

# IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

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# 2

## IRAQ RECONSTRUCTION FUNDING SOURCES

As of September 30, 2009, nearly \$141.01 billion had been made available for the relief and reconstruction of Iraq. These funds have come from three main sources:<sup>40</sup>

- Iraqi capital budgets and Iraqi funds that were overseen by the Coalition Provisional Authority (CPA)—\$71.20 billion
- International pledges of assistance from non-U.S. sources—\$17.01 billion
- U.S. appropriations—\$52.80 billion

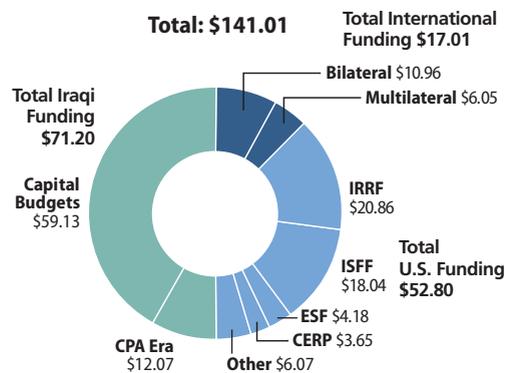
See Figure 2.1 for an overview of these funding sources.

### Iraqi and International Funding

As of September 30, 2009, Iraq had provided more than \$71.20 billion for relief and reconstruction, including annual capital budgets and Iraqi funding from the CPA era.<sup>41</sup> In 2009, the Government of Iraq (GOI) budgeted \$58.6 billion for capital and operating expenses. A proposed supplemental budget of approximately \$5 billion is pending before the Council of Representatives (CoR). Iraqi expenditures of the 2009 budget totaled \$16.4 billion through June 2009, of which \$1.6 billion was expended on capital projects.<sup>42</sup>

A SIGIR audit released this quarter identified a number of policy issues related to the management of DFI funds that require DoD attention. Although the GOI requested that all DFI funds be returned to it, the U.S. Army Corps of Engineers (USACE) is holding \$3.0 million of DFI funds pending final close-out of some contracts, and a USACE contractor is holding \$2.2 million. Also, USACE used \$9.2 million of GOI funds to cover unpaid expenses from earlier reimbursable work orders it believes were the responsibility of the GOI. SIGIR

FIGURE 2.1  
FUNDING SOURCES  
\$ Billions



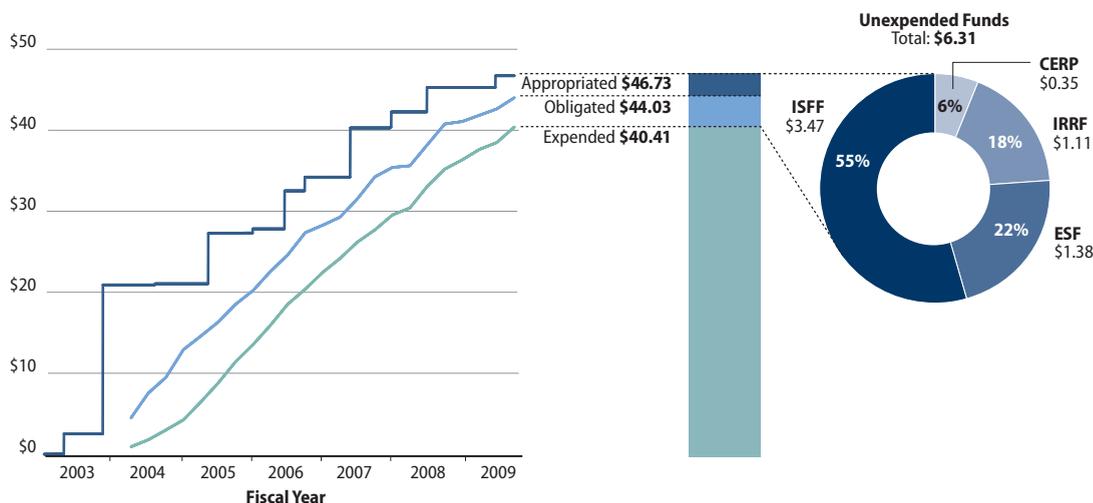
**Note:** Data not audited. Numbers affected by rounding. CPA-Era Iraq funds include \$1.72 billion in vested funds, \$0.93 billion in seized funds, \$9.33 billion in DFI, and \$0.09 billion in CERP funds provided by the Central Bank of Iraq. ISFF data provided by OSD is preliminary for the quarter ending September 30, 2009. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations; CERP allocation, obligation, and expenditure data is pulled from IRMS for project category analysis, and therefore top-line totals here may not match values found in the Funding Uses subsection of this Report. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Democracy and Civil Society, Iraqi Refugees (Jordan), and Regime Crimes Liaison Office sectors; values for these sectors are carried over from the previous quarter.

**Sources:** DFAS, response to SIGIR data call, 4/10/2009; GOI, "Republic of Iraq: Budget Revenues and Expenses 2003, July–December," 2003; GOI, "GOI Budget" (as approved by TNA and written into law December 2005), 2005; GOI, "Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005," 2005; SIGIR, *Quarterly Report to the United States Congress*, 4/2009, p. 26; Treasury, responses to SIGIR data call, 1/4/2008, 4/9/2009, and 10/2/2009; P.L. 108–7; P.L. 108–11; P.L. 108–106; P.L. 108–287; P.L. 109–13; P.L. 109–102; P.L. 109–148; P.L. 109–234; P.L. 109–289; P.L. 110–28; P.L. 110–92; P.L. 110–116; P.L. 110–137; P.L. 110–149; P.L. 110–161; P.L. 110–252; P.L. 111–32.

has asked DoD to provide guidance to USACE on these issues.<sup>43</sup> For more information, see Section 4.

As of September 30, 2009, international donors had pledged \$17.01 billion—\$5.26 billion in grants and \$11.75 billion in loans—most of it pledged in 2003. These donors have committed \$10.64 billion. The biggest change during the quarter was Japan's commitment of an additional \$780 million in soft loans to projects in Iraq's western region.<sup>44</sup>

**FIGURE 2.2**  
**STATUS OF MAJOR U.S. FUNDS**  
\$ Billions



**Note:** Data not audited. Numbers affected by rounding. Unexpended funds include expired appropriations. ISFF data provided by OSD is preliminary for the quarter ending September 30, 2009. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations; CERP allocation, obligation, and expenditure data is pulled from IRMS for project category analysis, and therefore top-line totals here may not match values found in the Funding Uses subsection of this Report. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Democracy and Civil Society, Iraqi Refugees (Jordan), and Regime Crimes Liaison Office sectors; values for these sectors are carried over from the previous quarter.

**Sources:** NEA-I, response to SIGIR data call, 10/7/2009; DFAS, response to SIGIR data call, 4/10/2009; DoS, response to SIGIR data call, 4/5/2007; Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 4/13/2009 and 10/14/2009; USTDA, response to SIGIR data call, 4/2/2009; OSD, responses to SIGIR data call, 10/13/2009 and 10/14/2009; U.S. Embassy-Baghdad, responses to SIGIR data call, 7/6/2009, 7/16/2009, and 10/3/2009; USACE, GRD, response to SIGIR data call, 10/2/2009.

## U.S. Funding

Since 2003, the U.S. Congress has appropriated or otherwise made available \$52.80 billion for reconstruction efforts in Iraq, including the building of physical infrastructure, the establishment of political and societal institutions, reconstitution of security forces, and the purchase of products and services for the benefit of the people of Iraq.

As of September 30, 2009, \$46.73 billion had been made available through four major funds:

- Iraq Relief and Reconstruction Fund (IRRF)—\$20.86 billion
- Iraq Security Forces Fund (ISFF)—\$18.04 billion
- Economic Support Fund (ESF)—\$4.18 billion
- Commander’s Emergency Response Program (CERP)—\$3.65 billion

As of September 30, 2009, \$44.03 billion (94%) had been obligated, and \$40.41 billion (86%) had

been expended from the four major funds. Nearly \$720 million had expired from the IRRF.

The Congress also made \$6.07 billion available through several smaller funding streams.<sup>45</sup>

For a complete accounting of appropriations, obligations, and expenditures as of September 30, 2009, see Figure 2.2 and Table 2.1.

As of September 30, 2009, \$6.31 billion in U.S. appropriations from the four major funds remain unexpended, including an unknown amount of expired funds. The ISFF has the largest amount of unexpended appropriations, at \$3.47 billion.<sup>46</sup> An accurate accounting of unexpended funds from the smaller funding streams is not possible, because of incomplete data.

P.L. 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all amounts appropriated or otherwise made available for the reconstruction of Iraq. This quarter, SIGIR issued the first in a new series of reports to meet this

# IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

TABLE 2.1

## U.S. APPROPRIATED FUNDS

\$ Millions

	PRIOR FISCAL YEAR APPROPRIATIONS				
	P.L. 108-7, P.L. 108-11	P.L. 108-106, P.L. 108-287	P.L. 109-13	P.L. 109-102, P.L. 109-148, P.L. 109-234	P.L. 109-289, P.L. 110-28
	2003	2004	2005	2006	2007
<b>MAJOR FUNDS</b>					
Iraq Relief and Reconstruction Fund (IRRF 2) <sup>a</sup>		18,389			
Iraq Security Forces Fund (ISFF)			5,490	3,007	5,542
Economic Support Fund (ESF) <sup>b</sup>	50			1,545	1,478
Commander's Emergency Response Program (CERP) <sup>c</sup>		140	718	708	747
Iraq Relief and Reconstruction Fund (IRRF 1)	2,475				
<b>Subtotal</b>	<b>2,525</b>	<b>18,529</b>	<b>6,208</b>	<b>5,260</b>	<b>7,768</b>
<b>OTHER ASSISTANCE PROGRAMS</b>					
Natural Resources Risk Remediation Fund (NRRRF) <sup>d</sup>	801				
Iraq Freedom Fund (Other Reconstruction Activities) <sup>e</sup>	700				
Migration and Refugee Assistance (MRA)	37				45
International Narcotics Control and Law Enforcement (INCLE)	20			91	150
P.L. 480 Title II Food Aid	311		3		
Democracy Fund (Democracy)					250
International Disaster Assistance (IDA)	144			8	
Iraq Freedom Fund (TF-BSO)					50
Child Survival and Health Programs Fund (CSH)	90				
Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) <sup>f</sup>					7
International Disaster and Famine Assistance (IDFA)					45
Voluntary Peacekeeping Operations (PKO)	50				
Alhurra-Iraq Broadcasting		40			
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)		17			
Education and Cultural Exchange Programs (ECA)				6	
International Affairs Technical Assistance (OTA)				13	3
International Military Education and Training (IMET)			1		1
U.S. Marshals Service (Litigation Support Services)				1	
Department of Justice (DoJ)					2
<b>Subtotal</b>	<b>2,153</b>	<b>57</b>	<b>4</b>	<b>119</b>	<b>553</b>
<b>RECONSTRUCTION-RELATED OPERATING EXPENSES</b>					
Coalition Provisional Authority (CPA) <sup>g</sup>		833			
Project and Contracting Office (PCO) <sup>h</sup>				200	630
USAID Operating Expenses (USAID OE)	21		24	79	
Iraq Freedom Fund (PRT Administrative Costs)					100
U.S. Contributions to International Organizations (IO Contributions)					
<b>Subtotal</b>	<b>21</b>	<b>833</b>	<b>24</b>	<b>279</b>	<b>730</b>
<b>RECONSTRUCTION OVERSIGHT</b>					
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35
DoD Office of the Inspector General (DoD OIG)				5	
USAID Office of the Inspector General (USAID OIG)	4	2	3		1
Defense Contract Audit Agency (DCAA)					16
DoS Office of the Inspector General (DoS OIG)				1	2
<b>Subtotal</b>	<b>4</b>	<b>77</b>	<b>3</b>	<b>30</b>	<b>53</b>
<b>Total</b>	<b>4,702</b>	<b>19,496</b>	<b>6,239</b>	<b>5,688</b>	<b>9,104</b>

a \$18.389 billion represents the amount appropriated by the Congress for Iraq programs in IRRF 2 under P.L. 108-106, in November 2003. The Congress had initially appropriated \$18.649 billion to IRRF 2, but also earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. Of the remaining \$18.439 billion, the Administration transferred out of the IRRF to other accounts roughly \$562 million for Iraq-related programs that could be implemented only in other accounts, such as \$352 million Iraq bilateral debt forgiveness program to the United States that required funding in a Treasury account. The Congress was notified of all transfers out of the IRRF. In addition, Congress earmarked that \$9.95 million of FY 2006 appropriations be transferred into the IRRF from the DoS ESF. This total also reflects a \$50 recession in P.L. 110-252.

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

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

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

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

# IRAQ RECONSTRUCTION FUNDING SOURCES

	FY 2008			FY 2009		STATUS OF FUNDS		
	P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149	P.L. 110-161	P.L. 110-252	P.L. 111-32	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
	12/21/2007	12/26/2007	06/30/2008	06/24/2009				
<b>MAJOR FUNDS</b>								
IRRF 2					18,389	18,013	17,507	506
ISFF		1,500	1,500	1,000	18,039	16,672	14,569	
ESF	123	15	527	439	4,177	3,602	2,796	
CERP		339	994		3,646	3,478	3,292	
IRRF 1					2,475	2,261	2,249	214
<b>Subtotal</b>	<b>123</b>	<b>1,854</b>	<b>3,020</b>	<b>1,439</b>	<b>46,726</b>	<b>44,026</b>	<b>40,413</b>	<b>720</b>
<b>OTHER ASSISTANCE</b>								
NRRRF					801	801	801	
IFF (Other)					700	680	654	
MRA	20	149	269		520	455	372	
INCLE	20		85	20	386	346	144	
P.L. 480 Title II		24			338			
Democracy			75		325	315	124	
IDA		50	45		247	82	35	
IFF (TF-BSO)			53		100			
CSH					90			
NADR	12	16	5	20	60	32	27	
IDFA	5				50			
PKO					50			
Alhurra					40			
OHDACA					17			
ECA	5	6			16			
OTA					16	16	14	
IMET	1	2		2	8	4	3	
U.S. Marshals			2		3			
DoJ					2			
<b>Subtotal</b>	<b>64</b>	<b>247</b>	<b>533</b>	<b>42</b>	<b>3,771</b>	<b>2,731</b>	<b>2,174</b>	
<b>OPERATING EXPENSES</b>								
CPA					833	832	799	
PCO					830			
USAID OE		21	77		222			
IFF (PRT)					100			
IO Contributions			68		68			
<b>Subtotal</b>		<b>21</b>	<b>145</b>		<b>2,053</b>	<b>832</b>	<b>799</b>	
<b>OVERSIGHT</b>								
SIGIR			39	7	180	164	148	
DoD OIG		21			26			
USAID OIG	3	3	4		18			
DCAA					16			
DoS OIG	1	1	8		13			
<b>Subtotal</b>	<b>4</b>	<b>25</b>	<b>51</b>	<b>7</b>	<b>253</b>	<b>164</b>	<b>148</b>	
<b>Total</b>	<b>191</b>	<b>2,147</b>	<b>3,749</b>	<b>1,488</b>	<b>52,803</b>	<b>47,753</b>	<b>43,534</b>	<b>732</b>

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

g Excludes \$75 million for SIGIR under P.L. 108-106.

h Per conference reports for P.L. 109-234 and P.L. 110-28, reconstruction support funding is provided for Project and Contracting Office (PCO) activities.

mandate. The report notes that SIGIR has reviewed 17 major reconstruction contracts to identify internal control weaknesses related to the use of \$6.4 billion. These weaknesses in contract management make programs vulnerable to fraud, waste, and abuse.

SIGIR is currently forensically examining \$35.2 billion in financial transactions related to DoD expenditures under the IRRF, ISFF, ESF, and CERP. SIGIR is using data-mining techniques to examine tens of thousands of financial transactions to identify unusual or suspect transactions that may indicate fraud, waste, or abuse in the award or administration of contracts. Detailed investigations and examinations of relevant contract files will be prioritized based on risk factors such as the amount of the transaction, the likelihood of fraud, and a prior history of questionable behavior.

The forensic audit project is expected to lead to administrative action to recover costs and civil or criminal fraud prosecutions. Moreover, the project has helped to provide additional information for ongoing investigations.<sup>47</sup>

## U.S. Appropriations Remaining for Iraq Reconstruction

The provision of U.S. reconstruction funding to Iraq has appropriately declined from its high point in FY 2004, when \$19.50 billion was appropriated.<sup>48</sup> In FY 2009, \$1.44 billion in new reconstruction funding was appropriated.<sup>49</sup> Funds available for expenditure are lower than at any point since the passage of IRRF 2 in November 2003.<sup>50</sup>

For FY 2010, the Administration requested \$800 million through the regular budget process. Iraq's \$500 million allocation in the Foreign Operations request represents 2% of the bilateral assistance total,<sup>51</sup> and the \$300 million requested for CERP in Iraq represents less than 1% of the request for Operation Iraqi Freedom (OIF).<sup>52</sup> For details on FY 2010 funding for Iraq reconstruction, see Table 2.2.

