,730	155	185	116	134%
Salah al-Din	5,592	233	260	164	142%
Anbar	4,700	196	240	138	142%
Dahuk	4,268	178	206	111	160%
Thi-Qar	5,515	230	250	138	167%
Basrah	16,460	686	740	400	171%
Missan	2,575	107	125	62	172%
Qadissiya	2,995	125	135	71	175%
Muthanna	2,800	117	125	62	187%

Source: ITAO, *Electric Daily Units Performance Report*, October 9, 2007.

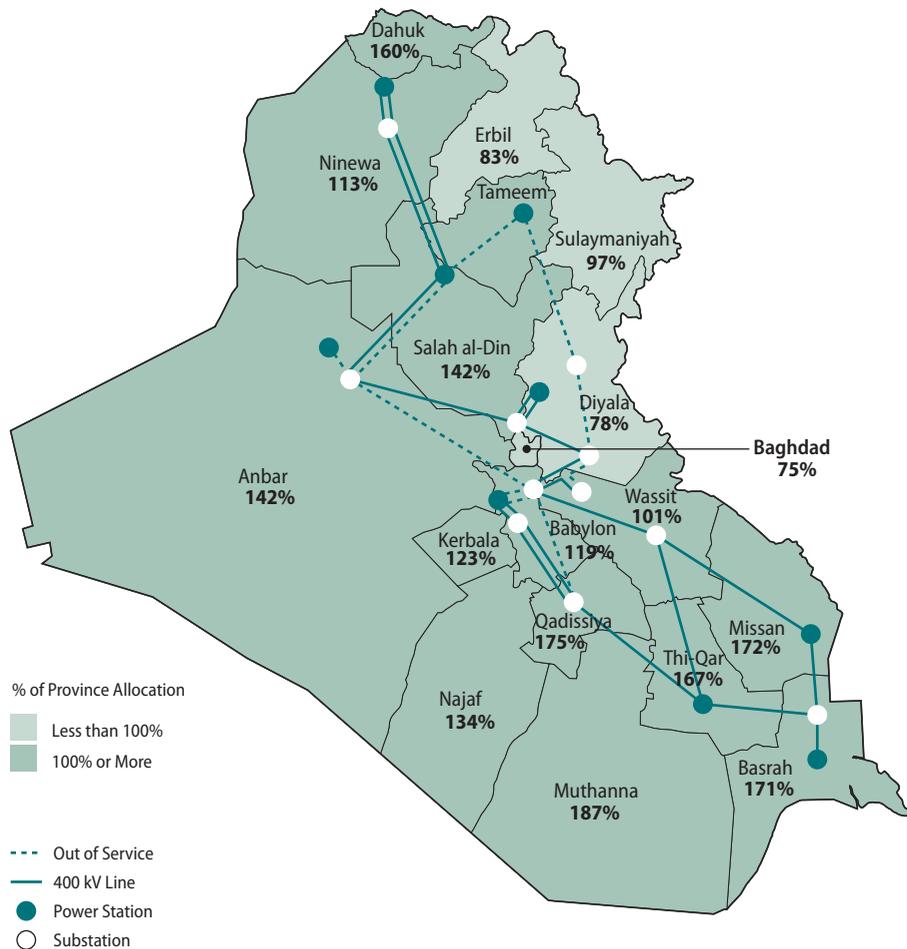
TABLE 2.29



ages for all sites in the project. This decision has been taken to prevent budget overruns but was caused in part by a worsening security situation and many destroyed electrical towers. To date, the contractor was paid nearly \$100 million and completed approximately 86% of the SCADA

project. The Ministry of Electricity is now responsible for completing the installation of equipment and uninstalled items. GRD continues to provide operations and maintenance guidance to the ministry.²⁹⁶

Figure 2.35
STATUS OF 400-kV POWERLINES AND PROVINCIAL POWER ALLOCATION VS. USAGE
 Source: ITAO, *Electric Daily Units Performance Report* (10/9/2007)







Oil and Gas

The 2003 UN/World Bank Iraqi Joint Needs Assessment did not thoroughly assess the Iraqi oil sector, but the report noted that the CPA estimated that \$8 billion would be needed to rebuild the oil infrastructure in Iraq.

The United States has invested \$1.71 billion in the Iraqi oil sector. Because many variables that cannot be controlled affect actual production, the United States is unable to measure precisely the U.S. contribution to oil production output in Iraq.

Since 2003, the goals for crude oil production in Iraq have changed. In 2003, CPA set a goal to “repair and restore the oil infrastructure to pre-war levels.” The U.S. Department of Energy reported that Iraqi pre-war oil production was

2.58 million barrels per day (MBPD).²⁹⁷ In January 2007, the Ministry of Oil changed its goal for crude oil production from 2.5 MBPD to 2.1 MBPD because the Al Basrah Oil Terminal (ABOT) was shut down for maintenance and upgrading the meters.²⁹⁸

This quarter, oil production averaged 2.16 MBPD, exceeding the Ministry of Oil’s goal of 2.1 MBPD for the first time in 2007. ITAO attributes the increase to a renewal of oil supplies from the Kirkuk oilfields in the north: critical pipelines have been repaired and are in operation. It is important to note, however, that this quarter’s production lags slightly behind the same period last year. Table 2.30 compares this quarter’s production with the same period last year and pre-war levels.



Roadside gas pumps. Shortages of fuel continue to affect all sectors of Iraq’s economy.



Figure 2.36 shows oil production output versus ministry goals since the start of the war.²⁹⁹

Last quarter, GRD reported that Iraq met its production capacity goals for natural gas and

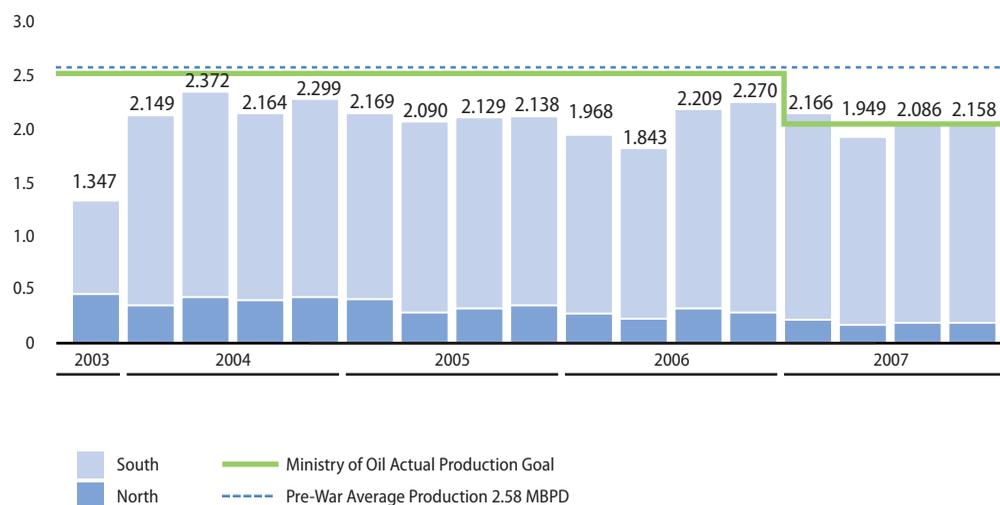
liquefied petroleum gas (LPG). Table 2.31 below shows the production capacity progress made since this period last year.

Figure 2.36

CRUDE OIL PRODUCTION BY REGION

Millions of Barrels per Day (MBPD)

Source: ITAO, *Monthly Import, Production and Export* (September 2007).