SIGIR estimates that the major U.S. reconstruction funds will be depleted at some point during FY 2012–FY 2014, given the current rate of obligation and expenditure. Figure 2.3 shows three projections, based on the following scenarios:<sup>53</sup>

- passage of the Senate Appropriations Committee's recommendation of \$200 million for CERP and \$375 for ESF in the regular FY 2010 appropriation
- passage of the regular FY 2010 appropriation and an additional \$1.0 billion in supplemental funds for FY 2010
- passage of the regular FY 2010 appropriation, the supplemental, and an additional \$1.5 billion in appropriations through FY 2012

The projections depend on factors that are difficult to estimate, including the timing and amount of future appropriations. It should be noted that Figure 2.3 does not include the smaller funding streams, which may become more significant as the Iraq reconstruction effort transitions to a more normal economic and security assistance mission.

TABLE 2.2  
FY 2010 APPROPRIATIONS REQUEST AND RECOMMENDATIONS  
\$ Millions

	FUND	REQUEST	HOUSE REPORT/BILL	SENATE REPORT/BILL
Defense	ISFF	0	0	0
	CERP <sup>a</sup>	300.0	*	200.0
Foreign Operations	ESF	415.7	400.0	375.0
	INCLE	52.0	52.0	52.0
	NADR <sup>b</sup>	30.3	*	30.3
	IMET	2.0	2.0	2.0
<b>Total</b>		<b>800.0</b>	<b>*</b>	<b>659.3</b>

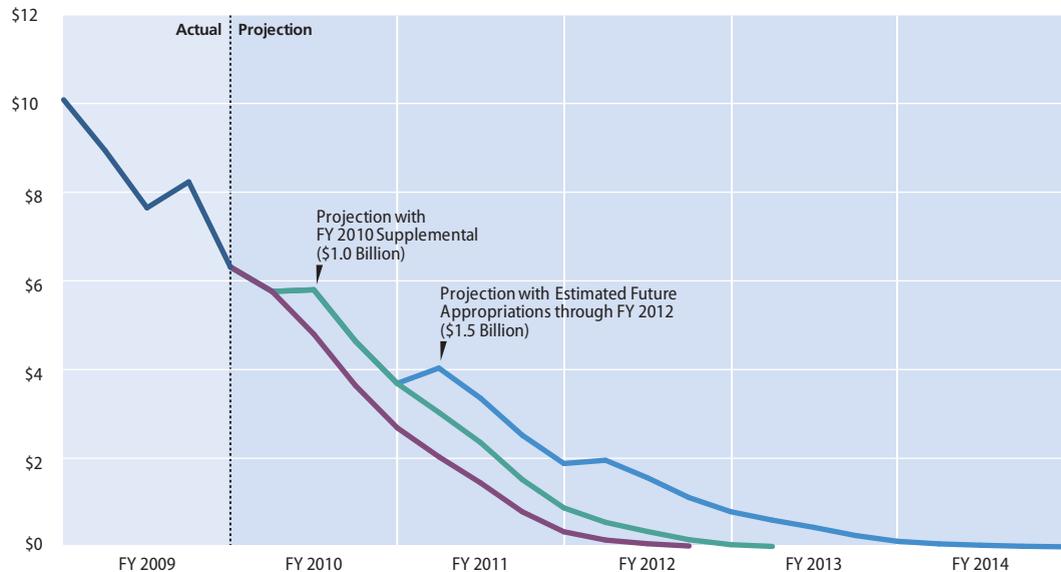
Note: Data not audited. Numbers affected by rounding.

a The House Appropriations Committee recommended \$1.3 billion total for the CERP—\$200 million below the request—but did not recommend specific allocations for Iraq and Afghanistan.

b The House Appropriations Committee did not recommend a specific allocation for Iraq from the Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) fund.

Sources: DoD, "Fiscal Year 2010 Budget Request: Summary Justification," 5/2009, p. 5-19; House Appropriations Committee Report 111-230, "Department of Defense Appropriations Bill, 2010," 7/24/2009, pp. 6, 349; Senate Appropriations Committee Report 111-74, "Department of Defense Appropriations Bill, 2010," 9/10/2009, p. 244; DoS, "Congressional Budget Justification for Fiscal Year 2010," 5/2009, p. 20; House Appropriations Committee Report 111-187, "State, Foreign Operations, and Related Programs Appropriations Bill, 2010," 6/26/2009, pp. 59, 75, 94; Senate Appropriations Committee Report 111-44, "Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2010," 7/9/2009, pp. 9, 48, 57.

**FIGURE 2.3**  
**PROJECTION OF U.S. FUNDS AVAILABLE FOR IRAQ RECONSTRUCTION**  
 Appropriations Less Expenditures, \$ Billions



**Note:** Data not audited. Numbers affected by rounding. Projections include CERP, ESF, IRRF, and ISFF and assume that all appropriated funds not yet expired will be obligated and that all obligated funds will be expended. Projected rates of obligation and expenditure by quarter are based on historical obligation and expenditure rates in that respective quarter. The projected rate of obligation per quarter is equal to quarterly obligations divided by available appropriations (appropriations less obligations) as of the beginning of the respective quarter, averaged over the previous four years. The projected rate of expenditure is equal to quarterly expenditures divided by available obligations (obligations less expenditures) as of the beginning of the respective quarter, averaged over the previous four years. All three projections assume that the Congress will appropriate the entire \$575 million recommended by the Senate Appropriations Committee for FY 2010. The middle projection assumes that an additional \$1.0 billion in supplemental funds will be appropriated in FY 2010. The final projection assumes \$1.0 billion in FY 2010 supplemental funds, \$1.0 billion in appropriations for FY 2011, and \$500 million in appropriations for FY 2012.

**Sources:** NEA-I, response to SIGIR data call, 10/7/2009; DFAS, response to SIGIR data call, 4/10/2009; DoS, response to SIGIR data call, 4/5/2007; Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data calls, 4/13/2009 and 10/14/2009; USTDA, response to SIGIR data call, 4/2/2009; OSD, responses to SIGIR data call, 10/13/2009 and 10/14/2009; U.S. Embassy-Baghdad, responses to SIGIR data call, 7/6/2009, 7/16/2009, and 10/3/2009; USACE, GRD, response to SIGIR data call, 10/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–7/2009.

## Iraq Relief and Reconstruction Fund

The IRRF was the largest U.S. reconstruction fund, comprising \$20.86 billion made available through two appropriations: IRRF 1 (\$2.48 billion) and IRRF 2 (\$18.39 billion).<sup>54</sup> As of September

30, 2009, \$20.27 billion (97%) of the IRRF had been obligated, and \$19.76 billion (95%) had been expended.<sup>55</sup> IRRF 2 expired for new obligations on September 30, 2008.<sup>56</sup>

## Iraq Security Forces Fund

The Congress has appropriated \$18.04 billion to the ISFF to support Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF).<sup>57</sup> The Multi-National Security Transition Command-Iraq (MNSTC-I) plans to hand control of these programs to the Iraq Training and Advisory Mission (ITAM) and Iraq Security Assistance Mission (ISAM) by January 2010.<sup>58</sup>

As of September 30, 2009, \$16.67 billion (92%) of the ISFF had been obligated, and \$14.57 billion (81%) had been expended. Nearly \$3.47 billion remains unexpended.<sup>59</sup> For the status of these funds, see Figure 2.4.

### ISFF Quarterly Obligations and Expenditures by Sub-Activity Group

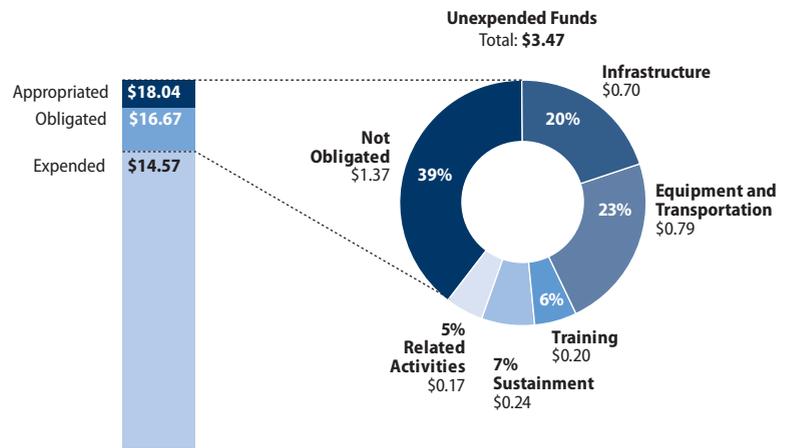
Of the \$18.04 billion appropriated to the ISFF, \$17.06 billion (95%) has been allocated to four major sub-activity groups.<sup>60</sup>

- Equipment—equipment and transportation for security forces and police, force protection, vehicles, and communications equipment
- Infrastructure—training academies and areas, military bases, and police stations, and headquarters expenses
- Sustainment—maintenance, weapons, ammunition, and logistics support for existing investments
- Training—military and police training, ministerial capacity development, instructor support, medical and office equipment, and information technology and services

The remainder of the ISFF is allocated to smaller sub-activity groups. Collectively termed “Related Activities,” these smaller sub-activity groups include the ISFF Quick Response Fund; disarmament, demobilization, and reintegration; detainee operations; and rule-of-law complexes.<sup>61</sup>

Equipment procurement accounted for 59% of new expenditures this quarter: \$795 million for

FIGURE 2.4  
**ISFF: STATUS OF FUNDS**  
\$ Billions



Note: Data not audited. Numbers affected by rounding. Unexpended funds include expired appropriations. ISFF data provided by OSD is preliminary for the quarter ending September 30, 2009.

Sources: OSD, response to SIGIR data call, 10/13/2009.

the MOD and \$147 million for the MOI. Nearly \$381 million was expended on MOI training, accounting for 24% of new expenditures. The greatest share of unexpended funds are allocated to Equipment—\$655 million for the MOD and \$597 million for the MOI—although a large amount of unexpended funds are also allocated to MOD Infrastructure (\$576 million).<sup>62</sup> For the status of the ISFF by ministry and sub-activity group, see Table 2.3.

### Future Funding Sources for the Iraqi Security Forces

The Administration did not request, nor did the House and Senate appropriations committees recommend, additional appropriations to the ISFF for FY 2010.<sup>63</sup> However, the \$1.0 billion appropriated for FY 2009 by P.L. 111-32 was released for use in July 2009 and will be available through September 30, 2010.<sup>64</sup> As of September 30, 2009, only \$58 million had been obligated and \$300,000 expended from that \$1.0 billion appropriation.<sup>65</sup>

# IRAQ RECONSTRUCTION FUNDING SOURCES

TABLE 2.3  
ISFF: STATUS OF FUNDS BY MINISTRY AND SUB-ACTIVITY GROUP  
\$ Millions

MINISTRY	SUB-ACTIVITY GROUP	STATUS OF FUNDS			QUARTERLY CHANGE	
		ALLOCATED	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
MOD	Equipment	4,694.9	4,393.4	4,040.3	326.7 (8%)	795.4 (25%)
	Infrastructure	3,272.1	3,088.0	2,695.7	65.0 (2%)	84.7 (3%)
	Sustainment	1,940.2	1,833.1	1,649.1	52.0 (3%)	47.6 (3%)
	Training	612.8	401.5	326.0	68.0 (20%)	41.1 (14%)
	<b>Subtotal</b>	<b>10,520.0</b>	<b>9,716.0</b>	<b>8,711.0</b>	<b>511.7 (6%)</b>	<b>968.7 (13%)</b>
MOI	Training	2,585.9	2,398.7	2,272.0	247.3 (11%)	381.0 (20%)
	Equipment	1,898.6	1,735.1	1,301.4	243.5 (16%)	146.5 (13%)
	Infrastructure	1,447.8	1,379.6	1,067.3	12.5 (1%)	46.9 (5%)
	Sustainment	610.5	577.8	519.5	45.0 (8%)	15.2 (3%)
	<b>Subtotal</b>	<b>6,542.9</b>	<b>6,091.2</b>	<b>5,160.1</b>	<b>548.2 (10%)</b>	<b>589.5 (13%)</b>
Other	Related Activities	976.4	865.2	698.0	39.3 (5%)	32.2 (5%)
<b>Total</b>		<b>18,039.3</b>	<b>16,672.5</b>	<b>14,569.2</b>	<b>1,099.3 (7%)</b>	<b>1,590.5 (12%)</b>

Note: Data not audited. Numbers affected by rounding. ISFF data provided by OSD is preliminary for the quarter ending September 30, 2009.

Sources: OSD, response to SIGIR data call, 10/13/2009; SIGIR, *Quarterly Report and Semiannual Report to the United States Congress*, 7/2009.

The future of funding to support the ISF remains uncertain. The National Security Council is now leading an interagency process to determine requirements.<sup>66</sup> The Senate Appropriations Committee anticipates requests for additional funding for the International Narcotics Control and Law Enforcement Fund (INCLE) as DoS assumes programmatic responsibility for the mission to “advise and assist” the Iraqi police.<sup>67</sup> Additionally, according to SIGIR analysis, many of the Foreign Military Sales (FMS) purchases currently financed by the ISFF could otherwise be supported through the Foreign Military Financing (FMF) program.<sup>68</sup> According to DoD, the Office of Management and Budget (OMB)

and DoS are currently considering an FMF request for FY 2011.<sup>69</sup> The International Military Education and Training (IMET) fund (and the FMF) could be used to fund professional training. As of September 30, 2009, only \$6.5 million had been appropriated for IMET in Iraq.<sup>70</sup> Supporting the ISF through DoS funds—INCLE, FMF, and IMET—would put DoS in charge of policy and DoD in charge of implementation, which is consonant with historical practice.<sup>71</sup>

The MNSTC-I commander’s spending guidance reflects the dwindling ISFF account balance, funding only “must haves,” while increasing GOI cost sharing and prioritizing requirements that the GOI can sustain.<sup>72</sup>

## Economic Support Fund

Since 2003, the Congress has appropriated \$4.18 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.<sup>73</sup>

As of September 30, 2009, \$3.60 billion (86%) had been obligated, and \$2.80 billion (67%) had been expended. Nearly \$1.38 billion remained unexpended.<sup>74</sup> For the status of these funds, see Figure 2.5.

### ESF Quarterly Obligations and Expenditures by Program

The ESF is allocated to programs in three tracks:<sup>75</sup>

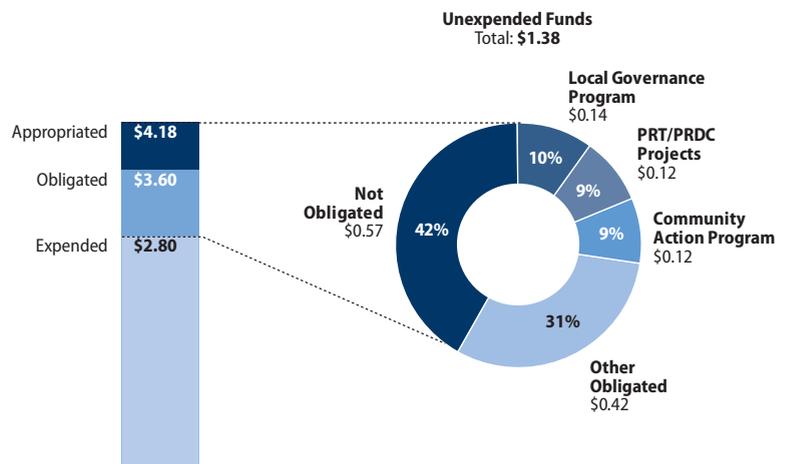
- Security—programs focused on reducing violence, improving infrastructure security, and strengthening the link between the government and the community
- Political—activities designed to increase the capacity of national and provincial governments
- Economic—programs aimed at increasing the GOI’s operations and maintenance capabilities and stimulating private-sector growth

New obligations of the ESF totaled \$275 million this quarter. Quarterly obligations were greatest for the Local Governance Program, Ministerial Capacity Development, the Community Action Program, and National Capacity Development. Quarterly expenditures followed a similar pattern.<sup>76</sup> For the status of ESF by track and program, see Table 2.4.

### ESF after Transition

During the course of the Iraq reconstruction program, appropriations to the ESF have roughly equaled appropriations to the CERP. However, if CERP requirements decrease commensurate with the drawdown of U.S. forces,<sup>77</sup> and no further funds are appropriated to the ISFF, the ESF will become the main source of bilateral assistance to

FIGURE 2.5  
ESF: STATUS OF FUNDS  
\$ Billions



Note: Data not audited. Numbers affected by rounding. Unexpended funds include expired appropriations. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Democracy and Civil Society, Iraqi Refugees (Jordan), and Regime Crimes Liaison Office sectors. Values for these sectors are carried over from the previous quarter.

Sources: U.S. Embassy-Baghdad, responses to SIGIR data call, 7/6/2009 and 7/16/2009; GRD, response to SIGIR data call, 7/4/2009; ITAO, *Essential Indicators Report*, 5/14/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 7/2008–4/2009.

FIGURE 2.6  
COMPARISON OF ESF AND CERP APPROPRIATIONS  
\$ Billions



Note: Data not audited.

Sources: P.L. 108–7; P.L. 108–11; P.L. 108–287; P.L. 109–13; P.L. 109–102; P.L. 109–148; P.L. 109–234; P.L. 109–289; P.L. 110–28; P.L. 110–92; P.L. 110–116; P.L. 110–137; P.L. 110–149; P.L. 110–161; P.L. 110–252; P.L. 111–32.

Iraq. For FY 2009, the ESF request was nearly 40% higher than the request for CERP;<sup>78</sup> the Senate Appropriation Committee’s recommendation was nearly 90% higher.<sup>79</sup> For a historical comparison of ESF to CERP appropriations, see Figure 2.6.

# IRAQ RECONSTRUCTION FUNDING SOURCES

TABLE 2.4  
ESF: STATUS OF FUNDS BY TRACK AND PROGRAM  
\$ Millions

TRACK	PROGRAM	STATUS OF FUNDS			QUARTERLY CHANGE	
		ALLOCATED	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	PRT/PRDC Projects	683.0	477.4	353.0	8.7 (2%)	29.3 (9%)
	Community Stabilization Program	646.5	646.3	615.4	0.1 (0%)	18.6 (3%)
	Local Governance Program	410.5	410.5	271.4	55.0 (15%)	13.4 (5%)
	Community Action Program	325.0	311.0	192.9	46.0 (17%)	32.1 (20%)
	Infrastructure Security Protection	214.8	179.8	177.6	0.4 (0%)	3.3 (2%)
	PRT Quick Response Fund	212.0	200.5	132.0	5.1 (3%)	25.0 (23%)
	<b>Subtotal</b>		<b>2,491.8</b>	<b>2,225.5</b>	<b>1,742.3</b>	<b>115.3 (5%)</b>
Political	National Capacity Development	309.4	309.4	223.3	45.1 (17%)	32.9 (17%)
	Democracy and Civil Society	188.9	185.2	144.5	-	-
	Economic Governance II, Policy and Regulatory Reforms	127.4	85.0	85.0	-	-
	Ministerial Capacity Development	103.5	86.3	57.9	49.1 (132%)	30.1 (108%)
	Iraqi Refugees (Jordan)	58.0	58.0	36.0	-	-
	Regime Crimes Liaison Office	33.0	30.1	28.4	-	-
<b>Subtotal</b>		<b>820.2</b>	<b>754.0</b>	<b>575.1</b>	<b>94.2 (14%)</b>	<b>62.9 (12%)</b>
Economic	O&M Sustainment	291.6	270.0	266.1	-3.3 (-1%)	-5.3 (-2%)
	Inma Agribusiness Development	124.0	124.0	72.4	31.5 (34%)	10.5 (17%)
	Provincial Economic Growth	85.8	85.8	35.8	25.0 (41%)	6.9 (24%)
	Targeted Development Program	57.4	57.8	21.3	0.4 (1%)	2.9 (16%)
	Plant-Level Capacity Development & Technical Training	48.7	47.8	47.1	0.2 (0%)	0.6 (1%)
	Izdihar	23.8	23.8	22.4	-	-0.1 (0%)
	Planning and Design	19.3	13.7	13.7	11.9 (675%)	11.9 (675%)
<b>Subtotal</b>		<b>650.6</b>	<b>623.0</b>	<b>478.7</b>	<b>65.7 (12%)</b>	<b>27.6 (6%)</b>
<b>Total</b>		<b>3,962.5</b>	<b>3,602.4</b>	<b>2,796.1</b>	<b>275.2 (8%)</b>	<b>212.1 (8%)</b>

**Note:** Data not audited. Numbers affected by rounding. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Democracy and Civil Society, Iraqi Refugees (Jordan), and Regime Crimes Liaison Office sectors. Values for these sectors are carried over from the previous quarter.

**Sources:** U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/6/2009, 7/16/2009, and 10/3/2009; USACE, GRD, response to SIGIR data call, 10/2/2009; USAID, response to SIGIR data call, 10/14/2009.

## Commander's Emergency Response Program

Since 2004, the Congress has appropriated \$3.65 billion to the CERP to enable U.S. military commanders to provide targeted local relief and reconstruction throughout Iraq.<sup>80</sup>

As of September 30, 2009, \$3.48 billion (95%) had been obligated, and \$3.29 billion (90%) had been expended. MNC-I returned \$247 million of CERP allocations to the Army Operations and Maintenance (O&M) account in June.<sup>81</sup> Nearly \$354 million remains unexpended.<sup>82</sup> For the status of these funds, see Figure 2.7.

## CERP Quarterly Obligations and Expenditures by Sector

DoD obligates the CERP to 20 project categories,<sup>83</sup> among which the Water & Sanitation category accounts for \$631 million (18%) of known obligations and Protective Measures accounts for \$429 million (12%).<sup>84</sup>

DoD does not report allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. As a consequence, it is not possible to provide a full account of quarterly obligations and expenditures by project category. DoD reported that as of June 30, 2009, \$224 million in CERP had been expended from the FY 2009 appropriation since the beginning of the fiscal year. The largest expenditures of the FY 2009 appropriation were for Temporary Contract Guards for Critical Infrastructure (\$41 million) and Civic Cleanup Activities (\$30 million).<sup>85</sup>

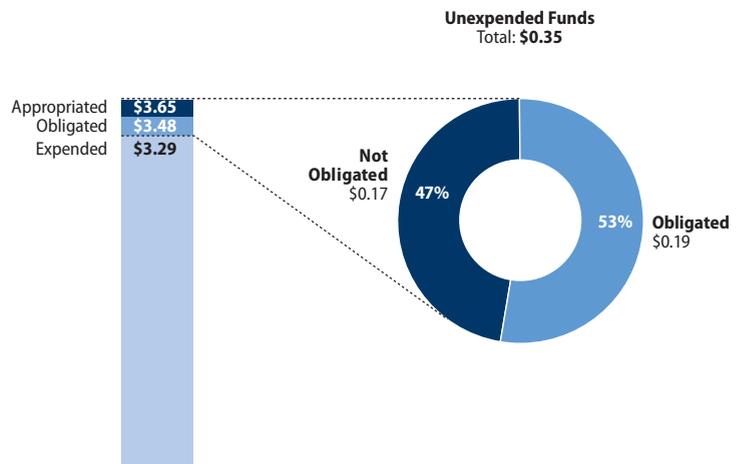
For the status of the CERP by project category, according to the *MNC-I Quarterly Report* available from the Iraq Reconstruction Management System (IRMS),<sup>86</sup> see Table 2.5.

## Programming and Implementation during the Drawdown

The Congress continues to be concerned about the use and management of the CERP. The

FIGURE 2.7

### CERP: STATUS OF FUNDS \$ Billions



**Note:** Data not audited. Numbers affected by rounding. OSD does not report allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. As a consequence, an accurate account of unexpended CERP obligations by project category is not available.

**Sources:** OSD, response to SIGIR data call, 10/14/2009; IRMS, *MNC-I Quarterly Report*, 10/12/2009.

House of Representatives has proposed a hold on \$500 million, pending a “thorough review of CERP, its purpose, use and scope.”<sup>87</sup> Moreover, it has requested a timeline for reducing and eventually phasing out its use in Iraq.<sup>88</sup> DoD forecasted \$300 million in CERP requirements for FY 2010 and expects that CERP requirements will reduce commensurate to the drawdown of forces through FY 2012. The CERP program in Iraq will end with the withdrawal of U.S. forces on December 31, 2011.<sup>89</sup>

This year, for the first time, the great majority of funds requested for the CERP are allocated for Afghanistan rather than Iraq.<sup>90</sup> However, with at least \$354 million remaining for expenditure in Iraq, SIGIR has raised concerns about whether transition plans provide for adequate staffing to administer the CERP.<sup>91</sup> MNC-I reported that the withdrawal of U.S.

5 years ago this quarter

### First CERP Appropriation

On August 8, 2004, P.L. 108-287 appropriated \$140 million to the CERP to “enable military commanders in Iraq to respond to urgent humanitarian relief and reconstruction requirements.”

Previously, the CERP had been funded by seized Iraqi funds.

TABLE 2.5  
**CERP: STATUS OF FUNDS, BY PROJECT CATEGORY**  
 \$ Millions

PROJECT CATEGORY	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Water & Sanitation	631.2	631.2	8.5 (1%)	1.0 (0%)
Protective Measures	428.9	428.9	0.9 (0%)	-
Electricity	350.1	350.1	3.5 (1%)	0.3 (0%)
Transportation	330.0	330.0	2.4 (1%)	-
Education	312.3	312.3	4.4 (1%)	0.0 (0%)
Civic Cleanup Activities	186.9	186.9	4.0 (2%)	0.2 (0%)
Other Humanitarian and Reconstruction Projects	138.8	138.8	3.6 (3%)	-
Healthcare	102.6	102.6	0.9 (1%)	0.6 (1%)
Rule of Law & Governance	99.1	99.1	0.9 (1%)	-
Agriculture	96.6	96.6	1.5 (2%)	0.1 (0%)
Repair of Civic & Cultural Facilities	88.5	88.5	0.9 (1%)	-
Economic, Financial, and Management Improvements	98.3	98.3	6.4 (7%)	0.2 (0%)
Condolence Payments	48.3	48.3	0.2 (0%)	-
Battle Damage Repair	40.2	40.2	0.3 (1%)	-
Telecommunications	28.7	28.7	-	-
Civic Support Vehicles	23.9	23.9	0.7 (3%)	0.1 (1%)
Food Production & Distribution	13.6	13.6	0.0 (0%)	-
Former Detainee Payments	1.0	1.0	-	-
Hero Payments	No Data	No Data		
Temporary Contract Guards for Critical Infrastructure	No Data	No Data		
<b>Subtotal</b>	<b>3,019.1</b>	<b>3,019.1</b>	<b>39.2 (1%)</b>	<b>2.6 (0%)</b>
Unaccounted-for CERP Allocations	458.9	458.9	-23.4 (-5%)	90.1 (12%)
<b>Total</b>	<b>3,478.0</b>	<b>3,478.0</b>	<b>15.9 (0%)</b>	<b>92.6 (3%)</b>

**Note:** Data not audited. Numbers affected by rounding. OSD does not report allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. The "Unaccounted-for CERP Allocations" row is the difference between the top-line allocation, obligation, and expenditure data provided by OSD and the categorical data available from IRMS.

**Sources:** OSD, response to SIGIR data call, 10/14/2009; IRMS, *MNC-I Quarterly Report*, 10/12/2009.

forces from Iraqi cities will have minimal impact on the movement of Project Purchasing Officers (PPOs), who partner with ISF officials to ensure quality control for ongoing projects within urban areas. They also stated that movement of PPOs outside urban areas will not be affected.<sup>92</sup>

The U.S. Army Audit Agency (USAAA) recently performed an audit to assess whether the CERP in Iraq had adequate controls in place to ensure that

commanders implemented the program properly.<sup>93</sup> Audit results showed that the vast majority of projects reviewed were valid. However, USAAA identified numerous challenges related to the application of CERP guidance provided in the *Money as a Weapons System* (MAAWS) manual.

Some of the common challenges identified by the USAAA were missing or insufficiently detailed documents, such as statements of work,

memorandums of agreement, financial forms, and letters of justification, which made it difficult to monitor contract performance.<sup>94</sup> In other cases, PPOs from MND-N split large projects into several smaller projects to keep costs below review thresholds. This enabled the PPOs to rush projects through at year end, but circumvented the additional scrutiny required for larger projects.<sup>95</sup>

USAAA's audit also identified lapses in oversight. Paying Agents (PAs) sometimes delegated their duties, risking a loss of control over funds. In other cases, PPOs did not accompany PAs when making payments, or were not co-located with them, creating opportunities for questionable activity that can occur in the absence of dual controls over payments.<sup>96</sup>

The challenges USAAA identified occurred primarily because of shortfalls in training and the experience level of personnel performing the fund's management, oversight, and execution. Generally, commanders agreed with the audit results and took prompt corrective actions.<sup>97</sup> MNC-I issued prohibitions on project splitting and specified that thresholds are per requirement, not per item or project.<sup>98</sup> In a July 10, 2009, memorandum to the CENTCOM Commander, MNC-I noted that it had expanded PPO and PA training from the previous "one hour presentation to an 8–16 hour course that features hands-on training and practical exercises."<sup>99</sup> Subsequently, MNC-I reported that it also audits forward elements, holds monthly program review boards, and periodically reviews the MAAWS manual.<sup>100</sup>

## Smaller Funding Streams

The Congress has appropriated, or otherwise made available, at least \$6.07 billion in smaller funding streams for Iraq reconstruction. As of September 30, 2009, at least \$3.73 billion had been obligated, and at least \$3.12 billion had been expended. Most of these funding streams are managed by the DoS, although other departments and temporary

agencies play important roles. Given the diversity of management and the often complicated way funds have been transferred, exact amounts are difficult to determine. SIGIR continues to analyze this issue.

The \$6.07 billion made available in the smaller funding streams is significant, especially for funding niche or specialty programs and for funding the management and oversight of the reconstruction effort. SIGIR has classified these funding streams into three categories:

- Other Assistance Programs—\$3.77 billion
- Reconstruction-related Operating Expenses—\$2.10 billion
- Reconstruction Oversight—\$253 million

Descriptions of these categories follow. For details on the status of funds, see Table 2.1.

### Other Assistance Programs

Approximately \$3.77 billion in funding for Iraq reconstruction has been provided through smaller assistance programs—including appropriations made directly to DoS, Treasury, and the Department of Justice for operations in Iraq—and through transfers from larger funds, such as the Iraq Freedom Fund (IFF). As of September 30, 2009, at least \$2.73 billion had been obligated, and at least \$2.17 billion had been expended. For details on the status of funds, see Table 2.1.

### Reconstruction-related Operating Expenses

Approximately \$2.10 billion has been appropriated directly for reconstruction-related operating expenses. As of September 30, 2009, at least \$0.83 billion had been obligated, and at least \$0.80 billion had been expended. For details on the status of funds, see Table 2.1.

Operating expenses for some DoS agencies, notably OPA and ITAO, are part of the supplemental budgets and are not included in the total above. Life support, for example, is paid for through the Logistics Civil Augmentation Program (LOGCAP).

TABLE 2.6  
**U.S. MISSION OPERATING EXPENSES, FY 2007–FY 2011**

\$ Millions

	FY 2007 (ACTUAL)	FY 2008 (ACTUAL)	FY 2009 (ESTIMATE)	FY 2010 (ESTIMATE)	FY 2011 (ESTIMATE)	TOTAL	CHANGE, FY 2009-FY 2011
Security	577.3	319.3	603.5	674.7	712.8	2,887.6	109.2 (18%)
Provincial Reconstruction Teams	336.9	218.0	484.2	636.3	611.8	2,287.2	127.6 (26%)
Logistics Support	194.7	256.7	258.6	244.0	322.2	1,276.2	63.6 (25%)
U.S. Mission Operations	113.3	175.1	184.0	294.7	213.2	980.4	29.2 (16%)
Information Technology	23.8	17.5	21.0	15.3	15.3	92.9	-5.7 (-27%)
<b>Total</b>	<b>1,246.0</b>	<b>986.6</b>	<b>1,551.4</b>	<b>1,865.0</b>	<b>1,875.3</b>	<b>7,524.3</b>	<b>323.9 (21%)</b>

**Note:** Data not audited. Numbers affected by rounding.

**Source:** DoS OIG Audit MERO-A-09-10, "Embassy Baghdad's Transition Planning for Reduced U.S. Military in Iraq," 8/2009, pp. 31–32.

Based on International Cooperative Administrative Support Services (ICASS) data and a headcount of personnel in Iraq, the DoS Bureau of Near Eastern Affairs-Iraq (NEA-I) estimates that \$1.88 billion will be spent on operating expenses in FY 2009<sup>101</sup> (DoS OIG estimates \$1.55 billion).<sup>102</sup> According to DoS OIG data, total operating expenses for the U.S. Mission for FY 2007 through FY 2011 dwarfs appropriations made directly to the temporary U.S. reconstruction agencies for that purpose, and overall operating expenses are expected to increase by \$323.9 million (21%) between FY 2009 and FY 2011 as the military draws down.<sup>103</sup> For details, see Table 2.6.

### Reconstruction Oversight

Approximately \$253 million has been appropriated directly for reconstruction oversight. As of September 30, 2009, at least \$164 billion had been obligated, and at least \$148 million had been expended. These funds support SIGIR and the Iraq-related work of other oversight agencies. For details on the status of funds, see Table 2.1. For details on the oversight of Iraq reconstruction, see Sections 4 and 5 of this Report. ♦

## RECONSTRUCTION MANAGEMENT IN TRANSITION

Although the United States is transitioning to a more traditional diplomatic and development mission in Iraq, a substantial portfolio of reconstruction work remains for completion, closeout, and transfer to the GOI.