STATUS OF NATURAL GAS AND LIQUEFIED PETROLEUM GAS PRODUCTION CAPACITY

METRIC	STATUS BY QUARTER FY 2006 – FY 2007	THIS QUARTER	% CHANGE SPLY
Natural Gas Production Capacity		800 Thousand Standard Cubic Feet Per Day (MSCFD)	33%
		TREND	↑
Liquefied Petroleum Gas Production Capacity		3,000 Tons Per Day (TPD)	150%
		TREND	↑

Source: GRD, response to SIGIR data call, June 9, 2007.
Note: SPLY denotes same period last year.

TABLE 2.31



PRICES OF OIL AND REFINED FUELS

Last quarter, the Ministry of Oil raised the price of gasoline, blended gasoline, and diesel in accordance with the IMF Stand-By Arrangement. As Table 2.32 shows, these fuel adjustments represent substantial fiscal gains for the GOI because they 1) eliminate fuel subsidies that have traditionally been part of the government's fiscal year budget, and 2) reduce demand for the remaining subsidized fuel because consumers must pay more for the fuel they are using.

High prices for crude oil continue to push government revenue upwards. Nevertheless, the IMF reports that the Iraqi economy remains susceptible to fluctuations in the price of crude oil.

STATUS OF HYDROCARBON LAW

Progress toward hydrocarbon legislation remains stalled, despite its high priority to the leadership of the GOI and U.S. government. As SIGIR noted last quarter, hydrocarbon legislation is actually a series of four laws: a framework law that establishes lines of authority for signing contracts, revenue sharing, the creation of a national oil company, and the regulatory role of the Ministry of Oil. Table 2.33 shows the status of these laws.

CHALLENGES FACING THE OIL SECTOR

Table 2.34 shows the status of two major challenges in the oil sector—protecting pipelines and battling corruption.

PRICE INCREASES FOR REFINED FUELS (\$ PER GALLON)

	SEP. 2005	PRIOR ACTION	3/31/2006		6/30/2006		9/30/2006		12/31/2006		6/30/2007	
			GOAL	ACTUAL	GOAL	ACTUAL	GOAL	ACTUAL	GOAL	ACTUAL	GOAL	ACTUAL
Regular Gasoline	\$0.05	\$0.26	\$0.33	\$0.26	\$0.40	\$0.45	\$0.45	\$0.45	\$0.54	\$0.68	\$0.91	\$1.06
Premium Gasoline	\$0.13	\$0.64	\$0.77	\$0.64	\$0.90	\$0.90	\$1.03	\$0.90	\$1.23	\$0.95	–	–
Blended Gasoline	–	–	–	–	–	–	–	–	–	\$0.95	\$1.21	\$1.36
Kerosene	\$0.01	\$0.06	\$0.13	\$0.06	\$0.19	\$0.19	\$0.23	\$0.19	\$0.31	\$0.20	\$0.45	\$0.61
Diesel	\$0.03	\$0.23	\$0.28	\$0.23	\$0.32	\$0.32	\$0.40	\$0.38	\$0.48	\$0.41	\$1.06	\$1.06

Sources: IMF, Country Report No. 07/115, March 2007; Conversion rates: IMF, response to SIGIR data call, July 19, 2007.

Note: Prices have been converted from Iraqi dinars (ID) per liter to U.S. dollars per gallon. These are the conversion rates used, by date: December 2005—1,474 ID/\$, March 2006—1,476 ID/\$, June 2006—1,477 ID/\$, September 2006—1,475 ID/\$, December 2006—1,391 ID/\$, June 2007—1,250 ID/\$.

TABLE 2.32



STATUS OF HYDROCARBON LEGISLATION

Framework for lines of authority	On August 6, 2007, the Kurdistan Regional Government (KRG) approved its own oil law, signaling that the Kurds are moving forward with their own oil policy. Meanwhile, the KRG and the GOI remain divided on the framework legislation. On July 3, 2007, the Council of Ministers approved a draft version of the framework law, and the legislation was forwarded to the Council of Representatives. Kurdish officials withdrew support for the law based on changes made to the draft, and the legislation remains with the Council of Representatives. DoS reported to SIGIR this quarter “that KRG oil deals do not help negotiations on the hydrocarbon legislative package.”
Revenue sharing	A draft of this law creates two revenue sharing accounts—one to take in external revenue and one to collect internal revenue. According to the draft, regions would receive revenue based on population; the KRG would receive the same 17% payout it takes in now. The draft also includes a plank that establishes a separate KRG account at the Central Bank of Iraq.
National oil company	This law is contingent on the passage of the framework law.
Regulatory role of the Ministry of Oil	This law is contingent on the passage of the framework law.

Sources: DoD, *Measuring Stability and Security in Iraq*, September 2007, p. 13. NEA-I, response to SIGIR data call, October 22, 2007.

TABLE 2.33

STATUS OF CHALLENGES IN THE OIL SECTOR

Protecting pipelines	The Iraqi Air Force (IAF) has deployed surveillance forces (35 helicopters) to report on oil pipeline interdictions. DoS notes that IAF has more success identifying attacks on oil pipelines than on electricity lines. Insurgents are more conspicuous when attacking pipelines because they are forced to dig for pipelines before triggering IEDs.
Corruption	DoD reported that Strategic Infrastructure Battalions (SIBs) and Facilities Protection Service (FPS), the protection forces of the oil sector, are suspected of complicity in smuggling as much as 70% of the output of the Baiji refinery, costing Iraq as much as \$2 billion in revenue per year.

Source: DoS, response to SIGIR data call, October 15, 2007.

TABLE 2.34



The Mosul Dam supplies drinking water, irrigation, flood control, and hydroelectric power to the surrounding region. Access to clean water remains a critical issue across Iraq.



Water

In 2003, a UN/World Bank assessment estimated that rebuilding Iraq’s water and sewerage systems would cost more than \$14.4 billion.³⁰⁰ IRRF 2 has obligated approximately 93% of its \$2.09 billion for reconstruction of the water system in Iraq. Violence, a lack of trained facility workers, and inadequate maintenance practices impede progress in the water sector.

Because nearly all of the IRRF 2 water funding is expended, CERP funds are playing an ever-growing role in this sector, funding local water projects to connect potable water and sewer lines to homes and businesses in provinces and strategic cities across Iraq. Approximately one-third of all CERP money (\$530 million) has funded water and sanitation projects.

This quarter, SIGIR inspected the largest dam in Iraq—the Mosul Dam on the Tigris River—which the Saddam Hussein government completed in 1984. Because the dam was built on a foundation of soluble soils, the dam requires constant grouting. The U.S. government has been funding short-term solutions to the problems, while the Iraqi Ministry of Water Resources seeks a longer term solution.

Table 2.35 provides a summary of the status of various water metrics.

STATUS OF U.S. WATER PROJECTS

METRIC	TRENDS								
Output of U.S. Potable Water Projects (Million Cubic Meters per Day)	<table border="1"> <tr><th>Year</th><th>Output (Million Cubic Meters per Day)</th></tr> <tr><td>2006</td><td>~0.8</td></tr> <tr><td>2007</td><td>2.0</td></tr> <tr><td>Goal</td><td>2.4</td></tr> </table>	Year	Output (Million Cubic Meters per Day)	2006	~0.8	2007	2.0	Goal	2.4
Year	Output (Million Cubic Meters per Day)								
2006	~0.8								
2007	2.0								
Goal	2.4								
People Served by U.S. Potable Water Projects (Millions)	<table border="1"> <tr><th>Year</th><th>People Served (Millions)</th></tr> <tr><td>2006</td><td>~2.5</td></tr> <tr><td>2007</td><td>6.7</td></tr> <tr><td>Goal</td><td>8.4</td></tr> </table>	Year	People Served (Millions)	2006	~2.5	2007	6.7	Goal	8.4
Year	People Served (Millions)								
2006	~2.5								
2007	6.7								
Goal	8.4								
Output of U.S. Sewerage Projects (Million Cubic Meters per Day)	<table border="1"> <tr><th>Year</th><th>Output (Million Cubic Meters per Day)</th></tr> <tr><td>2006</td><td>~1.15</td></tr> <tr><td>2007</td><td>1.20</td></tr> <tr><td>Goal</td><td>1.22</td></tr> </table>	Year	Output (Million Cubic Meters per Day)	2006	~1.15	2007	1.20	Goal	1.22
Year	Output (Million Cubic Meters per Day)								
2006	~1.15								
2007	1.20								
Goal	1.22								
People Served by U.S. Sewerage Projects (Millions)	<table border="1"> <tr><th>Year</th><th>People Served (Millions)</th></tr> <tr><td>2006</td><td>~5.1</td></tr> <tr><td>2007</td><td>5.1</td></tr> <tr><td>Goal</td><td>5.2</td></tr> </table>	Year	People Served (Millions)	2006	~5.1	2007	5.1	Goal	5.2
Year	People Served (Millions)								
2006	~5.1								
2007	5.1								
Goal	5.2								

Source: DoS, response to SIGIR data call, October 18, 2007.