While a general framework appears to be emerging, many key decisions related to organizational responsibilities, resource needs, program plans, and coordination mechanisms remain to be made. This quarter, SIGIR received preliminary reports from agencies about imminent transitions, but final decisions have not been announced. Under the direction of the Deputy Chief of Mission for Transition Assistance, U.S. Embassy-Baghdad is assessing the status of ongoing U.S. projects, as well as plans for those not yet started, with the stated goal of ensuring the best allocation of the \$6.31 billion in U.S. funds that remain unexpended, including more than \$2.70 billion yet to be obligated.<sup>104</sup> DoS reports that it “may decide to re-obligate monies from infrastructure projects (handled by GRD) to capacity-building projects (perhaps monitored by USAID) or return the money.”<sup>105</sup>

The ongoing transition includes a realignment of organizational responsibilities. DoS and DoD managers have announced that some entities that have played a part in the reconstruction effort will phase out, while others will adjust their roles.

Lessons learned from SIGIR’s oversight of reconstruction efforts over the past six years demonstrate that, to be successful, transition plans must provide clear management responsibilities and accountability structures. In August, SIGIR communicated to Ambassador Hill and General Odierno the potential effects of three major changes in responsibility for reconstruction management.<sup>106</sup>

- adjusting the responsibilities of the U.S. Army Corps of Engineers Gulf Region District (GRD) and U.S. Embassy-Baghdad’s Iraq Transition As-

sistance Office (ITAO) as the capacities of both organizations are simultaneously diminished

- downsizing the U.S. presence in the provinces and the capacity for administering more than \$650 million in new reconstruction aid planned for the coming year
- shifting responsibility for training Iraq’s police forces from DoD to DoS, under the Bureau of International Narcotics and Law Enforcement Affairs (INL)

To support these shifts among U.S. agencies, DoS and DoD must coordinate closely to ensure that the GOI is willing and able to assume responsibility for completed projects.

### Shrinking U.S. Capacity, Shifting Responsibilities

DoD has already begun transitioning its responsibility for construction, sustainment, and security to DoS, which faces its own major reductions in capacity.

To carry out these additional responsibilities, U.S. Mission-Iraq aims to establish a fully independent embassy operation through the “aggressive use of competitive sourcing and regionalization/off-shoring.”<sup>107</sup> After adjusting its operations, U.S. Embassy-Baghdad expects that less U.S. military security, communications, and logistical support will be needed.

Numerous staffing changes are planned as part of this “rightsizing” action over the next three years. Overall, the Embassy expects to reduce in size, and operational

*This is the start of a 12-month period at the end of which all U.S. combat forces will be withdrawn from Iraq... Over time, as our programs make progress on these economic and political goals, we will significantly reduce our civilian presence both in the provinces and at the embassy in Baghdad.*<sup>108</sup>

—Ambassador Christopher Hill, U.S. Ambassador to Iraq, September 10, 2009

5 years ago this quarter

#### IRMO and PCO Take the Lead

The newly established U.S. Embassy-Baghdad and its Iraq Reconstruction Management Office had begun working closely with the fledgling Iraqi Interim Government to help the new ministries find direction. A presidential directive had established the new Project and Contracting Office as a temporary Army organization to provide acquisition and management support services for Iraq’s reconstruction.

management, information management, and security staffs will decrease. Temporary organizations, such as ITAO, will be phased out as reconstruction programs are consolidated into permanent structures under DoS and USAID. Other elements of the U.S. Mission will expand, including the consular section (to meet increased demand for visa services) and Foreign Commercial Service programs (to continue support for Iraq's economic growth).<sup>109</sup>

Throughout the transition, the Chief of Mission will retain ultimate responsibility for the direction and oversight of the U.S. reconstruction program. For an overview of the transition plans announced for DoD and DoS reconstruction agencies, changes to their current and future responsibilities, and permanent staff cuts, see Figure 2.8.

### Phasing Out Infrastructure Reconstruction

GRD has completed 4,658 infrastructure projects in Iraq. As of the end of this quarter, it reported 457 projects ongoing or awarded, at a construction cost of \$1.5 billion. GRD is now deactivating and transitioning management of ongoing construction work to two districts operating under the USACE Transatlantic Division. Program management responsibilities, including responsibility for sustainment of completed projects, now fall to DoS.<sup>110</sup>

Reductions in personnel and resources may limit capacities for sufficient oversight, leaving the last tranche of reconstruction programs vulnerable to fraud, waste, or abuse. SIGIR remains concerned about whether these programs can be executed in an orderly fashion and with sufficient controls to ensure that they will be sustained by the GOI. A DoS OIG audit released in August concluded that staff shortages have affected DoS's ability to carry out projects; 216 ITAO projects remain ongoing, valued at almost \$700 million. Moreover, the audit found that DoS may need additional funding to purchase private-sector design, contract prepara-

tion, and contract oversight services to replace USACE support services.<sup>111</sup>

Also in question is the future of the Iraq Reconstruction Management System (IRMS)—a central portal for data on reconstruction projects. In the past, GRD personnel maintained this system at the headquarters of the Multi-National Corps-Iraq (MNC-I) in Iraq.<sup>112</sup> DoD reported that USACE will fund the IRMS system management through FY 2010.<sup>113</sup> It is unclear who will maintain and update this system in the future.

### Downsizing Presence in the Provinces

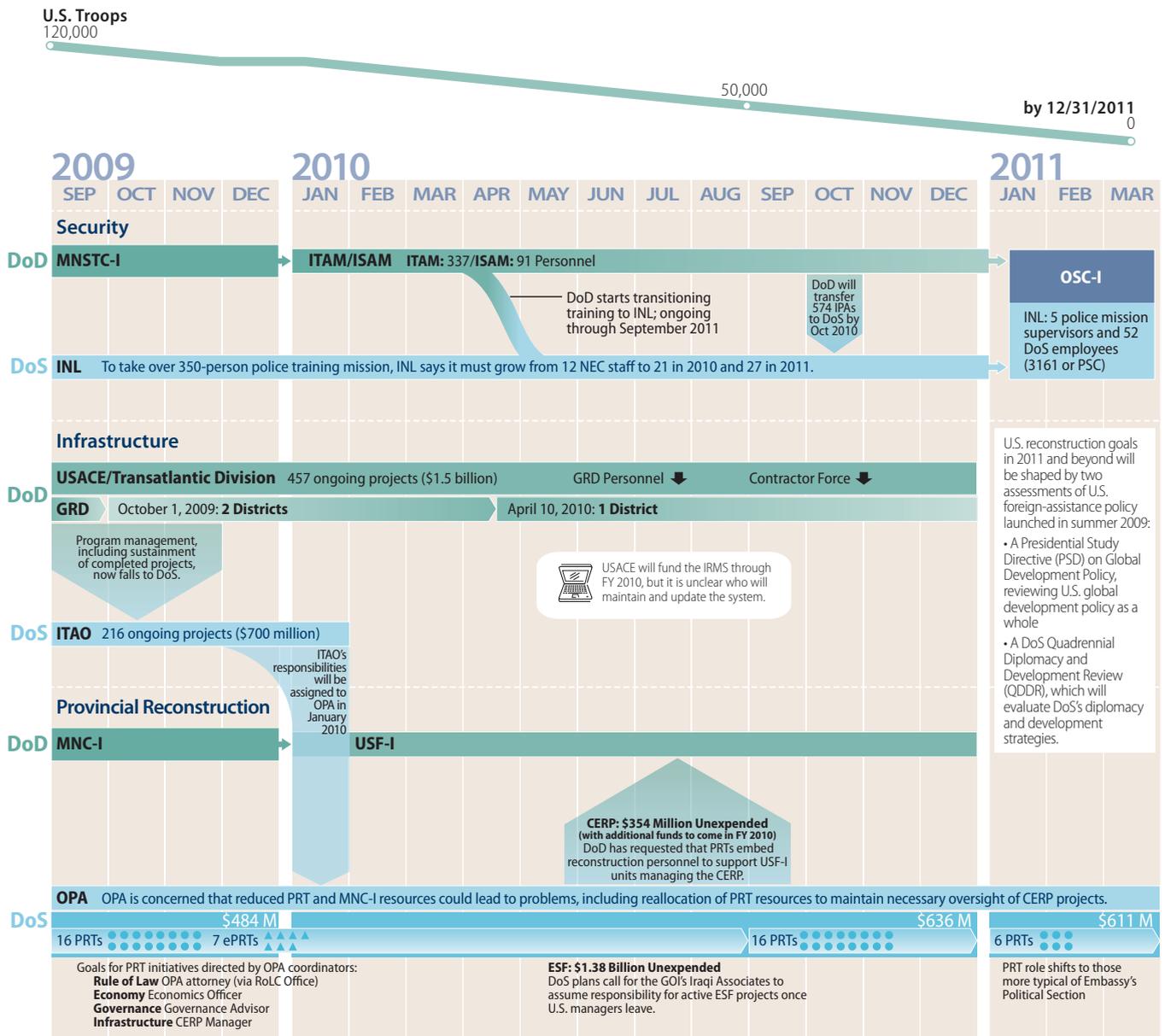
The Office of Provincial Affairs (OPA) has been working closely with the GOI and Multi-National Force-Iraq (MNF-I) to coordinate the programs of the 23 PRTs and one Regional Embassy Office (REO) in conducting reconstruction priorities in the local communities of Iraq's 18 provinces. OPA is headed by a senior Foreign Service Officer, who currently manages 517 DoS personnel.<sup>114</sup>

The Commander's Emergency Response Program (CERP) provides additional support for communities in the areas where U.S. military units conduct operations. An additional \$300 million CERP allocation has been requested for FY 2010.<sup>115</sup> However, the U.S. military's reduced troop presence in 2010 means that the capability to manage CERP funds will also be reduced.

OPA reported that its personnel have been integral to directing CERP priorities in the provinces, and it has appointed a CERP manager to support planning and oversight of these activities.<sup>116</sup> DoD has requested additional support from the PRTs, asking that reconstruction personnel embed with military units managing the CERP program as MNC-I consolidates its activities under the new U.S. Forces-Iraq (USF-I) command structure. The PRT program, however, is shrinking in overall size and scope, and its teams are shifting to capacity-building roles that fall more within the purview of the U.S. Embassy's Political Section—an office slated to have eight positions cut this year.<sup>117</sup>

# IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

FIGURE 2.8  
U.S. RECONSTRUCTION MANAGEMENT IN TRANSITION: AN EMERGING PICTURE



**Note:** Estimated operating costs shown above the PRT footprint were reported by DoS OIG in Audit MERO-A-09-10, released in 8/2009. The audit reported \$484 million for FY 2009, \$636 million for FY 2010, and \$611 million for FY 2011. The nature of these transitions are still in the planning stages, and final decisions have not been made.

**Sources:** OSD, response to SIGIR data call, 9/30/2009; DoS OIG Audit MERO-A-09-10, "Embassy Baghdad's Transition Planning for Reduced Military in Iraq," 8/2009, pp. 1-22; House Appropriations Committee Report 111-230, "Department of Defense Appropriations Bill, 2010," 7/24/2009, pp. 6-7, 349-350; Commander, MNF-I, testimony before the House Armed Services Committee, "The Status of Ongoing Efforts in Iraq," 9/30/2009; U.S. Embassy-Baghdad, cable 2694, 10/7/2009; GRD, "Cumulative Reconstruction Fact Sheet," [www.grd.usace.army.mil](http://www.grd.usace.army.mil), data as of 9/1/2009; Inspector General Stuart Bowen, letter to U.S. Chief of Mission, U.S. Embassy-Iraq, and Commanding General, MNF-I, 8/18/2009; U.S. Embassy-Baghdad, responses to SIGIR data call, 10/4/2009 and 10/6/2009; GRD, response to SIGIR data call, 10/15/2009.



As U.S. forces in Iraq withdraw, DoD reconstruction managers have begun to transition projects and programs. By 2010, remaining MNF-I units will become part of the USF-I command structure. Commanding general for the 2nd Marine Logistics Group Forward (MLG-F) salutes the 2nd MLG-F staff during a transfer of authority ceremony held in west Baghdad, Iraq, on September 1, 2009. (2nd Marine Logistic Group Public Affairs photo)

## Transitioning Reconstruction in the Security Sector

In accordance with presidential directives and the bilateral Security Agreement (SA), U.S. forces in Iraq must draw down from 120,000 troops to 50,000 by August 31, 2010, and to zero by December 31, 2011, unless the U.S. and the GOI mutually agree to extend the U.S. military presence. The current planning schedules maintain the majority of forces through the January elections and seating of the new Iraqi government, followed by a rapid redeployment to reach the September 2010 deadline.

On January 1, 2010, remaining MNF-I units will become part of the USF-I command structure, but the missions of these units will change little in the coming year. Two new entities will perform training, advisory, and assistance missions in support

of the Iraqi Security Forces (ISF); this support will include the current duties of the Multi-National Security Command-Iraq (MNSTC-I) when it shuts down on December 31, 2009.<sup>118</sup>

**The Iraq Security Assistance Mission (ISAM)**—an enabling agency that facilitates procurement of equipment, services, and training (formerly the Security Assistance Office)—will be ramping to 91 personnel, performing those roles:

- **Enhancing Force Capability.** Facilitate procurement to equip police forces and assist the equipping of a self-defense capability.
- **Force Professionalization and Specialization.** Expand training programs and ensure adequate resources; translate Foreign Military Sales (FMS) Letters of Request and Letters of Acceptance; facilitate the development, processing, and preparation of candidates for the International Military Education and Training Program and for training and service abroad.
- **Enhancing Ministerial Capacity.** Improve strategic planning and policy development, improve GOI resource management, and expand regional exercises and engagement programs in support of a future security cooperation relationship with the GOI.

**The Iraq Training and Advisory Mission (ITAM)**—comprises 337 personnel assigned to support the MOD and MOI, along with 574 International Police Advisors (IPAs) to train the Iraqi police forces. DoD defined these roles for ITAM:

- **Enhancing Force Capability.** Develop a competent and professional police force; enhance screening to control Iraq's borders; improve command and control throughout Iraq; develop a credible self-defense capability; and enhance ISF medical, logistics, and maintenance programs.
- **Enhancing Ministerial Capacity.** Improve strategic planning and policy development; synchronize planning and programming decisions; improve GOI resource management; develop

life-cycle management programs; improve recruiting, training, manning, and equipping; and expand engagement and strategic communications programs.

- Force Professionalization and Specialization.** Expose Iraqis to Western values and culture to promote tolerance, expand training programs and ensure adequate resources, increase interoperability with U.S. or Coalition forces, and improve medical training and equipment.
- Rule of Law Primacy.** Strengthen anticorruption programs, improve leader accountability, enhance judicial security, and improve inspection programs.

### Potential Challenges to Success

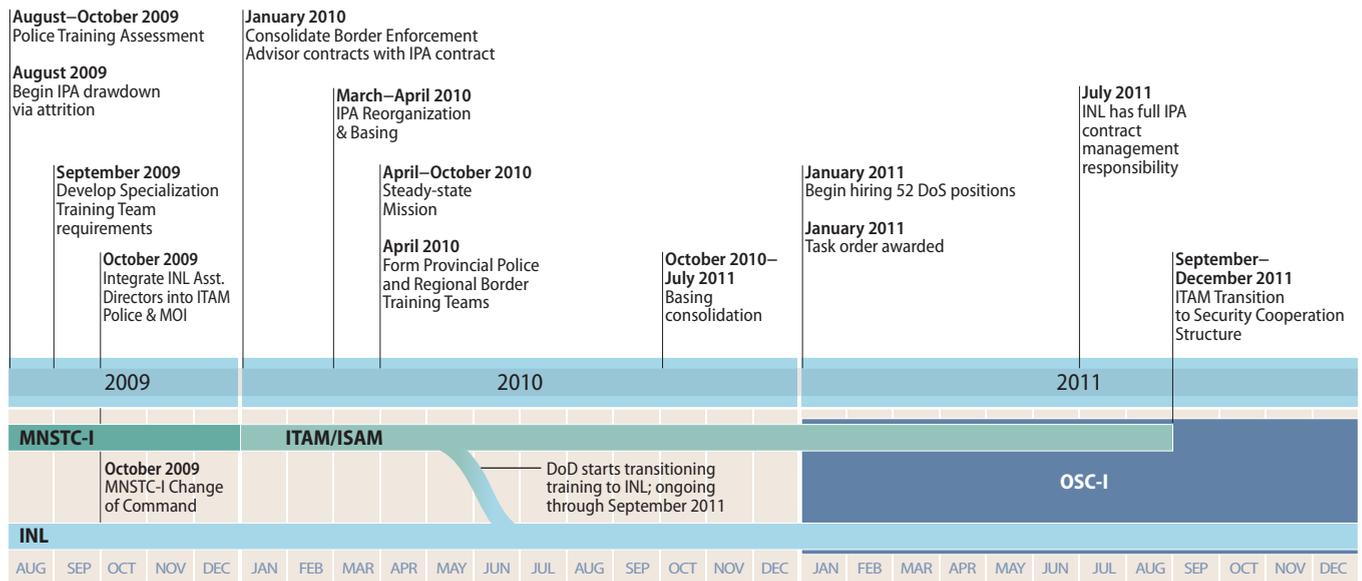
DoD states that the 2010 Joint Manning Document (JMD) represents adequate personnel strength required for ITAM and ISAM to achieve their strategic objectives. At this time, further force reduction of ITAM and ISAM is not scheduled to occur until

USF-I transitions its missions for enhancing ministerial capacity, force capability, and police primacy to U.S. Embassy-Baghdad control, under the Office of Security Cooperation-Iraq (OSC-I) in 2011.<sup>119</sup>

However, even at a 20% reduction of the 2010 JMD strength, DoD cautions that ITAM “would lose nearly all capability and capacity” to meet its objectives. Moreover, cuts to ISAM would risk failure to adequately equip the ISF and would likely delay or halt procurement for logistics infrastructure and would force ITAM to “rely more heavily on stateside security assistance agencies, which have inherently more deliberate processes and fewer dedicated resources.”<sup>120</sup>

Already, ITAM has begun transitioning responsibility for training all ISF troops below the division level to the Advise and Assist Brigades (AABs), and it plans to cut efforts in the ministries from “advise and assist” to “advise only.” DoD has emphasized that any reduction of ITAM or ISAM capabilities before transfer to the OSC-I, now two years away,

FIGURE 2.9  
TRANSITION OF IRAQI POLICE TRAINING, 8/2009–12/2011



Note: The nature of this transition is still in the planning stages, and final decisions have not been made.

would pose a high risk to the strategic objective of a “sovereign, stable, secure, and self-reliant Iraq.”<sup>121</sup>

#### **Police Training Continues in Coordination with INL**

As the police training mission evolves, U.S. forces partnering with Iraqi police forces will change to meet SA provisions that require that the military’s operations be conducted with the agreement of the GOI and fully coordinated with Iraqi authorities.<sup>122</sup> The plan for providing necessary life support, transportation, and force protection for these teams must then be fully integrated with MNF-I’s drawdown planning.

MNSTC-I/ITAM has been working in conjunction with the INL Police Training Program Director to plan for a gradual transition of programs to

support the Ministry of Interior and Iraqi police forces. SIGIR has observed that the core capabilities necessary for successful police training require sustained coordination between ITAM/ISAM and INL to ensure that the latter’s role remains consistent with its capacities.

INL believes that the basic components of training the Iraqi police services have been largely accomplished, and it reports that it will focus on executive development, managerial training, and other specialized programs such as forensics.<sup>123</sup> According to current plans, by 2011 the police training mission will have decreased its presence from 38 primary training centers to just 3 hubs: Baghdad, Erbil, and Basrah.<sup>124</sup> For a timeline of the planning milestones driving the transition, see Figure 2.9. ♦

## USE OF CONTRACT PERSONNEL

Contractors continue to play a substantial role in supporting U.S. military and diplomatic operations and sustainment, as well as reconstruction programs, in Iraq. DoD reports that as of August 2009, almost 174,000 contractor personnel were working in Iraq. For a breakdown by agency, see Table 2.7. These numbers reflect a 10% reduction in the contractor footprint in Iraq since last quarter.<sup>125</sup>

DoD has expanded the use of contractors in its acquisition process to aid in program management functions and has relied heavily on contractors to carry out operations in Iraq.<sup>126</sup> U.S. policymakers continue to express concern over the oversight of Iraq contracts for several reasons, including the expense and difficulty of managing logistical support contracts as well as allegations of contract waste, fraud, abuse, and financial mismanagement.<sup>127</sup>

This quarter, MNF-I reports that its contractor force has been reduced by about 5%; as it draws down over the next 11 months, it expects to maintain a ratio of about one contractor for each of its personnel in Iraq. But some categories of contractors may increase temporarily to provide sufficient numbers of logisticians, engineers, and transportation specialists. DoD reports that it will be emphasizing limiting contractors in all areas, transitioning from hiring non-Iraqi contractors to hiring Iraqi contractors and “reducing costs in every way possible.”<sup>128</sup>

For a breakdown of DoD contractors by national origin and type of service they provide, see Figure 2.10.

### Contractor Tracking

DoD is working with the U.S. Central Command (CENTCOM) to continue the transition from manual accounting of contractor personnel to a web-based data tool—the Synchronized

Predeployment and Operational Tracker (SPOT)—which allows real-time tracking capability for managers in theater.<sup>129</sup>

DoD has mandated that contingency contractors, as well as their personnel, be registered in SPOT if their work is contracted for longer than 30 days or if the value of the contract exceeds \$25,000. In addition, CENTCOM has mandated that contractors must have SPOT-generated

*DoD, State, and USAID continue to face challenges in tracking contractor personnel and contracts in Iraq.<sup>130</sup>*

—U.S. Government Accountability Office, October 2009

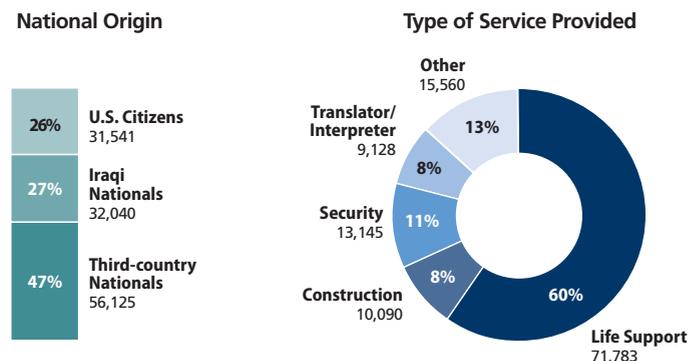
TABLE 2.7  
CONTRACTOR SUPPORT FOR IRAQ

AGENCY	U.S. CITIZENS	THIRD-COUNTRY NATIONALS	IRAQI NATIONALS	TOTAL CONTRACTORS
DoS	4,079	—	—	4,079
DoD	31,541	56,125	32,040	119,706
Others	9,381	35,053	5,627	50,061
<b>Total</b>	<b>45,001</b>	<b>91,178</b>	<b>37,667</b>	<b>173,846</b>

Note: Information on third-country and Iraqi nationals contracting under DoS was not available.

Source: Assistant Deputy Under Secretary of Defense for Program Support, “Contract Support in Contingency Operations,” 8/2009, p. 4.

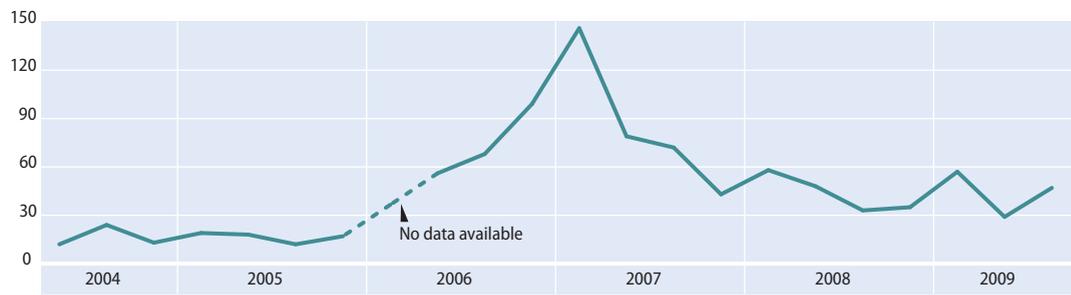
FIGURE 2.10  
DoD CONTRACTORS IN IRAQ, AS OF 6/30/2009  
119,706 Total Contractors



Note: Numbers affected by rounding. These numbers reflect DoD contractors only. Totals for reconstruction contractors working in other agencies are not available.

Source: DoD, Assistant Deputy Under Secretary of Defense for Program Support, “Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan,” 8/2009.

FIGURE 2.11  
**CONTRACTOR DEATHS IN IRAQ, BY QUARTER, 1/1/2004–9/30/2009**



Sources: DoL, responses to SIGIR data call, 7/1/2009 and 10/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 7/2004–4/2009.

Letters of Authorization (LOAs) to be deployed to Iraq and be authorized users of Government Furnished Services (GFS). As a result, DoD reports having a high confidence level that most contractors are in SPOT. For contractor personnel who do not receive GFS but have a need to access an installation, OSD has developed a bridge between SPOT and the Biometric Identification System for Access used in Iraq.<sup>131</sup>

A Government Accountability Office (GAO) audit released in October 2009 found that not all contractor personnel were being entered into SPOT as required under a memorandum of agreement signed by DoD, DoS, and USAID; their department regulations; and the NDAA for FY 2008. In addition, currently not all contractor personnel need LOAs—particularly most local nationals. Agency officials informed GAO that many of those personnel were not yet being entered into SPOT.<sup>132</sup>

DoS officials informed GAO auditors that prior to FY 2009, DoS did not systematically track contractor personnel in the SPOT. Instead, DoS bureaus conducted periodic surveys of their contractors; however, each bureau’s survey covered different time periods. Even relying on a combination of periodic surveys and SPOT, it appears that DoS underreported its contractor personnel numbers.<sup>133</sup> USAID relied entirely on periodic surveys of its contractors.<sup>134</sup>

## Contractor Deaths

Since 2003, more than 1,442 contractor employees—Americans, Iraqis, and third-country nationals—have died in Iraq.<sup>135</sup>

According to GAO’s audit, SPOT currently does not have the capability to track all of the required contract information or readily generate historical reports on the total number of killed or wounded contractor personnel. Moreover, the audit found that not all deaths and injuries reported under the Defense Base Act would be regarded as contractors killed or wounded within the context of the NDAA for FY 2008. In addition, some contractor deaths and injuries may not be reported to the Department of Labor, as required. In particular, the deaths and injuries to local and third-country contractors may be underreported.<sup>136</sup>

As part of an effort to address such gaps, DoD reports that the January 2009 release of SPOT provides better functionality. Specifically, the system now has a more visible killed-in-action/wounded-in-action status under a drop-down menu, which must be updated by contractors upon change of personnel status.<sup>137</sup> Notwithstanding this recent change to SPOT, SIGIR has reported historically on contractor deaths from information provided by DoL (See Figure 2.11). ♦

## IRAQ RECONSTRUCTION FUNDING USES

SIGIR classifies the major U.S. reconstruction funds by their use into 4 reconstruction areas, comprising 17 sectors. Developments in the Security, Infrastructure, Governance, and Economy areas

will be discussed in the following pages of this Report. For the status of U.S. reconstruction funding by use, see Table 2.8. For an overview of U.S. reconstruction funding sources and uses, see Figure 2.12. ♦

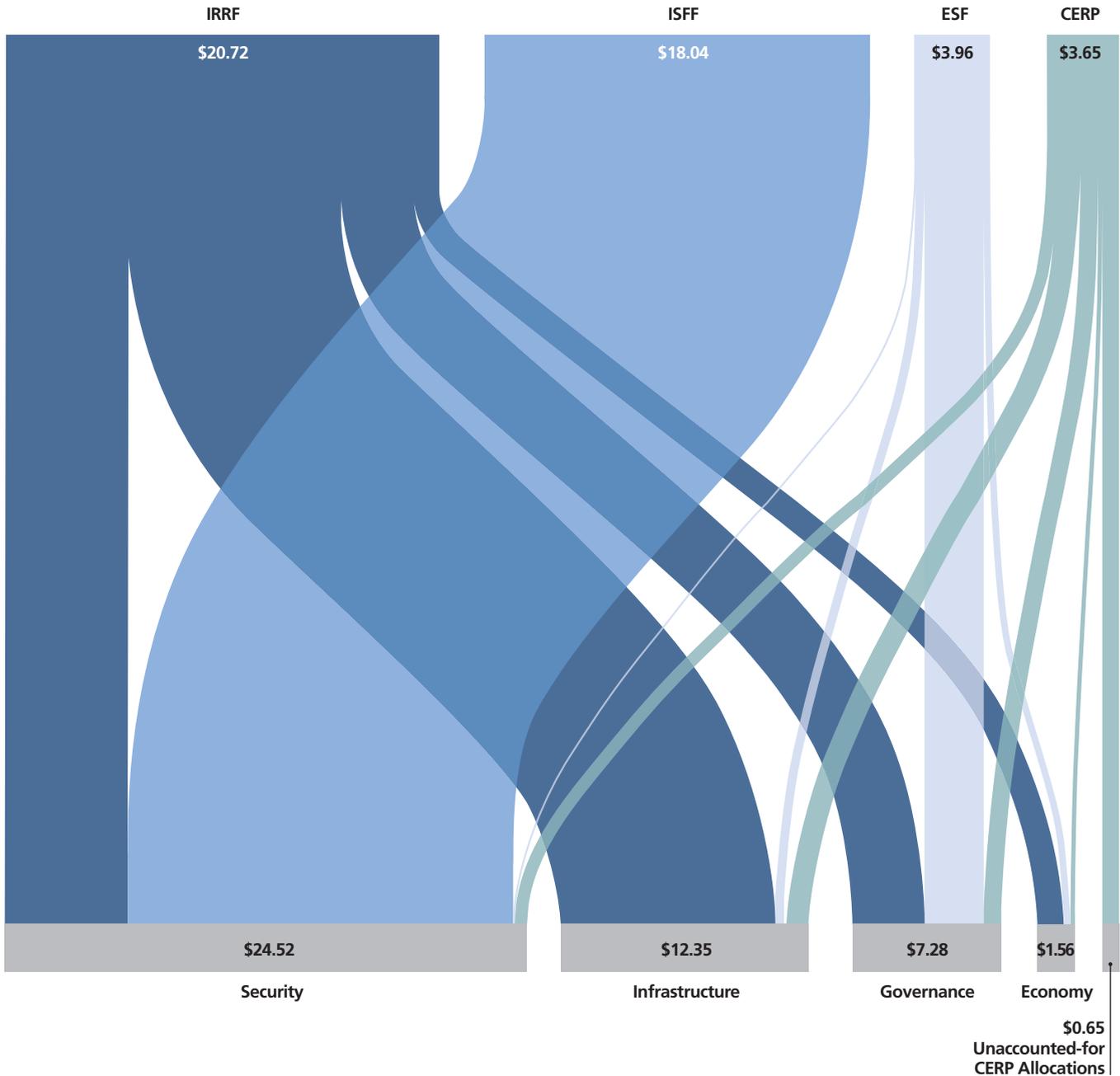
TABLE 2.8  
STATUS OF MAJOR U.S. RECONSTRUCTION FUNDS BY USE  
\$ Billions

AREA	SECTOR	STATUS OF FUNDS			QUARTERLY CHANGE	
		ALLOCATED	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Equipment	7.29	6.82	6.03	0.57 (9%)	0.94 (19%)
	Training	6.11	5.68	5.45	0.31 (6%)	0.42 (8%)
	Infrastructure	5.81	5.55	4.84	0.08 (1%)	0.13 (3%)
	Sustainment	2.55	2.41	2.17	0.10 (4%)	0.06 (3%)
	Rule of Law	1.50	1.48	1.27	-	-
	Related Activities	1.27	1.15	0.97	0.04 (4%)	0.03 (3%)
	<b>Subtotal</b>		<b>24.52</b>	<b>23.09</b>	<b>20.72</b>	<b>1.10 (5%)</b>
Infrastructure	Electricity	5.16	4.99	4.86	-	0.01 (0%)
	Water and Sanitation	2.74	2.63	2.47	0.01 (0%)	0.01 (0%)
	Oil and Gas	2.06	1.92	1.91	-	-
	General Infrastructure	1.25	1.24	1.24	-	-
	Transportation and Communications	1.15	1.09	0.99	-	-
	<b>Subtotal</b>		<b>12.35</b>	<b>11.88</b>	<b>11.47</b>	<b>0.01 (0%)</b>
Governance	Capacity Development	2.50	2.29	1.91	0.12 (6%)	0.15 (8%)
	Democracy and Civil Society	2.03	2.04	1.66	0.10 (5%)	0.05 (3%)
	Public Services	1.93	1.91	1.73	0.01 (1%)	0.01 (0%)
	Humanitarian Relief	0.82	0.82	0.75	-	-
	<b>Subtotal</b>		<b>7.28</b>	<b>7.06</b>	<b>6.04</b>	<b>0.24 (3%)</b>
Economy	Economic Governance	0.82	0.80	0.74	0.01 (1%)	-
	Private Sector Development	0.74	0.74	0.57	0.06 (9%)	0.02 (4%)
	<b>Subtotal</b>		<b>1.56</b>	<b>1.54</b>	<b>1.32</b>	<b>0.06 (4%)</b>
<b>Total</b>		<b>45.72</b>	<b>43.57</b>	<b>39.54</b>	<b>1.41 (3%)</b>	<b>1.83 (5%)</b>

**Note:** ISFF data provided by OSD is preliminary for the quarter ending September 30, 2009. OSD does not report allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. The "Unaccounted for CERP Allocations" total is the difference between the top-line allocation, obligation, and expenditure data provided by OSD and the categorical data available from IRMS. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Democracy and Civil Society, Iraqi Refugees (Jordan), and Regime Crimes Liaison Office sectors. Values for these sectors are carried over from the previous quarter.

**Sources:** NEA-I, response to SIGIR data call, 10/7/2009; DFAS, response to SIGIR data call, 4/10/2009; DoS, response to SIGIR data call, 4/5/2007; IRMS, *MNC-I Quarterly Report*, 10/12/2009; Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 4/13/2009 and 4/14/2009; USTDA, response to SIGIR data call, 4/2/2009; OSD, responses to SIGIR data call, 10/13/2009 and 10/14/2009; U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/6/2009, 7/16/2009, and 10/3/2009; USACE, GRD, response to SIGIR data call, 10/2/2009; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 7/2009.