TABLE 2.35



Health Care

Health care issues continue to be a significant concern to the Iraqi government. The movement of internally displaced persons, combined with the challenges of restoring water supplies and sewerage, poses significant health risks. The infrastructure and facilities intended to meet these risks have been a key focus of both Iraqi and U.S. reconstruction efforts.

CHOLERA

A cholera outbreak in northern Iraq has caused great concern in Kurdistan; the Prime Minister has dedicated \$50 million to respond to this outbreak.³⁰¹ All public water systems in the affected areas have been chlorinated.³⁰² In addition, provincial health authorities in Iraq have taken these actions:³⁰³

- performed a risk assessment
- developed water safety and sanitation programs
- enhanced the surveillance system for indicator symptoms
- improved coordination and information flow
- regulated clinical case management
- mobilized medical and other essential supplies
- activated social mobilization and health education campaigns

Both the World Health Organization (WHO) and UNICEF have taken steps to provide cholera aid. UNICEF has donated 4,000 needles and cannulae and has delivered 15,000 sachets of Oral Rehydration Salts, which are “critical to prevent death from dehydration caused by severe diarrhea.”³⁰⁴ WHO has deployed two epidemiologists to assist the Ministry of Health and plans to contribute five million water tablets to the effort.³⁰⁵

PRIMARY HEALTHCARE CENTERS (PHCS)

The United States has funded 142 PHCs. As of October 10, 2007, 80 PHCs have been completed, and 37 have been accepted by the Ministry of Health. Of the 56 PHCs still under construction, 54 are scheduled for completion by March 2008.³⁰⁶ GRD estimates that the final two PHCs will be completed in FY 2009.³⁰⁷

Six PHCs have been deprogrammed since the start of construction because they were bombed.³⁰⁸ This quarter, in Anbar province, two of these facilities were reprogrammed.³⁰⁹ Table 2.36 shows the status of PHC construction.

NEA-I reports that the lack of infrastructure to support operations and maintenance has contributed to delays in opening PHCs.³¹⁰ Openings have also been hampered by the significant loss of medical staff. Since 2003, the number of doctors in Iraq has dropped from 24,000 to 14,000.³¹¹



STATUS OF THE PRIMARY HEALTHCARE CENTERS

STATUS OF PHCs	NUMBER OF PHCs
Completed and Open to Public	29
Completed, Not Accepted by Ministry of Health	14
Completed, Accepted by Ministry of Health	37
Under Construction: 90-100% Completed	35
Under Construction: 75-90% Completed	14
Under Construction: Less than 75% Complete	7
Deprogrammed	4
Reprogrammed	2
Total Funded PHCs	142

Source: GRD, response to SIGIR data call, October 10, 2007.

TABLE 2.36

BASRAH CHILDREN'S HOSPITAL

This quarter, steady progress continued in the construction of the Basrah Children's Hospital. The hospital is now 66% complete and scheduled to open in January 2009. The construction project is valued at \$163 million. The average number of Iraqis working on this project is expected to increase from 750 to 1,000 per day, according to DoS.³¹²



Transportation and Communications

More than 86% of U.S.-funded transportation and communications projects are complete. Table 2.37 shows the status of these projects for this quarter.

KEY UPDATES IN TRANSPORTATION

Aviation

As of October 3, 2007, Iraqi airports reported a decrease in the number of takeoffs and landings per week—from 2,389 last quarter to 2,243 this quarter.³¹³

Work continues on the **Basrah International Airport (BIA)**. As of October 9, 2007, six projects have been completed, and five are in progress:³¹⁴

- **BIA Communications** (estimated completion: December 20, 2007)

- **BIA Terminal and Tower Renovation** (estimated completion: January 1, 2008)
- **New Radar for BIA** (estimated completion: February 14, 2008)
- **Renovate BIA Water System** (estimated completion: February 28, 2008)
- **Upgrade and Rehab BIA Navigational Aids (NAVAIDS)** (estimated completion: March 1, 2008)

To improve airport security, more than 7,139 **Baghdad International Airport (BIAP)** employees have taken part in biometric and badging programs. Three new stations have been opened, and new staff have been hired to speed the biometric and badging enrollment process.³¹⁵

In April 2007, SIGIR issued an inspection of the **BIAP Power System Enhancement project**, a project valued at \$11.8 million. The purpose of the inspection was to determine whether

STATUS OF U.S.-FUNDED TRANSPORTATION AND COMMUNICATIONS PROJECTS

	NOT STARTED	ONGOING	COMPLETED	TOTAL
Roads and Bridges	78	112	1,325	1,515
Transportation—Other	12	38	294	344
Communication Equipment	21	11	180	212
Railroad Stations	1	3	115	119
Airports	3	21	40	64
Expressways	6	13	21	40
Postal Facilities	1		37	38
Ports			29	29
Outside Plant	3	1	9	13
Infrastructure Security	4	3	4	11
Grand Total	129	202	2,054	2,385

Sources: IRMS, Global Benchmark, October 12, 2007; USAID, *Activities Report*, October 15, 2007.

TABLE 2.37



CERP-funded road construction.

the projects were operating at the capacity established by the original contract or task order.³¹⁶ SIGIR inspectors found that 10 of the 17 new generator sets used in the power system enhancement were not operational in March 2007.³¹⁷ As of October 17, 2007, DoS reports that all 17 are operational.³¹⁸

Railways

Security issues continue to hamper operations of the Iraq Republic Railway (IRR) between Falluja and Ramadi.³¹⁹ The continuing violence has affected “crew starts, train movements,

ordinary track maintenance, and bridge repairs at various locations.”³²⁰ The IRR Superintendent reported that although 178 people were on payroll records, only 20 of these employees were working regularly.³²¹

IRR has been working with MNF-I to use the Iraqi railroad to deliver heavy fuel oil to regional power plants.³²² Some delivery agreements have already been made, but several routes, including the route between the Baiji Refinery and Ramadi, are still involved in contracting agreement negotiations.³²³



Roads and Bridges

The United States has funded more than 1,000 road and bridge projects to date.³²⁴ Seven U.S.-funded road and bridge projects were completed this quarter, according to GRD.³²⁵ Table 2.38 shows the U.S.-funded road and bridge projects completed this quarter.

This quarter, SIGIR inspectors reviewed two road paving projects in Ninewa—the Showairrej to Tak Harb Road Paving project (\$1.4 million) and the Bartilla New Road Paving project (\$.148 million).³²⁶ Both projects were found to be in compliance with contract requirements. For more information on these audits, see Section 3 of this Report.