**FIGURE 2.12**  
**ALLOCATIONS OF MAJOR U.S. RECONSTRUCTION FUNDS, AS OF 9/30/2009**  
 \$ Billions



**Note:** ISFF data provided by OSD is preliminary for the quarter ending September 30, 2009. OSD does not report allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. The “Unaccounted for CERP Allocations” total is the difference between the top-line allocation, obligation, and expenditure data provided by OSD and the categorical data available from IRMS. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Democracy and Civil Society, Iraqi Refugees (Jordan), and Regime Crimes Liaison Office sectors. Values for these sectors are carried over from the previous quarter.

**Sources:** NEA-I, response to SIGIR data call, 10/7/2009; DFAS, response to SIGIR data call, 4/10/2009; DoS, response to SIGIR data call, 4/5/2007; IRMS, *MNC-I Quarterly Report*, 10/12/2009; Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data calls, 4/13/2009 and 10/14/2009; USTDA, response to SIGIR data call, 4/2/2009; OSD, response to SIGIR data call, 10/13/2009; U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/6/2009, 7/16/2009, and 10/3/2009; USACE, GRD, response to SIGIR data call, 10/2/2009.

## SECURITY

Despite positive developments, Iraq continues to have a dangerous security environment. National reconciliation and accommodation continue to be hindered by ethnosectarian divides over the distribution of power and resources. A tenuous peace is challenged by the Arab and Kurd split over key issues: disputed internal boundaries, property rights and restitution, the status of the Kurdistan Regional Government's (KRG's) Peshmerga militia, the status of Tameem province, and the framework for a hydrocarbons law. Tension between the Iraqi Army and the Peshmerga in and around disputed territories remains a flashpoint for potential violence, and the long-standing Sunni-Shia discord remains.<sup>138</sup>

On June 30, 2009, under the requirements of the bilateral Security Agreement (SA), the United States turned over all domestic security responsibilities to the Iraqi Security Forces (ISF). As part of that transition, U.S. military forces left urban centers, with the exception of small contingents that remains in the cities to train, advise, and coordinate with the ISF.<sup>139</sup>

Although there has not been a significant increase in insurgent activity overall this quarter, al-Qaeda and other extremist groups conducted a series of high-profile mass-casualty attacks



On August 27, 2009, U.S. soldiers arrive to help the Iraqi Army provide humanitarian assistance in Basrah. (MNF-I photo)

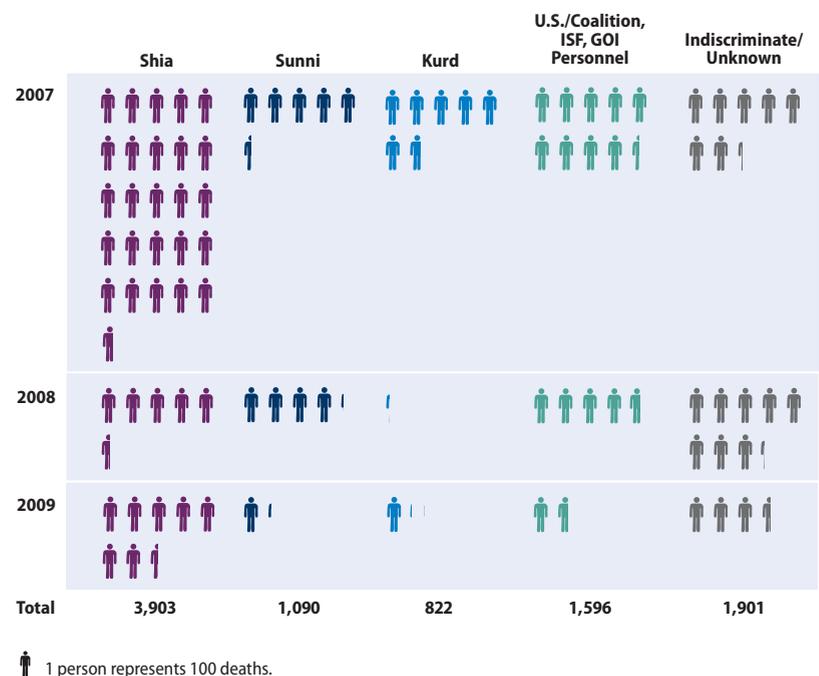
in several parts of the country.<sup>140</sup> On August 19, 2009, car bomb attacks in Baghdad killed over 100 people and injured hundreds more. Similar attacks that same week around Kirkuk and Mosul killed more than 20 people and left many more injured.<sup>141</sup> In general, incident levels remained high in the disputed territories of northern Iraq as armed opposition groups continued exploiting tensions. For more information on deaths associated with multiple-fatality bombings, see Figure 2.13.

Overall attacks have decreased 85% over the past two years—from 4,064 in August 2007 to

*Although security is improving, it is not yet enduring. There still remain underlying, unresolved sources of potential conflict. I call these drivers of instability.*<sup>142</sup>

—General Raymond Odierno, Commander MNF-I, September 30, 2009

FIGURE 2.13  
DEATHS ASSOCIATED WITH MULTIPLE-FATALITY BOMBINGS IN IRAQ, BY GROUP TARGETED, 1/1/2007–9/20/2009



**Note:** Totals correspond with attacks that targeted a particular group or occurred in an area in which the group was in the majority. "Indiscriminate" bombings occurred in areas with mixed sectarian populations. "Unknown" corresponds with attacks where no sectarian information or location was reported.

Source: Brookings Institution, *Iraq Index*, 9/22/2009, pp. 9–10.

6 years ago  
this quarter

**Bombing of UN Mission**

On August 19, 2003, a bomb attack on the Canal Hotel in Baghdad claimed the lives of 22 UN staff members, including the world body's top envoy in Iraq, Sergio Vieira de Mello, and wounded more than 150 people. Six years later, the UN General Assembly commemorated the event by designating August 19 World Humanitarian Day.

594 in August 2009. In September 2009, there were 565 attacks during the same time period, U.S. military deaths have decreased by 93%, ISF deaths have decreased 79%, and ethno-sectarian killings have decreased 88%.<sup>143</sup> However, the GOI declared that August 2009 was the highest month for civilian casualties in more than a year.<sup>144</sup> For information about daily and annual security incidents

since January 2004, see Figure 2.14.

management of U.S. programs is also in transition. MNSTC-I will hand over responsibility for Iraqi military training to the new Iraq Training and Advisory Mission, facilitated by the Iraq Security Assistance Mission, and Iraqi police training will continue under DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL).<sup>147</sup>

As of September 30, 2009, the United States had allocated \$24.52 billion, obligated \$23.09 billion, and expended \$20.72 billion for programs and projects to develop the ISF, construct related infrastructure, and support increased capacity for the rule of law in Iraq.<sup>148</sup> For a summary of obligations and expenditures, see Figure 2.15.

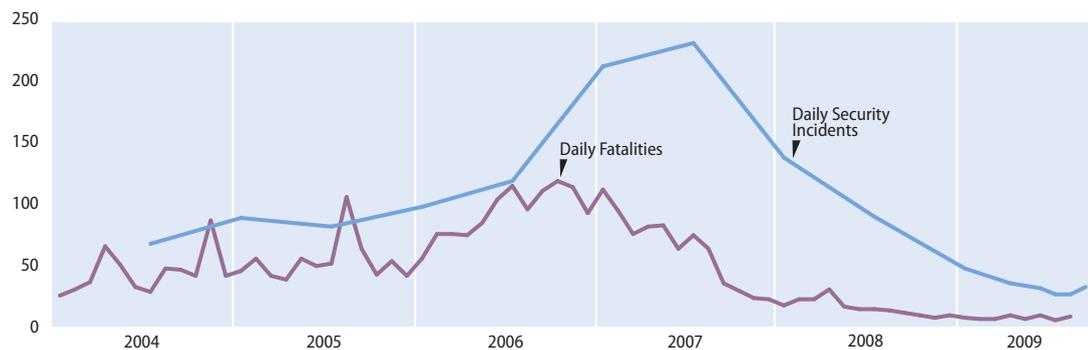
**Status of U.S. Funding for Security Programs**

U.S. efforts to build the capabilities and capacities of the Iraqi military and police forces have been funded primarily through the ISFF in recent years. FY 2009 appropriations decreased by two-thirds from the previous year, and no new appropriations for ISFF have been requested for FY 2010.<sup>145</sup> \$1.37 billion remains unobligated, and \$3.47 billion remains unexpended from the ISFF.<sup>146</sup> The

**Overview of Security Forces**

Current plans call for MNF-I to draw down its presence in Iraq to 50,000 troops by August 31, 2010. Under the command structure of the new U.S. Forces-Iraq (USF-I), three Division Headquarters and six "Advise and Assist" Brigades (AABs) will continue to support the Ministry of Defense (MOD) and Ministry of Interior (MOI) programs

**FIGURE 2.14**  
**AVERAGE DAILY INCIDENTS AND ESTIMATED DAILY CIVILIAN FATALITIES, 1/2004-9/2009**



**Note:** Incidents include attacks against Iraqi infrastructure and government organizations; bombs that are found and cleared (including IEDs and mines); detonated bombs; sniper, ambush, grenade, and other small arms attacks; and mortar, rocket, and surface-to-air attacks. After June 30, 2009, the GOI began providing information on security incidents as part of the bilateral Security Agreement. MNF-I now includes this data as part of its reporting.

**Sources:** MNF-I, response to SIGIR data call, 9/30/2009; Brookings Institution, *Iraq Index*, 9/22/2009; Commander, MNF-I, testimony before the House Armed Services Committee, "The Status of Ongoing Efforts in Iraq," 9/30/2009, p. 2.

to develop the ISF. Since January 2009, U.S. force strength has been reduced by nearly 14% (consolidating from 14 Brigade Combat Teams to 11), and 100 bases were closed. DoD reported that in reducing its contractor force from 149,000 in January to just more than 115,000 (as of September 30, 2009), it now spends \$441 million less.<sup>149</sup>

After U.S. military forces left the cities this summer, DoD began implementing phase two of its transition plan, which calls for withdrawing 80,000 troops and their equipment and reducing the civilian contracting force to 75,000 by August 2010.<sup>150</sup> Over the next year, roughly 200 U.S. bases are slated for consolidation and closure. By September 2010, DoD expects to have only 6 large supply support bases and approximately 20 smaller bases, called spokes.<sup>151</sup>

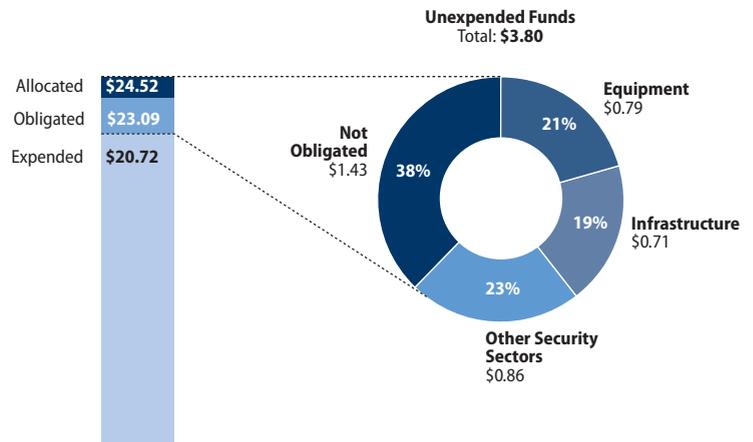
Since the beginning of Operation Iraqi Freedom through September 2009, 4,345 U.S. military personnel have been killed, and more than 32,000 have been wounded in action. For a timeline of casualties sustained by Coalition forces, see Figure 2.16.

MNF-I has entered a period of transition as its forces adjust to redeployment and take on security operations ahead of Iraq's national elections in January. Commanders report that despite changes to the operating environment, their mission remains the same, and they continue to conduct a wide range of operations with their Iraqi partners.<sup>152</sup> For the status of security personnel operating in Iraq, see Table 2.9.

## Private Security Contractors

Although lethal attacks in Iraq are down significantly since they peaked in 2006 and 2007, the security situation remains difficult. Personnel under Chief of Mission authority benefit considerably from the security umbrella provided by the U.S. military forces in Baghdad and other major cities in Iraq. Thus far, the protection mission and planning function of the U.S. Embassy Regional Security Office (RSO) has not been noticeably

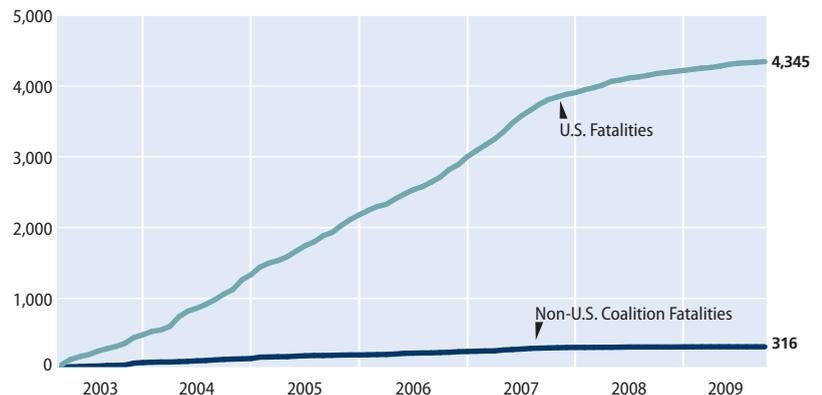
FIGURE 2.15  
**SECURITY: STATUS OF FUNDS**  
\$ Billions



**Note:** Data not audited. Numbers affected by rounding. Unexpended funds include expired appropriations. ISFF data provided by OSD is preliminary for the quarter ending September 30, 2009. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations; CERP allocation, obligation, and expenditure data is pulled from IRMS; therefore, totals may not match top-line values found in the Funding Sources subsection of this Report. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Regime Crimes Liaison Office; values are carried over from the previous quarter.

**Sources:** DFAS, response to SIGIR data call, 4/10/2009; DoS, responses to SIGIR data call, 4/5/2007 and 9/17/2009; IRMS, *MNC-I Quarterly Report*, 10/12/2009; NEA-I, response to SIGIR data call, 10/7/2009; OSD, response to SIGIR data call, 10/13/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 7/16/2009.

FIGURE 2.16  
**MILITARY FATALITIES IN OPERATION IRAQI FREEDOM, 3/2003–9/2009**  
Cumulative Fatalities



**Note:** Excludes Iraqi Security Forces fatalities.

**Source:** Brookings Institution, *Iraq Index*, 9/22/2009, pp. 15, 17.

TABLE 2.9  
SECURITY FORCES PROTECTING IRAQ, AS OF 9/30/2009

SERVICE		ASSIGNED PERSONNEL	TREND	STATUS
U.S. Forces		120,000	↓	Drawdown continues—100,000 by end of 2009
Private Security Contractors <sup>a</sup>		25,500	↓	DoD continues to reduce the number of contracted security personnel
<b>Iraqi Security Forces</b>				
Ministry of Defense <sup>b</sup>	Iraqi Army (IA)	218,300	↑	All combat operations now conducted with the IA
	Training and Support	23,452	—	Implementing a training assessment program and generating a new Training Assessment Manual
	Air Force	2,100	↑	Developing Airmen cadre; foundational capability expected by 12/2010
	Navy	1,900	—	Initiatives underway to counter 2009 budgetary constraints
	<b>Total MOD</b>	<b>245,752</b>	↑	
Ministry of Interior <sup>b</sup>	Iraqi Police	292,400	↑	Continues to work toward independent force management
	Iraqi Federal Police	53,200	↑	Renamed this quarter from National Police
	Border Enforcement	42,431	—	Preparing for the drawdown of U.S. forces
	Oil Police	29,411	—	Budgetary constraints keep hiring freeze in place
	Facility Protection Service (FPS) <sup>c</sup>	90,000	↑	Pending reform legislation to make FPS a formal department under MOI
<b>Total MOI</b>	<b>507,442</b>	↑		
Counter-Terrorism	Special Operations	4,160	—	Pending CoR reform legislation to become a new Iraqi ministry
<b>ISF Total</b>		<b>757,354</b>	↑	
<b>Grand Total</b>		<b>902,854</b>	↑	

Note: Numbers affected by rounding.

<sup>a</sup> PSC numbers shift continually based on changing contract activity and level of security services required.

<sup>b</sup> Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals; approximately 112,000 MOI employees are not included in ISF numbers.

<sup>c</sup> FPS personnel are not counted in the official MOI rosters because they are contracted, and reform legislation has not been passed.

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

affected by the military drawdown. In addition to the 1,900 guards who make up the Embassy's security force, RSO relies on approximately 1,300 personal security specialists contracted under the second Worldwide Personal Protective Services contract, worth nearly \$2 billion.<sup>153</sup>

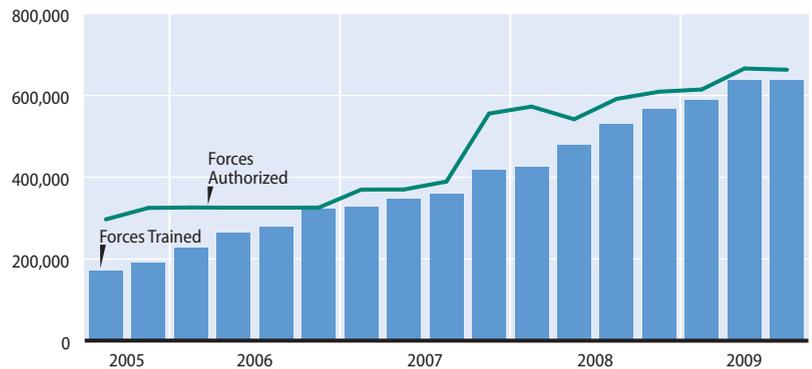
Thousands of private security contractor (PSC) personnel in Iraq, many of whom are foreign nationals, continue to support DoD and DoS. Congressional concerns about the selection, training, equipping, and conduct of PSC personnel in Iraq are reflected in a provision in the FY 2008 National Defense Authorization Act that directs DoD to develop guidance on PSCs. The Department of Homeland Security has directed U.S. government agencies to establish minimum background screening requirements before issuing access credentials. And although a recent audit by GAO found that DoS and DoD have developed policies and procedures to conduct background screenings of U.S. citizens working in Iraq as PSCs, only DoS has done so for foreign nationals.<sup>154</sup> According to DoD, MNF-I has developed all department-wide procedures for conducting background screenings of its foreign national PSC personnel.<sup>155</sup>

DoD reported that as of August 31, 2009, 12,250 personnel performed security-related services in Iraq.<sup>156</sup>



New Muthanna Air Base: On September 29, 2009, the Iraqi Air Force began fully independent C-130 air operations, coincident with the deactivation of the U.S. Air Force's 321st Air Expeditionary Advisory Squadron. (MNF-I photo)

FIGURE 2.17  
ESTIMATED ISF FORCE STRENGTH, CUMULATIVE, BY QUARTER



Note: Cumulative number of Iraqi Army, Air Force, Navy, Iraqi Police, National Police, Border Enforcement, and Special Operations Personnel. June–September 2009 data are SIGIR estimates.

Sources: DoD, *Measuring Stability and Security in Iraq*, 7/2005, 10/2005, 2/2006, 5/2006, 8/2006, 11/2006, 3/2007, 6/2007, 9/2007, 12/2007, 3/2008, 6/2008, 9/2008, 12/2008; DoS, *Iraq Status Report*, 3/18/2009; OSD, responses to SIGIR data call, 7/14/2009 and 9/30/2009; Commander, MNF-I, testimony before the House Armed Services Committee, "The Status of Ongoing Efforts in Iraq," 9/30/2009.

## Iraqi Security Forces

As of September 30, 2009, more than 663,000 personnel were serving the ISF in the MOD, MOI, and Iraqi National Counter-Terrorism Force (INCTF).<sup>157</sup> For a timeline of ISF force strength, see Figure 2.17.

Since adoption of the SA, the ISF has assumed more responsibility for providing security. All U.S. combat operations are now conducted with the Iraqi Army; and in areas of Iraq that are generally secure and have a low threat of violence, the ISF is almost fully in the lead. Where the threat requires major operations, MNF-I takes a larger role in partnering with the ISF to conduct "clear-hold-build" operations.<sup>158</sup>

According to MNF-I Commanding General Raymond Odierno, the Iraqi Army and Federal Police continue to improve their implementation, planning, and execution of counter-insurgency efforts. In some cases, police primacy has been established in the cities, but this is still a work in

2 years ago this quarter

### Halfway to Force Strength

As of September 3, 2007, approximately 359,600 Iraqi personnel had received U.S.-funded training and equipment out of a train-and-equip authorization of 390,000. Given the persistence

of violence by insurgents, terrorists, and militias, the Iraqi forces would require additional force structure, continued training, seasoning, and equipment over the next two years to assume control for security operations.

progress. Modest improvements continue in logistics and the sharing and integration of intelligence and operations through regional Operations Centers and Provincial Joint Coordination Centers.<sup>159</sup>

### Sons and Daughters of Iraq

The GOI plans to transition 20% of the 95,000 Sons of Iraq (SOI) members into the ISF and reintegrate the remaining 80% into public or private employment, a goal unchanged since the initiative began a year ago. As of September 30, 2009, however, only about half of the 19,000 members slated to enter the ISF have transitioned, about 6,800 have gone to the GOI, and about 8,800 members have transitioned into jobs outside of the security sector.<sup>160</sup> The GOI assumed responsibility for paying the SOI in May 2009, reporting that payments continue in all provinces where the SOI have been operating.<sup>161</sup> DoD reports that the slow pace of integration has the potential to undermine Sunni confidence in the GOI, and if not corrected, could undermine security progress.<sup>162</sup>

In response to the increased use of female suicide bombers in Iraq, the Multi-National Corps-Iraq (MNC-I) and community leaders began calling for women to join the Daughters of Iraq (DOI), a female counterpart to the SOI community policing program. Although the DOI force remains at 800, this progressive initiative has attracted much attention.<sup>163</sup>

### Foreign Military Sales

As of September 2009, the Foreign Military Sales (FMS) program reported that 130 Iraqi-signed cases, valued at \$5.5 billion in GOI funds, were being executed. The total value delivered to the GOI since 2005 exceeds \$4.5 billion.<sup>164</sup> The U.S. government continues to explore options to assist the GOI with force generation and equipment through the FMS program.<sup>165</sup>

### Logistics and Sustainment Capabilities

DoD reported that ISF units have become more competent and self-sufficient over time and have



Members of the Daughters of Iraq wait in line to be paid. (MNF-I photo)

made appropriate organizational adjustments during recent operations. But it emphasizes that the ISF will not be fully self-sufficient until it attains greater sustainment and logistical support capability at the operational and strategic levels.<sup>166</sup> The MOD continues to develop a national supply and distribution network, with a Location Command in support of each IA division. The MOD plans to co-locate regional life-support assets at these sites to enhance warehousing and distribution capacity. Eight of these Location Commands are nearing completion of construction or refurbishment. The remaining three bases are under construction and expected to be operational by the end of 2009.<sup>167</sup>

On May 16, 2009, SIGIR performed an on-site assessment of the Al Kasik Location Command project. The overall objective of this \$6.3 million project was to design and construct a new Iraqi Army Location Command in Ninewa province. The project includes construction of several storage facilities and installation of power lines and water and sewer hookups for new buildings, as well as perimeter fencing. The project also requires the demolition of some existing buildings and repair and refurbishment.<sup>168</sup>

At the time of the site visit, the project was approximately 56% complete. SIGIR observed ongoing construction work, such as concrete

formwork and preparation for concrete placement. SIGIR observed a number of construction issues, which are described in Section 4 of this Report.<sup>169</sup> However, the results to date are consistent with the original project objective.

## U.S. Advise and Assist Mission

The United States is reconfiguring Brigade Combat Teams to focus on advising, assisting, and developing ISF units. MNF-I Commanding General Odierno has said that this path is “the right way to go as we move from counterinsurgency and full-spectrum ops to our strategy of being done with combat operations for U.S. forces in August 2010.” The first four AABs will deploy this fall in support of Provincial Reconstruction Teams (PRTs) and ISF training, undertaking these roles:<sup>170</sup>

- Advise and assist in fielding enablers (medical, engineering, aviation, intelligence, and other assets) in 2009.
- Advise and assist in developing Iraqi budgeting and programming capability to support ISF force-management objectives.
- Support and assist in identifying equipment requirements for purchase to support 2010–2011 ISF force requirement objectives.
- Advise and assist in fielding and developing training for the M1A1 tank program.
- Establish a management office to serve as a foundation for other systems.

## Spend Plan To Support the ISF

This quarter, DoD reported no change for the ISFF spend plan. Capacity development for force generation at the MOI continues as U.S. funding shifted from sustainment and training to provision of more equipment and transportation support. MNSTC-I continues to support the development of MOI and MOD professional training capacities.<sup>171</sup> For a summary of FY 2009 revised budget line items, see Table 2.10.



Iraqi Army Commander briefs commandos on the first day of a four-week War Fighter exercise in Thi-Qar province on October 3, 2009. (U.S. Army photo)

## U.S. Rule of Law Programs

Although judicial security is improving, a lack of resources and continuing threats of violence impede Iraq’s implementation of a comprehensive judicial security plan. Insurgent-linked elements and others often intimidate judges and their families. Moreover, limited judicial capacity has resulted in an overwhelming backlog of pre-trial cases, which has led to abuses, including detainees being held for unlawfully long periods of time.

To reduce the intimidation of judges and accelerate case reviews, the Higher Judicial Council (HJC) has hired additional guards for some jurists, and notwithstanding delays in obtaining ministerial approval and funding for judicial security plans, the GOI continues with interim implementation efforts. INL continues to work with the HJC to improve its security capacity, supporting the assessment of 22 courthouses by judicial security professionals. With the information collected during these security evaluations, INL is collaborating with the HJC Judicial Security Project Board to develop security-related curricula for the Iraqi Judicial Educational Development Institute (JEDI).<sup>172</sup>

TABLE 2.10  
**IRAQ SECURITY FORCES FUND SPEND PLANS**  
 \$ Millions

SUB-ACTIVITY GROUP	FY 2008/FY 2009		FY 2009/FY 2010		
	PREVIOUSLY APPROVED (9/2008)	REVISED SPEND PLAN	FY 2009 BRIDGE REQUEST	SPEND PLAN	
MoD	Sustainment	154.7	173.9	91.8	91.8
	Equipment	917.9	925.0	1,030.1	260.1
	Training	116.1	192.4	234.0	196.5
	Infrastructure	298.5	298.5	—	—
	<b>Subtotal</b>	<b>1,487.2</b>	<b>1,589.8</b>	<b>1,355.9</b>	<b>548.4</b>
Moi	Sustainment	106.0	66.0	20.0	20.0
	Equipment	392.0	432.0	125.6	125.6
	Training	650.0	650.0	417.2	231.0
	Infrastructure	110.0	110.0	—	—
	<b>Subtotal</b>	<b>1,258.0</b>	<b>1,258.0</b>	<b>562.8</b>	<b>376.6</b>
Other	Related Activities	254.8	152.2	96.2	75.0
<b>Total</b>		<b>3,000.0</b>	<b>3,000.0</b>	<b>2,014.9</b>	<b>1,000.0</b>

Note: Data not audited. Numbers affected by rounding.

Source: OSD, responses to SIGIR data calls, 7/2/2009 and 9/30/2009.



SIGIR inspects Chamchamal Correctional Facility in Sulaymaniyah province.

U.S. Embassy-Baghdad’s Rule of Law (RoL) section focuses primarily on operational matters to assist U.S. investigations and cases pertaining to Iraq, including cases involving fraud, corruption, violent crimes, and terrorism. It works in conjunction with these entities:

- Ministry of Interior
- Central Criminal Court of Iraq (CCC-I)
- U.S. Attorneys Office

- Department of Justice (DoJ) National Security Division and Criminal Division
- Federal Bureau of Investigation (FBI) Terrorism Unit in Washington D.C.
- FBI in Iraq

The Justice Attaché’s office also works with the MOI and HJC to assist with judicial security and to encourage the adoption of a judicial security plan for Iraq. The United States continues to assist in securing courthouses and protecting judges and their families by locating judges in secure complexes throughout Iraq, but several challenges remain:<sup>173</sup>

- **The Rule of Law Coordinator (RoLC) reports that the Embassy’s RoL section lacks dedicated funding to support its efforts.** RoLC is slated to receive some direct funds in FY 2010 from DoJ, but they will not be available for use until January 2010.
- **The challenge of endemic corruption remains.** The Embassy’s RoL section reports working closely with the Anti-Corruption Coordination Office (ACCO) to build the capacity of Iraqi legal institutions and to promote stronger anticorruption safeguards.
- **Iraqi infrastructure has yet to fully recover from deterioration permitted by the prior regime and war damage.** This quarter, the Chamchamal Correctional Facility began operating in Sulaymaniyah province. Able to house up to 3,000 prisoners, this facility was constructed as part of the INL prison construction program. On September 19, 2009, the first inmates arrived—a group of 360 prisoners from Camp Bucca prison—along with 10 Iraqi Correctional Officers (ICOs). As of October 12, 2009, there are 2,637 inmates and 240 ICOs at Chamchamal Correctional Facility.

On June 20, 2009, SIGIR conducted an on-site assessment of the Chamchamal Correctional Facility renovation project in Chamchamal, Iraq. The project was funded by INL. To protect the U.S. government’s investment of approximately \$29 million,

SIGIR recommended that the INL Director continue to coordinate with the KRG to provide the power, staffing, and operating budget to open and run the facility.<sup>174</sup> This recommendation has been met, and the prison opened in September.

For the locations of U.S. RoL offices, see Figure 2.18.

## Court Reconstruction Update

### Central Criminal Court of Iraq

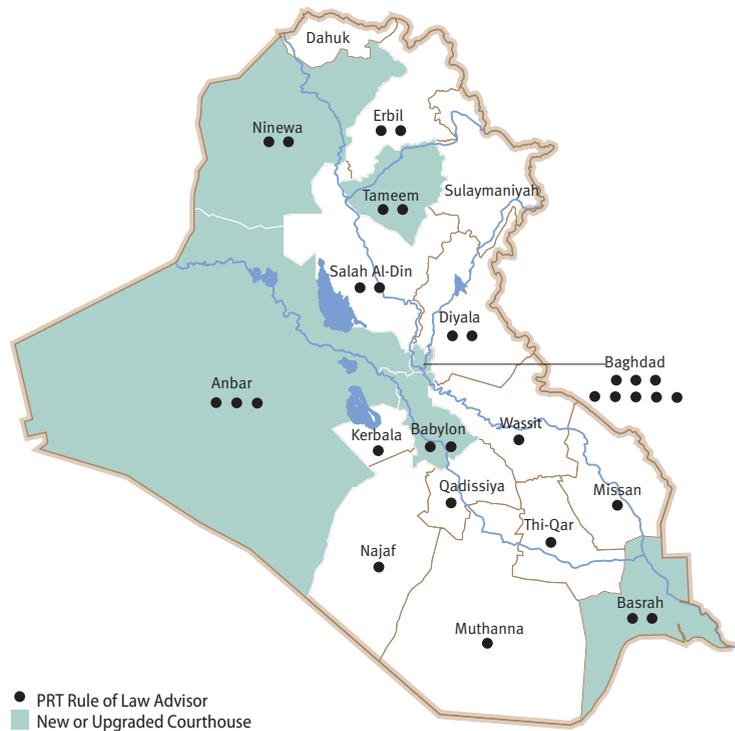
The CCC-I operates two facilities in Baghdad, one in Rusafa and one in Karkh. In addition, there are Major Criminal Courts (MCCs) located in all of the provinces. The U.S. government has provided significant logistical and technical support to both CCC-I Karkh and the Rusafa Investigative Court.<sup>175</sup>

### Rusafa Investigative Court

Chief Judge Medhat commissioned the Justice and Law Enforcement Assistance (JALEA) program to develop a model court plan based on its analysis of the Rusafa court. Initial analysis has been completed in three areas, including judicial education, case management, and judicial security. The judicial education component is designed to facilitate the training of all the investigative judges, judicial investigators, and prosecutors who work in the Investigative Judge (IJ) court. The second area pertains to a case records and management system, including a record management system for the court that is independent of the MOI. Finally, JALEA is working on a judicial security program, designed to provide training for the security staff at Rusafa and acquisition of security equipment, such as mirrors and wands. JALEA is continuing its work with the HJC and hopes to receive approval to fully implement the proposed programs at Rusafa.

The **Baghdad Legal Defense Center** continues to provide legal defense services to Rusafa detainees. Defense Center attorneys interview detainees and review their investigative files to help the

FIGURE 2.18  
RULE OF LAW ASSISTANCE TO GOI'S JUDICIAL SYSTEM



Source: DoS, "INL Report on Courthouses," 10/2008; U.S. Justice Attaché, response to SIGIR data call, 10/15/2009.

courts expedite criminal proceedings. During this quarter, attorneys interviewed approximately 850 detainees and reached the milestone of 10,000 interviews conducted since the inception of the Defense Center. The center also provides reintegration assistance to detainees who have been released from custody. The Legal Defense Center program was intended to be a pilot program and is currently being used as a model for similar programs throughout the country.

The HJC has developed an Oracle-based case tracking system that is compatible with the Iraqi Justice Integration Project's data dictionary. INL is assisting the MOI and MOJ to develop, implement, and manage similar databases, with rollout in October 2009.<sup>176</sup>

4  
years ago  
+  
this quarter**Saddam Hussein Trial**

On July 17, 2005, formal charges were filed against Saddam Hussein and other co-defendants in connection with government atrocities committed against the people of al-Dujail. The former leader's trial began on October 19, 2005; he was convicted on November 5, 2006; and he was executed on December 30, 2006.