Work on the **Baghdad-Kirkuk Highway Project** continues. The northern component of the project is 22% complete, and the southern component is 8% complete.³²⁷ The project will be upgraded to four lanes by December 2008. The Ministry of Construction and Housing is executing this project through a grant agreement

with the United States. When the contractor on the project reaches predetermined milestones, the United States provides reimbursement to the Ministry, which is responsible for paying the contractor.³²⁸

Although the progress of construction of roads and bridges remains steady, attacks on infrastructure continue. This quarter, the Grand Canal at Tiji lost its southbound bridge in an attack.³²⁹

Shipping and Ports

The last ongoing U.S.-funded reconstruction project at the Port of Umm Qasr, the **Nelcon Crane Refurbishment Project**, is nearing completion. The **Power to Nelcon Cranes** part of the project is 97% complete, and the **Installation of Nelcon Cranes** project is 88% complete.³³⁰ Until recently, the cranes have not been functioning because the General Company for Ports of Iraq (GCPI) had not supplied the new batteries required for operation.³³¹ GRD informed

ROAD AND BRIDGE PROJECTS COMPLETED THIS QUARTER

PROJECT COMPLETED	PROJECT TYPE	COMPLETION DATE
Rural Road between Showairrej and Tak Harb	Village Roads	7/3/2007
Road between Mosul and Baghdad	PRDC	7/4/2007
Baiji PP Access Road and Gate	Village Roads	7/8/2007
Sadr Al Yousefiyah Road Repair	Village Roads	7/11/2007
Overlay Main Road	Village Roads	8/5/2007
Road between Tala Al Thawayal and Ghayda Road	Village Roads	8/17/2007
Main Roads in Diwaniya City	PRDC	8/20/2007

Source: GRD, response to SIGIR data call, October 9, 2007.

TABLE 2.38



the Embassy that if GCPI failed to provide the batteries, the Nelcon Crane Project will be terminated for convenience, and the south port of Umm Qasr will have no container capabilities.³³² As of October 17, 2007, generators were reportedly operational and in good condition. GRD is arranging for contractors to complete their projects.³³³

The **Roll On-Roll Off (RO-RO) berth project** at Umm Qasr, valued at \$2.7 million,³³⁴ was completed on September 14, 2007,³³⁵ after several delays.³³⁶ A RO-RO berth allows ships to berth quickly and to offload cargo without the use of cranes.³³⁷ The GCPI has accepted the new RO-RO berth, and will be responsible for lighting, AC pavement, and facilities to expedite the unloading of RO-RO goods.³³⁸

KEY UPDATES IN COMMUNICATIONS

In August 2007, three companies won bids for cell phone licenses. Each company bid \$1.25 billion for its license, an amount that each has had difficulty paying.³³⁹ Since the awards were issued, one of the firms lost its license.³⁴⁰ According to ITAO, the licensing auction has triggered “a period of instability,” in the telecom market which will last at least until early 2008.³⁴¹

Thirty-three IRRF-funded projects focusing on the modernization of the **Iraq Telecommunications and Postal Commission (ITPC)** are complete.³⁴² The Diwaniya Post Office, finished on September 9, 2007, was the final ITPC postal facility project to be completed.³⁴³

The **Wireless Broadband Network**, part of the Iraqi Telecommunications System project, is scheduled for transfer to the Ministry of Communications in October 2007.³⁴⁴ ITAO’s Office of Communications is facilitating the transfer, and a number of private companies have voiced interest in running the wireless network for profit.³⁴⁵

The **switching facility at Al-Maimouna** (Al Mamoon), also part of the Iraqi Telecommunications System project, was originally scheduled for completion in September 2007. Last quarter, SIGIR reported that the completion date for this \$26.6 million facility had been changed to February 2008, and the project was 22% complete.³⁴⁶ This quarter, GRD reports that the project is 27% complete and estimates a completion date of February 10, 2008.³⁴⁷

At the Iraq Telecoms Conference in London, the Minister for Communications expressed his intention to create a **Telecommunications Master Plan** for Iraq. ITAO’s Office of Communications will work with the Ministry to ensure that PRT telecommunication developments are consistent with existing national telecommunication plans. ITAO predicts that “it is likely that the result of the Plan will be the privatization of SCIS [State Company for Internet Services], and clearer management and funding processes for ITPC as the responsible agent for the core fiber infrastructure.”³⁴⁸

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION



section

2c

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

Since the July 2007 Quarterly Report, there have been no additional pledges announced by international donors for Iraq reconstruction. There have, however, been additional commitments and disbursements.³⁴⁹

Based on data from the Development Assistance Database (DAD), commitments increased by \$265.79 million since last quarter, and disbursements are up \$1.05 billion. International donors currently are funding 242 active projects in Iraq, with 23 projects in the pipeline.³⁵⁰

This quarter, the United Nations (UN) hosted a meeting on September 22, 2007, between Iraq and the international community to review a new blueprint to rebuild Iraq. The ministerial session, which was co-chaired by the UN Secretary-General and the Iraqi Prime Minister, included participants from the international community. They discussed strengthening the UN presence in Iraq and considered the role of the International Compact with Iraq, which aims at stabilizing Iraq by improving the political, economic, and security arenas throughout the country.³⁵¹

Status of the International Compact with Iraq

The International Compact with Iraq (the Compact), a five-year recovery plan that provides benchmarks and shared commitments for Iraq and the international community, presents a

framework for the international community to support the priorities depicted in Iraq's National Vision.³⁵² On July 20, 2007, the first progress report on the implementation of the Compact was released at the UN.

The Compact's Joint Monitoring Matrix (JMM) sets out action items and schedules for the GOI. The JMM lists the socio-economic benchmarks that the GOI has committed to and provides a mechanism for monitoring the implementation of the commitments made under the Compact.³⁵³ Although the Compact is meant to shape the future of donor assistance, no specific donor pledge amounts or debt relief incentives are tied to meeting the benchmarks.

The JMM provides benchmarks/action items for:

- Legislative Program
- National Reconciliation and Dialogue
- Public Resource Management
- Institutions and Improving Governance
- Economic Reform
- Human Development and Human Security
- Energy
- Agriculture³⁵⁴

More than half of the activities under the Compact's JMM are reported to be on track.³⁵⁵ For a breakdown of the open actions, see Table 2.39. For a sample listing of actions, see Table 2.40.

ACHIEVEMENTS AND CHALLENGES

Although some progress has been made toward meeting the Compact's benchmarks, serious challenges still impede progress. The GOI identifies these critical challenges:

- insurgent and terrorist activity

- high levels of corruption and an immature accountability framework
- divided positions on the presence of international forces in Iraq
- inconsistent and unpredictable development assistance
- loss of qualified and experienced professionals³⁵⁶

COMPACT: STATUS OF OPEN ACTIONS

STATUS	NUMBER	% OF TOTAL
In Progress, On Track	169	61%
In Progress, Delayed	28	10%
Due To Start, Delayed	26	9%
Not Yet Due To Start	26	9%
Not Yet Reported	28	10%
Total	277	100%

Source: GOI, "The International Compact with Iraq 2007 Mid-Year Progress Report," July 20, 2007, p. 9.

Notes:

1. Data not formally reviewed, audited, or verified.
2. Percentages are affected by rounding.

TABLE 2.39

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

COMPACT: SAMPLE LISTING OF ACTIONS FROM JMM

SECTION	BENCHMARK/ACTION	STATUS
Legislative Program—Progress Legislative Program	By end 2007: Agree on legislative timetable.	Completed
Legislative Program—Progress Legislative Program	By end 2007: Form a Constitutional Review Committee.	Completed
National Reconciliation and Dialogue Program	Form national head committee that contains representatives from the three authorities, the state minister of the national dialogue, and representatives from the parliamentary states.	Completed
National Reconciliation and Dialogue Program	The head national committee forms sub-committees in the governorates to take over the tasks of the committee to expand the reconciliation horizontally.	In Progress, On Track
National Reconciliation and Dialogue Program	Form field committees to put horizontal cultural and media conceptions, follow up on the process of reconciliation, and evaluate stages.	In Progress, On Track
Public Resource Management—Oil Revenues	By 2007, develop a framework for the sharing of the benefits of oil, integrated into the budget process and consistent with the Constitution (Priority Action). This framework must be: transparent and equitable; financially sustainable financing at all levels of government; mindful of legacies of the past and differences in levels of development; properly compensating the producing regions and governorates; supported by appropriate organization structures; and consistent with appropriate accounting and administrative systems.	In Progress, On Track
Public Resource Management—Public Financial Management (PFM)	During 2007, operationalize an enhanced sector-wide and cross-cutting consultation and coordination framework.	In Progress, On Track
Public Resource Management—Public Financial Management (PFM)	During 2007, undertake and complete a functional review of the Ministry of Planning and Development Cooperation as provided for in the Public Financial Management Law (Priority Action)	In Progress, Delayed

Source: GOI, "The International Compact with Iraq 2007 Mid-Year Progress Report," July 20, 2007, Annex 1, p. 1, Annex 2, p. 1, and Annex 3, pp. 1-5.

Notes:

1. Data not formally reviewed, audited, or verified.
2. Listing is a sample of actions and should not be construed as an all-inclusive list or key action list.

TABLE 2.40

United Nations Support

The September 2007 UN meeting emphasized the UN's key role in advancing Iraq's national reconciliation. Participants discussed Security Council Resolution 1770,³⁵⁷ which extended the UN Assistance Mission for Iraq (UNAMI) for an additional 12 months.

The resolution expanded the mission's mandate to "advise, support, and assist 'as circumstances permit'" the GOI and Iraqi people on:

- making progress on the national reconciliation and dialogue program
- building methods for holding elections
- evaluating the Constitution and assisting in the implementation of its provisions
- aiding with regional discussion on issues, such as border security, energy, and refugees
- assisting with preparation and monetary funding of reintegration programs
- setting up the completion of a thorough census³⁵⁸

A modest increase in the number of UN staff in Iraq is expected, but any increase in the UN presence in Iraq will most likely be contingent on the security situation.³⁵⁹

On October 15, 2007, the UN Secretary-General issued the first report under Security Council Resolution 1770. According to the report, since June 2007, UNAMI's activities included:

- participating in a Baghdad meeting on September 9, 2007, with Iraq's neighbor states to prepare for the ministerial-level meeting
- discussing the constitutional review process with Iraqi political leaders

- working with the Board for Independent High Electoral Commission to develop a capacity-building program, which will be funded through the International Reconstruction Fund Facility for Iraq (IRFFI)
- observing the selection of the directors of the 19 Governorate Electorate Offices and ultimately issuing a report on the selection process, at the invitation of the GOI
- advising the Electoral Commission on required steps to convert the Public Distribution System database into a voter registry
- releasing a human rights report on October 11, 2007³⁶⁰

A ministerial meeting is scheduled for early November in Istanbul to discuss the future of UN involvement in Iraq.³⁶¹

Update on World Bank/IMF Projects and Initiatives

The World Bank and International Monetary Fund (IMF) have provided assistance to Iraq to help advance the reconstruction effort. The World Bank has given Iraq aid to develop social services through its International Development Association (IDA), and the IMF has offered support for economic advancements through a Stand-By Arrangement (SBA).

During his visit to Iraq in August, the IG met with the two World Bank personnel permanently assigned to Iraq. Increasing the World Bank contingent on the ground in Iraq would greatly help to realize the potential policies still pending on its agenda.

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

WORLD BANK

The World Bank has approved four projects through its IDA loans, totaling \$399 million.³⁶² The World Bank uses IDA to help the world's poorest countries. IDA lends money on concessional terms through its loans; these credits have no interest charge, and repayments are stretched over 35-40 years, including a 10-year grace period.³⁶³

IDA loans focus on basic social services—education, electricity, transportation, and water supply. Two of the projects—Third Emergency Education Project and Emergency Road Rehabilitation Project—became effective on October 15, 2007. Since last quarter, there has also been progress toward implementing the remaining two projects.³⁶⁴ For details for each of the approved projects, see Table 2.41.

WORLD BANK IDA LOANS TO IRAQ (\$ MILLIONS)

NAME	IDA AMOUNT	APPROVAL DATE	IMPLEMENTING AGENCY	DESCRIPTION	STATUS
Third Emergency Education Project	\$100	November 2005	Ministry of Education	Finances the construction of approximately 82 new primary and secondary schools in 15 governorates. The project will directly benefit about 57,000 students.	Became effective on October 15, 2007.
Emergency Road Rehabilitation Project	\$135	June 2006	Ministry of Construction and the KRG Directorate for Roads and Bridges	Will rehabilitate and reconstruct highways and village access roads, and replace approximately three floating bridges with permanent structures in central and southern Iraq.	Became effective on October 15, 2007.
Dokan and Darbandihkan Emergency Hydropower Project	\$40	December 2006	KRG Ministry of Electricity	Part of Iraq's overall Electricity Master Plan, providing electricity in the Kurdistan region and to the interconnected national grid. The project will directly impact approximately 490,000 households and provide benefits for industrial consumers.	Not yet effective. A financing agreement has been ratified, and the legal opinion is expected. The primary contract (evaluation of rehabilitation requirements) was ready in May 2007 but could not be signed because credit was not yet effective. Since retroactive financing is allowed, \$.17 million has been paid and the assessment has begun.
Emergency Electricity Reconstruction Project	\$124	March 2007	Ministry of Electricity	Aims to restore the base-load generation capacity of the Hartha Power Station and build capacity in the Ministry of Electricity.	In September 2007, a contract was granted for evaluating bids for the rehabilitation works; work has already begun under this contract. The rehabilitation contract is projected to be ready by the end of October. A financing agreement has not yet been ratified.
Total	\$399				

Source: IRFFI, *World Bank Operations in Iraq Data Sheet*, September 30, 2007.

Note: Data not formally reviewed, audited, or verified.

TABLE 2.41

INTERNATIONAL MONETARY FUND (IMF)

The IMF works to promote global monetary cooperation, obtain financial stability, support international trade, advance high employment and sustainable economic growth, and lessen poverty. In 2005, the IMF entered into a Stand-By Arrangement (SBA) with Iraq to help advance the country's macroeconomic and financial sector reforms. This has been the most effective international agreement involving Iraq from an economic perspective in that the SBA benchmarks have already fostered meaningful economic change in Iraq.

IMF Stand-By Arrangement

On December 23, 2005, Iraq signed an SBA with the IMF, providing for loans of up to \$727.4 million.³⁶⁵ An SBA is a credit agreement that allows a country to borrow up to a specified amount to deal with short-term balance of payment problems. Under an SBA, the IMF reviews the economic indices to determine whether the country has made progress toward structural reforms.³⁶⁶

To date, the IMF has performed five reviews of the SBA with Iraq. The most recent review, concluded in August 2007, reported progress in:³⁶⁷

- continuing the phased adjustment of official fuel prices, including raising the domestic fuel prices on July 1, 2007
- reducing fuel shortages by issuing about 20 licenses to private importers
- beginning to develop a strategy for medium-term tax reforms, with technical assistance from international partners

- improving public financial management
- managing the exchange rate to decrease inflation
- expanding coverage of the new payment system
- implementing the memorandum of understanding for the bank restructuring program
- raising the policy interest rate by the Central Bank of Iraq (CBI)³⁶⁸

According to the fifth progress report, the political and security situation and volatile oil prices pose significant risks for Iraq's economic prospects. Iraq's key challenges are to increase economic growth and further reduce inflation.

To meet these challenges, it is necessary to:

- increase investment, especially in the oil sector
- continue macroeconomic policies to bring inflation down
- move ahead with priority structural reforms³⁶⁹

The IMF Executive Board recently noted that Iraq has kept its economic program on track despite the troubling political situation and tough security environment. However, the development of oil production is lagging and overall inflation remains high. The IMF believes that the economic future of Iraq "hinge[s] critically" on enhancements in the security environment.³⁷⁰ The IMF Executive Board approved an extension of the SBA through December 28, 2007.³⁷¹

Negotiations for the SBA successor arrangement are expected to begin during the fall. The

aim of the successor arrangement is to achieve macroeconomic stability, continue the economic reform program, and complete the third and final stage of the 2004 Paris Club debt reduction agreement.³⁷²

UPDATE ON BANK RESTRUCTURING PROGRAM

A Memorandum of Understanding (MOU) between the Minister of Finance and the CBI directs the operations of the two largest state-owned banks, Rafadain and Rasheed. The MOU's restructuring initiatives are based on directives by the World Bank and the IMF.

Support from the U.S. Department of Treasury in this area includes:

- re-stating the 2006 balance sheet for Rafadain and Rasheed
- providing assistance to identify and clarify foreign debt, inherited losses, and reserves
- assisting in the selection of an external audit firm; for both Rafadain and Rasheed
- aiding in the valuation of assets, liabilities, and credits
- completing policy and procedures, job descriptions, and organizational design table to assist the banks
- advising on additional areas as requested, such as: accounting disciplines, banking operations, information technology, legal issues, government treasury, credit, and training requirements³⁷³

During December 2007, a conference will be held to discuss the financial and operational requirements remaining to complete the bank restructuring. Representatives of Iraq's

state-owned banks, the CBI, the IMF, and the World Bank will be attending the conference in Jordan.³⁷⁴

Grants and Loans from International Donors

The Ministry of Planning and UN Development Programme (UNDP) developed the DAD to record donor assistance, analyze donor activities, and monitor the implementation of donor-funded projects. The donors are the main source for data recorded in the DAD. Donors provide information to the Ministry of Planning to populate the DAD, but there is no standard timeframe for donors to provide updates.³⁷⁵

Of the \$18.38 billion pledged, \$696.5 million comes from the framework of the Compact. There have been no additional pledges made under the Compact since last quarter. Together, the top ten international donors represent more than 90% of the total international funds pledged, but these same donors represent only 61% of the total international funds disbursed. Five of these top ten donors have not yet disbursed any of their pledged funding. For details of pledges and disbursements made by the top ten donors, see Figure 2.37.

For the breakdown of donor assistance by country and organization, of donor assistance, see Table 2.42.

At the end of 2004, the GOI owed an estimated \$120 billion to the international community and private creditors. Iraq's creditors have written off \$31 billion through debt agreements with Iraq, which brought the GOI's external debt down to \$89 billion as of December 2006.³⁷⁶ Since January 2007, four countries

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

have promised an additional \$21 billion in debt relief.³⁷⁷ There has been no additional debt relief announced since last quarter. The GOI is working with lender countries to establish time-lines to achieve the full range of debt forgiveness promised thus far through the Compact.³⁷⁸

During October 2007, the National Bureau of Economic Research issued a report on the financial impact of the military surge in Iraq. The

report examined the price of Iraqi state bonds in the world financial markets. These bonds are being serviced by the GOI. The report found that after the surge, the Iraqi bond yield increased by 115 to 170 basis points; this corresponds to an increase of approximately 40% in the expected annual probability of default for Iraqi bonds traded on the world's financial markets.³⁷⁹

Figure 2.37

INTERNATIONAL DONORS - PLEDGES AND DISBURSEMENTS

\$ Billions, Total Pledges \$18.38 Billion

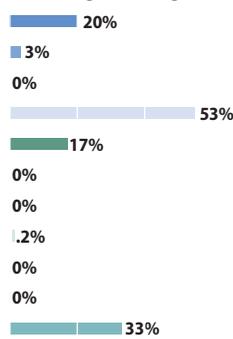
Source: See sources for "Donor Grants and Loans to Iraq" table on next page.



Pledges - Percentage by Donor

Donor	\$ Billions	Percentage
Japan	\$5.00	27%
World Bank	\$3.00	16%
International Monetary Fund	\$2.55	14%
Other Donors	\$1.83	10%
United Kingdom	\$1.54	9%
Iran	\$1.02	6%
Saudi Arabia	\$1.00	5%
European Commission	\$0.97	5%
Kuwait	\$0.51	3%
Islamic Development Bank	\$0.50	3%
South Korea	\$0.46	2%

Percentage of Pledges Disbursed



Notes:

1. Numbers are affected by rounding.
2. Excludes U.S. funding.
3. Disbursements based on DAD reporting.

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

DONOR GRANTS AND LOANS TO IRAQ (U.S. DOLLARS)

DONOR	PLEGGED ^a	COMMITTED ^b	CHANGE FROM JULY 2007 QUARTERLY REPORT	DISBURSED ^b	CHANGE FROM JULY 2007 QUARTERLY REPORT
Australia	\$104,168,111	\$40,253,296	-	*	-
Austria	5,700,000	*	-	*	-
Belgium	11,815,789	3,803,351	-	\$2,473,396	-
Bulgaria	1,300,000	*	-	*	-
Canada	286,085,242	178,238,910	-	106,082,427	-
China	38,000,000	*	-	*	-
Croatia	333,000	*	-	*	-
Cyprus	120,000	*	-	*	-
Czech Republic	14,700,000	*	-	*	-
Denmark	103,082,297	18,042,189	-	3,135,259	-
Estonia	80,000	*	-	*	-
Finland	8,834,500	8,835,000	\$500	*	-
France	32,288	32,288	-	*	-
Germany	12,820,513	807,660	-	586,276	-
Greece	5,414,458	3,614,458	-	*	-
Hungary	1,667,005	*	-	*	-
Iceland	3,200,000	2,700,000	-	*	-
India	11,000,000	10,000,000	2,500,000	*	-
Iran	1,020,000,000	*	-	*	-
Ireland	3,534,300	1,234,568	-	*	-
Italy	435,000,000 ^c	35,732,540	-	5,266,564	-
Japan	5,000,000,000	1,527,551,666	(2,092,000)	1,022,339,900	(\$2,092,000)
Jordan	1,500,000	75,000	-	*	-
Kuwait	516,200,000	10,000,000	-	*	-
Lithuania	30,000	*	-	*	-
Luxembourg	2,563,298	2,323,298	-	*	-
Malta	270,000	*	-	*	-
Netherlands	21,929,596	15,929,596	-	2,482,916	-
New Zealand	7,178,378	3,378,378	-	*	-
Norway	24,018,692	23,186,046	-	8,465,164	151,253
Oman	3,000,000	*	-	*	-
Pakistan	2,500,000	*	-	*	-
Portugal	600,000	*	-	*	-
Qatar	100,000,000	5,000,000	-	*	-
Russia	8,000,000	*	-	*	-
Saudi Arabia	1,000,000,000	*	-	*	-
Singapore	1,700,000	*	-	*	-
Slovenia	420,000	*	-	*	-
South Korea	460,000,000	234,745,929	66,411,302	149,333,041	17,315,584
Spain	270,000,000	188,406,287	-	62,251,729	-
Sri Lanka	75,500	*	-	*	-
Sweden	58,424,464	67,877,122	20,426,144	21,093,557	15,273,864
Switzerland	11,000,000	*	-	*	-
Taiwan	4,300,000	*	-	*	-

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DONOR GRANTS AND LOANS TO IRAQ (U.S. DOLLARS)

DONOR	PLEGGED ^a	COMMITTED ^b	CHANGE FROM JULY 2007 QUARTERLY REPORT	DISBURSED ^b	CHANGE FROM JULY 2007 QUARTERLY REPORT
Turkey	50,000,000	1,300,000	-	98,442	-
United Arab Emirates	215,000,000	*	-	*	-
United Kingdom	1,537,037,037	579,114,825	129,051,640	259,893,401	177,850,573
Vietnam	700,000	*	-	*	-
Subtotal	11,363,334,468	2,962,182,407	216,297,586	1,643,502,072	208,499,274
European Commission	969,975,000 ^d	693,953,460	24,273,460	1,786,621	-
Subtotal	969,975,000	693,953,460	24,273,460	1,786,621	-
International Financial Institutions					
IMF (low range)	2,550,000,000	727,400,000 ^e	13,400,000 ^f	*	-
World Bank (low range)	3,000,000,000	164,000,000	(240,000)	90,777,000	90,700,986
Islamic Development Bank	500,000,000	*	-	*	-
UNDP	*	12,061,320	12,061,320	754,674,001	754,674,001
Subtotal	6,050,000,000	903,461,320	25,221,320	845,451,001	845,374,987
Total International Donor Assistance	\$18,383,309,468^g	\$4,559,597,187	\$265,792,366	\$2,490,739,694	\$1,053,874,261

*No data available.

^a SIGIR analyzed data to compile pledge figures from these sources: Iraqi Ministry of Planning Development Assistance, September 24, 2007, www.mop-iraq.org/dad; GOI, "The International Compact with Iraq 2007 Mid-Year Progress Report," July 20, 2007; CRS, "Post-War Iraq: Foreign Contributions to Training, Peacekeeping, and Reconstruction," June 18, 2007; GAO, "Stabilizing and Rebuilding Iraq: Coalition Support and International Donor Commitments," May 9, 2007.

^b Source: GOI, Ministry of Planning Development Assistance Database, September 24, 2007, www.mop-iraq.org/dad.

^c Change from last quarter is due to correction in data used by SIGIR for pledges; this does not reflect an additional pledge made since last quarter.

^d Change is due to exchange rate fluctuation from last quarter. European Commission (EC) pledged Euro 718.5 million, this equates to \$969,975,000 using an exchange rate of Euro 1.0=\$1.35. This does not reflect an additional pledge made since last quarter.

^e This loan is from the Stand-By Arrangement. Amount is for SDR 475.4. Source for U.S. equivalent: IMF, "IMF Executive Board Completes Fifth Review and Review of Financing Assurances under Iraq's Stand-By Arrangement, and Approves Three-Month Extension of the Arrangement to December 2007, Press Release No. 07/175," August 2, 2007.

^f Change is due to exchange rate fluctuations. Actual SBA loan is SDR 475.4 million.

^g This figure does not include the \$10 million Madrid pledge and the \$10.7 billion Compact pledge from the United States.

Notes:

1. Data not formally reviewed, audited, or verified.
2. Committed and disbursed are the international terms used; this terminology is comparable to the SIGIR terms obligated and expended.

TABLE 2.42

INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

The International Reconstruction Fund Facility for Iraq (IRFFI) administers a segment of international donor assistance and is co-chaired by the GOI and Italy. Twenty-five donors have committed \$1.75 billion to the two IRFFI funds—the World Bank Iraq Trust Fund (World Bank ITF) and the UN Development Group Iraq Trust Fund (UNDG ITF).³⁸⁰ Virtually all

IRFFI commitments (96%) have been deposited. Of the total IRFFI funds, approximately \$1.09 billion has been contracted, and \$769 million has been disbursed.³⁸¹ This is an increase of \$27 million (about 3%) in disbursed funds above the previous quarter; the contracted amount has remained constant since the previous quarter.

World Bank Iraq Trust Fund

During 2004, donors authorized the World Bank to administer the World Bank ITF, and the account began receiving funds. As of September 30, 2007, 17 donors had committed approximately \$462.4 million to the World Bank ITF; of the total commitments, \$459.6 million has been deposited. Of the total deposits, \$319 million has been contracted, and \$109 million has been disbursed. Figure 2.38 shows the status of World Bank ITF funds through September 30, 2007.

The World Bank ITF currently finances 16 projects, valued at \$436.7 million, which report this progress:

- As part of the World Bank ITF, only one project was approved during 2007—electricity reconstruction, for \$6.0 million.
- Two projects have been completed and closed. The Emergency Textbook Provision Project, at \$40.6 million, was implemented by the GOI; the Capacity Building I Project, at \$3.0 million, was implemented by the World Bank.
- The GOI directly implements 12 of the remaining 14 active projects, valued at \$384.6 million. The World Bank implements the remaining two active projects (\$8.5 million) in capacity building and technical assistance.

The four largest projects represent nearly 74%

of the total project cost for active projects. For a snapshot of these projects, see Table 2.43.³⁸²

UN Development Group Iraq Trust Fund

The UNDP administers the UNDG ITF. Twenty-five donors have committed nearly \$1.29 billion to the ITF—an additional \$.11 billion above the previous quarter.³⁸³ Of the total commitments, nearly \$1.23 billion has been deposited, as of July 31, 2007 (the most current information available). Currently, 16 UN agencies are implementing 160 projects with more than \$1.06 billion in funding. Details of the UNDG ITF funding include:

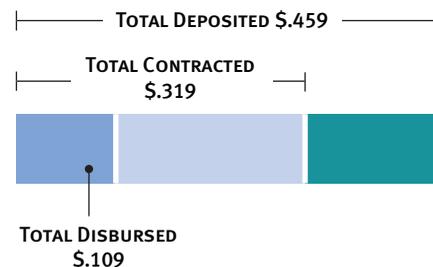
- The European Commission is the largest single donor, with a deposit of nearly \$529 million, followed by Japan, with nearly \$361 million. These two donors represent nearly 73% of the \$1.23 billion in total deposits.
- UNDP is the agency with the most

Figure 2.38

WORLD BANK IRAQ TRUST FUND - STATUS OF FUNDS

\$ Billions, Total Committed \$.462

Source: IRFFI, *World Bank Operations in Iraq Data Sheet* (9/30/2007)



Notes:

1. Numbers are affected by rounding.

2. Commitment is a legally binding contribution to the fund; deposit is actual cash received by the fund; contracted is amount under contract for a project; disbursed is amount paid to a vendor or entity.

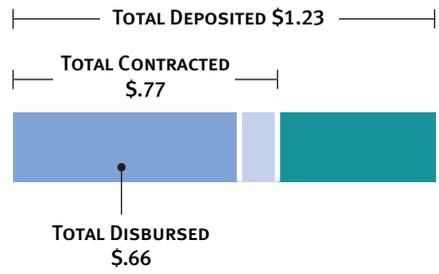
approved funding (\$296.9 million), followed by the UN Office for Project Services (\$177.2 million) and UNICEF (\$149.8 million).

- \$771 million (73%) of approved funding has been contracted.
- \$660 million (62%) of approved funding has been disbursed.
- 25 projects have been operationally completed.³⁸⁴

For the status of UNDG ITF funds through July 31, 2007, see Figure 2.39.

Figure 2.39

**UN DEVELOPMENT GROUP IRAQ TRUST FUND
STATUS OF FUNDS**
\$ Billions, Total Committed \$1.29
Source: IRFFI, www.irffi.org (7/31/2007)



- Notes:
1. Numbers are affected by rounding.
 2. Total deposited, contracted, and disbursed as of 7/31/2007; committed as of 9/30/2007.
 3. Commitment is a legally binding contribution to the fund; deposit is actual cash received by the fund; contracted is amount under contract for a project; disbursed is amount paid to a vendor or entity.

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

WORLD BANK IRAQ TRUST FUND: SNAPSHOT OF FOUR LARGEST PROJECTS (\$ MILLIONS)

NAME	PROJECT AMOUNT	CONTRACTED	DISBURSED	APPROVAL/ EFFECTIVE DATE	IMPLEMENTING AGENCY	DESCRIPTION	STATUS
Water Supply, Sanitation, and Urban Reconstruction	\$110.0	\$71.0	\$17.5	December 2004	Ministry of Municipalities and Public Works	Finances water supply and sanitation rehabilitation in nine cities and urban reconstruction in the poorest areas of three cities. The project benefits more than two million people. Additionally, the project offers capacity-building support through training and technical assistance. This project will generate employment—estimated at a minimum of 3,000 jobs.	Contract bids have begun to come in higher than anticipated; therefore, it was determined that some project components will be dropped. The dropped components will be selected during the project restructuring in November 2007. Civil works contracts are in development for rehabilitation and improvements to water supply. Remaining segments of the project will start by December 2007.
Baghdad Water Supply and Sanitation	\$65.0	\$8.4	\$7.5	December 2004	Municipality of Baghdad	Assists in restoring basic water supply and sanitation services in Baghdad through reconstruction and rehabilitation of existing priority networks and treatments facilities, as well as providing capacity building support.	Mayorality of Baghdad contracted consultants to develop tender documents and designs for the construction phase. Contracts have been signed for goods and works. The mayorality also has recruited a team to develop and execute a city development plan for Baghdad.
School Reconstruction and Rehabilitation	\$60.0	\$36.9	\$14.1	October 2004	Ministry of Education	Aims to improve learning conditions in primary and secondary schools through the construction of 56 new schools and major rehabilitation of 133 schools. Project will benefit more than 100,000 families with children attending unsafe or overcrowded schools and will generate thousands of jobs for Iraq construction firms.	Major rehabilitation has been completed for 133 schools. Project has benefited 46,000 students so far. Additionally, construction for 30 new schools has begun, and there are 26 schools in the pipeline for rehabilitation during early 2008.
Private Sector Development	\$55.0	\$39.0	\$4.4	November 2004	Ministry of Planning and Development Cooperation and ITPC	Addresses selected priorities in institutional capacity building and essential communications infrastructure through the installation of a high-capacity national telecommunications network.	Contract signed during June 2006 for supply and installation of national telecommunications network. Contracts have been awarded for public institution component, competitive component, and payment system infrastructure.
Total	\$290.0	\$155.3	\$43.5				

Source: IRFFI, *World Bank Operations in Iraq Data Sheet*, September 30, 2007.
Note: Data not formally reviewed, audited, or verified.

TABLE 2.43

EXAMPLES OF DONOR-FUNDED PROJECTS

International donors have funded 572 projects³⁸⁵ and committed nearly \$3.67 billion to the project cost.³⁸⁶ For a breakdown of the status of donor funded projects, see Figure 2.40.

The types of projects funded by international donors vary according to the donor country and their foreign developmental policy, idea, and evaluation of the types of projects most beneficial for Iraq reconstruction.³⁸⁷

Data for donor-funded projects was gathered from the DAD. Donors do not regularly provide updated data for the DAD; therefore, the information listed in Table 2.44 should be considered a partial view of donor assistance.³⁸⁸

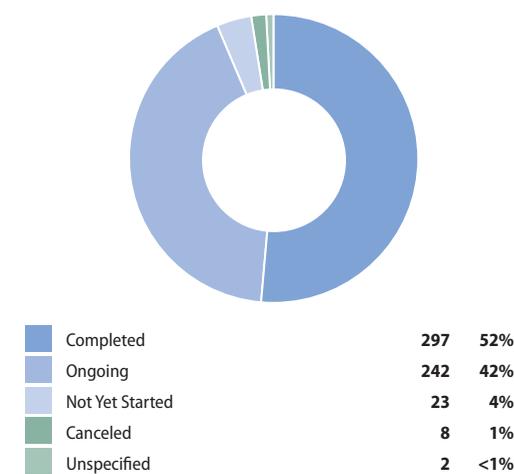
Based on project type, SIGIR noted that most of the international donor funds are used for supplies (27% of total project costs), rehabilitation (23%), and capacity building (21%)—not for hard reconstruction projects (9%).³⁸⁹

At the DAD sector level, Infrastructure is the largest donor-funded sector in terms of committed funds for projects (27%), followed by Governance and Democracy Development (15%) and Health (14%).³⁹⁰ For a status of Iraqi donor spending, see Table 2.44 and Figure 2.41.

Figure 2.40

STATUS OF PROJECTS FUNDED BY INTERNATIONAL DONORS

Source: GOI, Ministry of Planning Development Assistance Database, www.mop-iraq.org/dad (10/17/2007)



Notes:
 1. Numbers are affected by rounding.
 2. Excludes U.S.-funded projects.

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

DONOR-FUNDED PROJECTS BY SECTOR, AS OF 9/24/2007 (U.S. DOLLARS)

SECTOR	COMMITTED	DISBURSED
Agriculture, Food, and Fishing	\$235,144,389	\$183,071,542
Economic Development	177,389,598	38,443,901
Education, Science, and Culture	333,555,524	232,254,236
Energy	26,164,177	23,333,989
Environment	253,294,917	158,363,057
Governance and Democracy Development	537,876,975	372,577,928
Health	512,385,933	414,778,761
Housing, Labor, and Social Affairs	372,324,737	236,346,389
Infrastructure	1,004,678,229	666,270,164
Security	165,470,968	125,291,324
Unspecified/Unclassified	42,677,280	36,217,518
Unallocated	7,603,219	3,790,886
Total	\$3,668,565,946	\$2,490,739,695

Source: GOI, Ministry of Planning Development Assistance Database, September 24, 2007, www.mop-iraq.org/dad.

Notes:

1. Data not formally reviewed, audited, or verified. Data excludes U.S. funds.
2. Committed and disbursed are the international terms used; this terminology is comparable to the SIGIR terms obligated and expended.

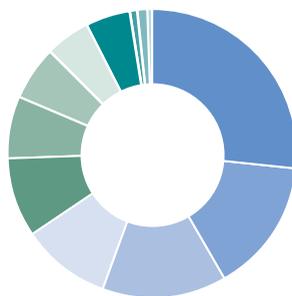
TABLE 2.44

Figure 2.41

DONOR-FUNDED PROJECTS BY SECTOR

\$ Billions, % of \$3.668 Billion

Source: GOI, Ministry of Planning Development Assistance Database, www.mop-iraq.org/dad (9/24/2007)



Committed Funds - Percentage per Sector

Sector	Amount (\$ Billions)	Percentage (%)
Infrastructure	\$1.005	27%
Governance and Democracy Development	\$0.538	15%
Health	\$0.512	14%
Housing, Labor, and Social Affairs	\$0.372	10%
Education, Science, and Culture	\$0.334	9%
Environment	\$0.253	7%
Agriculture, Food, and Fishing	\$0.235	6%
Economic Development	\$0.177	5%
Security	\$0.165	5%
Unspecified/Unclassified	\$0.043	1%
Energy	\$0.026	1%
Unallocated	\$0.008	<1%

Percentage of Sector Funds Disbursed

Sector	Percentage (%)
Infrastructure	66%
Governance and Democracy Development	69%
Health	81%
Housing, Labor, and Social Affairs	63%
Education, Science, and Culture	70%
Environment	62%
Agriculture, Food, and Fishing	78%
Economic Development	22%
Security	76%
Unspecified/Unclassified	85%
Energy	89%
Unallocated	50%

Notes:

1. Numbers are affected by rounding.
2. Excludes U.S. funded projects.