**CCC-I Karkh**

MNF-I's Task Force-134 (TF-134) assists the GOI to prosecute serious offenders when there is evidence to support the charges and also to speed the

release of those who are being held on insufficient evidence. It maintains a liaison office with CCC-I Karkh to assist in the prosecution of cases where Coalition forces are victims of criminal offenses or where Coalition forces investigate serious crimes against Iraqi military or civilian victims. The office coordinates the appearance of detainees and witnesses and assists the Iraqi investigative officers in the collection and

presentation of evidence, as well as participating to resolve juvenile justice issues.

The Justice Attaché's office within the RoL section continued to support CCC-I Karkh in a number of ways, including providing advice to the judges on the investigations of officials in Diyala province and other high-priority cases.<sup>177</sup>

**Court Docket Backlog**

Courts hearing the most serious insurgent crimes, particularly in Baghdad, report being overwhelmed. Although approximately 5,500 Rusafa detainee cases have been processed in the past 12 months, approximately 9,000 pre-trial detainees remain in Baghdad detention facilities awaiting trial. The courts' ability to process cases fairly and quickly is hampered by the sheer number of criminal cases, the lack of timely and complete investigations, insufficient detainee files, poor court administration, and judicial intimidation. According to DoD, the CCC-I offices located at Karkh and Rusafa have shown some improvement in case-processing time, but more must be accomplished.<sup>178</sup>

The U.S. government has taken multiple steps to assist the HJC in mitigating docket backlog. In the short term, RoL advisors in many provinces assist by providing basic logistical assistance. MNF-I also transports detainees to court and judges to regions

of Iraq that lack sufficient judicial personnel to adequately process the high volume of cases resulting from security operations.<sup>179</sup>

U.S. government personnel are also working with the MOI and the Iraqi courts—IJs in particular—to improve the operating relationships between IJs and police. One goal of this ongoing effort is to mitigate the delay caused when investigative files are transferred between police and judges for further investigation. To this end, Rule of Law Advisors (RoLAs) working in the Provincial Reconstruction Teams (PRTs) have established **Criminal Justice Coordination Councils** to encourage Iraqi police, judges, and military to work together and share information.

In the long term, INL is developing the **Iraq Higher Judicial Council Court Administration Project**, which will allow the HJC to increase its capacity in all aspects of judicial administration, including standardizing a national case management system (initially, via a manual system, and thereafter, through a phased-in computer system).<sup>180</sup> The HJC currently lacks a central system for case management, and often there is little case tracking.<sup>181</sup>

SIGIR produced an inspection report this quarter on the Secure Document Storage Facility for the Iraqi High Tribunal (IHT), in Baghdad, Iraq. Half of the \$1.9 million IRRF-funded project was supposed to provide secure rooms to store sensitive documentation that has been or will be used for prosecution of former regime members for crimes against humanity; the other half was supposed to provide open office and administrative space for IHT staff.

SIGIR found that the contractor did not provide the contractually required "pre-engineered building." After a structural failure occurred during construction, an evaluation indicated that the structure would collapse under its own weight. A pre-engineered building would have included the appropriately sized steel frame members. Moreover, the design did not provide for a sustainable facility because required insulation was not installed. However, on a follow-up site inspection, SIGIR

determined that the contractor had remedied the previously identified warranty deficiencies.<sup>182</sup>

## Major Crimes Task Force

The joint GOI-U.S. Major Crimes Task Force (MCTF) develops capacity to investigate high-profile crimes, including corruption. The GOI assigns experienced investigators to the task force from MOI Internal Affairs, MOI Office of the Inspector General, National Information and Investigations Agency, and Criminal Investigation Division, as well as an investigative judge from the CCC-I. The U.S. government provides federal agents from these agencies to train and mentor the Iraqi participants:

- FBI
- Drug Enforcement Administration
- Bureau of Alcohol, Tobacco, Firearms, and Explosives
- U.S. Marshals
- Defense Criminal Investigative Service
- Army Criminal Investigation Command

At the request of GOI's National Investigations and Intelligence Agency, MCTF is working to establish a full-time, eight-person evidence response team as a component of the task force.<sup>183</sup>

## Detention Facilities and Detainee Releases

The DoJ's International Criminal Investigative Training Assistance Program (ICITAP) has gradually been re-focusing its mission to parallel the U.S. military withdrawal from three major detainee camps in Iraq—Camp Bucca, Camp Cropper, and the Taji Theatre Internment Facility Reintegration Center. Camp Bucca was the first to close on September 17, 2009, after opening six years ago.<sup>184</sup>

The U.S. military withdrawal and subsequent transfer of detainees will ultimately affect five areas where ICITAP advisors provide assistance to the Iraqi Correctional Service (ICS). So will reduced funding for the ICITAP corrections mission, which has resulted in a 51% reduction of advisors, and the further reductions scheduled through 2010.<sup>185</sup>

The number of Iraqi detainees in U.S. custody dropped to 8,974 after the transfer of 107 detainees to the GOI on August 27, 2009. This is the lowest number of Iraqi detainees in U.S. custody since March 2005. The SA mandates that detainees must be released if they do not have arrest warrants or detention orders issued by the GOI. MNF-I and the GOI review every detainee's file to determine if a warrant should be issued. Since January 2009, 5,236 detainees have been released, and 1,179 others have been transferred into GOI custody.<sup>186</sup>

For an update on U.S. prison projects, see Table 2.11.

## Amnesty Releases

As of September 30, 2009, amnesty review committees had approved approximately 132,000 amnesty petitions and denied 33,000. Despite the high number of approved petitions, only 7,946 detainees have been confirmed as having been released from detention facilities since January 2009 under amnesty release orders. The total number of petitions is much higher than the number of individuals in detention because some individuals have multiple convictions or investigations initiated against them, and each one receives a separate amnesty consideration. Thousands of amnesty applications are for those who have been charged for crimes but have not been detained or brought to trial.<sup>187</sup> ♦

TABLE 2.11  
ONGOING INL-FUNDED PRISON CONSTRUCTION

PRISON	COST (\$ MILLIONS)	LOCATION	% COMPLETE (AS OF 9/30/2009)	EST. DATE OF COMPLETION	EST. CAPACITY	CAUSE OF DELAY
Basrah Central	9.7	Basrah	45%	12/2009	1,200	Delayed after contractor failed to submit detailed design for approval by USACE.
Chamchamal	28.7	Sulaymaniyah	100%	Completed	3,000	See SIGIR's inspection in Section 4 of this Report.
Fort Suse: Phase I	6.0	Sulaymaniyah	93%	9/2009	689	Delayed awaiting the ICS sign-off on renovated areas.
Fort Suse: Phase III	11.1	Sulaymaniyah	60%	12/2009	500	USACE has descope portions of the project at the direction of INL because engineers revealed structural deficiencies in the lower levels of the existing fort.
Nassriya: Phase II	8.7	Thi-Qar	90%	—	400	Delays caused by work stoppages.

**Note:** The total project cost for the Chamchamal Correctional Facility was reported in SIGIR's project assessment, PA-09-177, "Renovate and Expand Chamchamal Correctional Facility, Chamchamal, Iraq," released in October 2009.

**Source:** U.S. Embassy-Baghdad, INL, response to SIGIR data call, 10/2/2009.

## INFRASTRUCTURE

As of September 30, 2009, the U.S. government had allocated \$12.35 billion to rehabilitate Iraq’s infrastructure, including projects in the energy, water, transportation, and communications sectors. More than \$11.88 billion has been obligated, and \$11.47 billion has been expended.<sup>188</sup> For the status of U.S. infrastructure funds, see Figure 2.19.

As U.S. reconstruction projects wind down, GOI efforts to fund Iraq’s infrastructure development and attract foreign investment remain central to progress—particularly in the energy sector. Increased oil and electricity production in the Kurdistan Region and the growing use of natural gas to fuel electricity generation were prominent developments this quarter. But the progress achieved thus far in rebuilding Iraq’s infrastructure and providing essential services has not always matched Iraqi’s expectations—a theme that surfaces with greater intensity as the country approaches national elections in January 2010. Moreover, the prolonged drought, together with reduced inflows of water from neighboring countries, has had a negative effect on supplies of drinking water, irrigation for crop production, and power generation at hydroelectric plants.

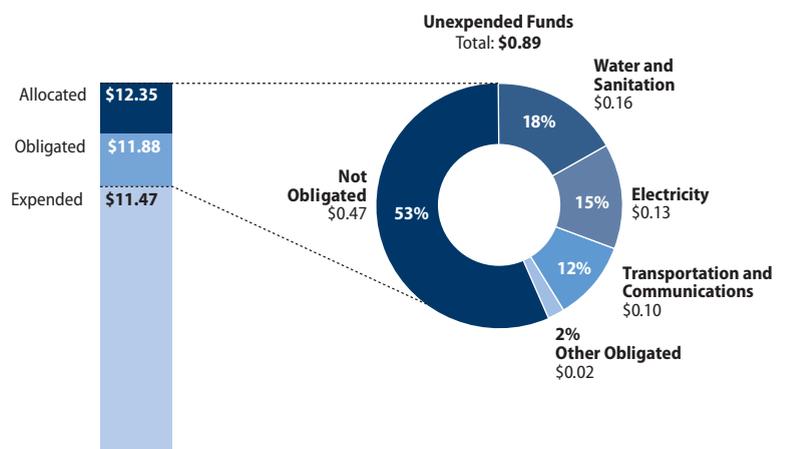
### Energy

#### Oil and Gas

As of September 30, 2009, the U.S. government had allocated \$2.06 billion, obligated \$1.92 billion, and expended \$1.91 billion to rehabilitate the oil and gas sector in Iraq.<sup>189</sup>

This quarter the second round of bidding on service contracts for 10 additional groups of Iraqi oil fields was rescheduled,<sup>190</sup> while a proposal to reconstitute the Iraq National Oil Company (part of the pending hydrocarbon laws) apparently is on hold until after next year’s national elections.<sup>191</sup>

FIGURE 2.19  
**INFRASTRUCTURE: STATUS OF FUNDS**  
\$ Billions



**Note:** Data not audited. Numbers affected by rounding. Unexpended funds include expired appropriations. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. CERP allocation, obligation, and expenditure data is pulled from IRMS; therefore, totals may not match top-line values found in the Funding Sources subsection of this Report.

**Sources:** DFAS, response to SIGIR data call, 4/10/2009; IRMS, *MNC-I Quarterly Report*, 10/12/2009; NEA-I, response to SIGIR data call, 10/7/2009; USACE, GRD, response to SIGIR data call, 10/2/2009; USAID, response to SIGIR data call, 4/13/2009.

In addition, the Ministry of Oil named the third Director General of the South Oil Company in 18 months,<sup>192</sup> and the KRG suspended oil exports until an agreement could be reached with the GOI over paying international oil companies operating in the Kurdistan Region.<sup>193</sup>

#### Crude Oil Production and Exports

Iraqi crude oil production this quarter averaged 2.49 million barrels per day (MBPD), slightly exceeding the previous post-invasion record in the April–June quarter of 2008.<sup>194</sup> This was a 3% increase over last quarter,<sup>195</sup> but just below the GOI’s 2009 production goal of 2.5 MBPD.<sup>196</sup> By comparison, crude oil production averaged 2.16 MBPD in

FIGURE 2.20  
**CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 6/2003–9/2009**  
 Million Barrels per Day



**Note:** This data does not include crude oil production in, or exports from, the Kurdistan Region. Neither the KRG nor the MOI release official statistics on oil production and exports from the Kurdistan Region. According to the KRG Minister of Natural Resources, the KRG has demonstrated the capacity to produce 100,000 barrels per day for export. Actual production, however, is not known.

**Sources:** ITAO, *Monthly Import, Production, and Export Spreadsheet*, 1/2008; U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008; DoS, *Iraq Status Report*, 5/27/2009 and 10/14/2009; NEA-I, response to SIGIR data call, 7/2/2009.

the same quarter of 2007 and 2.47 MBPD in the same quarter of 2008.<sup>197</sup>

Crude oil exports this quarter averaged 2.01 MBPD,<sup>198</sup> almost 7% above last quarter’s export level and just above the GOI’s 2009 target of 2.0 MBPD.<sup>199</sup> By comparison, crude oil exports averaged 1.95 MBPD in the same quarter of 2007 and 1.73 MBPD in the same quarter of 2008.<sup>200</sup>

For crude oil production and export levels from 2003 to 2009, see Figure 2.20.

### Bidding for Service Contracts

The GOI has set a goal of increasing national oil production to 6 MBPD by 2017.<sup>201</sup> To accomplish this, Iraq launched two rounds of bidding on oil service contracts.<sup>202</sup> The service contracts offer foreign companies a fee for each barrel of oil produced in excess of an agreed-upon goal,<sup>203</sup> rather than a production stake in the Iraqi oil fields.

In the first round, held this past June, 22 international oil companies formed 14 consortia to share the risk and submit bids.<sup>204</sup> Chinese companies were the most active: 4 Chinese companies

participated in 8 consortia.<sup>205</sup> Round one produced only one accepted bid—offered for the Rumaila oil fields by a consortium led by British Petroleum (38% stake) and China National Petroleum Corporation (CNPC) (37% stake).<sup>206</sup> The British-led consortium will partner with an Iraqi oil company, which will have a 25% stake.<sup>207</sup>

Round-two bidding for 10 additional groups of oil fields has been rescheduled several times and will reportedly take place in either late 2009 or early 2010.<sup>208</sup> The Ministry of Oil held meetings in Istanbul to generate interest and announce several key changes to its contract terms, including:<sup>209</sup>

- reducing the amount of signing bonuses paid to the GOI by winning bidders
- changing some production plateau terms, including the length of time operators would have to maintain a target production rate

Also notable is the number of state-owned oil companies pre-qualified for bidding. For a list of companies pre-qualified to bid in the second round, see Table 2.12. In addition, press reports indicate

# IRAQ RECONSTRUCTION FUNDING SOURCES AND USES

TABLE 2.12  
COMPANIES APPROVED TO BID IN THE SECOND ROUND

STATE-OWNED COMPANIES		PRIVATELY OWNED COMPANIES	
Country	Company	Country	Company
Angola	Sonangol (partially state-owned)	Australia	BHP Billiton Ltd.
China*	CNOOC Ltd (66% state-owned)		Woodside Petroleum Ltd.
	China National Petroleum Corp.	Canada	Nexen Inc.
	Sinochem Corp.	Denmark	Maersk
India	Oil and Natural Gas Corp. (74% state-owned)	France	Total SA
	Oil India	Germany	Wintershall BASF
Indonesia	PT Pertamina	Italy	Edison SpA
Italy	Eni SpA (30% state-owned)	Japan	Japan Petroleum Exploration Co Ltd.
Japan	Inpex Corp. (29% state-owned)		Mitsubishi Corp.
	Japan Oil, Gas, Metals Corp. (established by the government of Japan in 2004)		Mitsui Oil Exploration Co.
Kazakhstan	JSC KazMunaiGas Exploration Production		Nippon Oil Corp.
Malaysia	Petronas	Korea	Korea Gas Corp.
Norway	StatoilHydro ASA (63% state-owned)	Russia	OAO Lukoil Holdings
Pakistan	Pakistan Petroleum Limited (partially state-owned)		OAO Tatneft
Russia	OJSC Rosneft Oil Co. (75% state-owned)	Spain/Argentina	Repsol YPF
	OAO Gazprom (50% state-owned)	UK	BG Group Plc
Turkey	Turkiye Petrolleri AO		BP Plc
Vietnam	PetroVietnam		Carin Energy
		UK/Netherlands	Royal Dutch Shell Plc
		USA	Anadarko Petroleum Corp.
			Chevron Corp.
			ConocoPhillips
			ExxonMobil Corp.
			Hess Corp.
			Marathon Oil Corp.
			Occidental Petroleum Corp.

**Note:** Percentage ownership stakes of national oil companies from *Petroleum Intelligence Weekly*, 12/1/2008.  
\*SINOPEC, a Chinese oil company heavily backed by the Chinese government, has reportedly been banned from the second round.

**Source:** Petroleum Contracts and Licensing Directorate of the Iraqi Ministry of Oil, 9/15/2009.

that the Ministry of Oil is pursuing separate negotiations with the highest bidders for fields not awarded in the first round.<sup>210</sup> Italian-based Eni SpA announced on October 13, 2009, that its consortium had been awarded the license for the Zubair field that was initially offered in the first round.<sup>211</sup> The Eni SpA consortium includes Occidental Petroleum

and Korea Gas Corporation; its Iraqi partner will be the Southern Oil Company.<sup>212</sup>

## Efforts To Increase Oil Production and Refining in Kurdistan

Neither the KRG nor the GOI releases official statistics on oil production and exports from the



On July 18, 2009, the Erbil Refinery, owned by KAR Oil Refining Ltd., received its first oil from the Khurmala Dome oil field. (KRG photo)

Kurdistan Region.<sup>213</sup> The KRG Minister of Natural Resources, however, noted in a letter dated October 5, 2009, that the KRG has demonstrated the capacity to produce 100,000 BPD for export over the past several months, and that this amount could easily be doubled.<sup>214</sup> This claim cannot be substantiated at this time.<sup>215</sup>

An informal arrangement between the GOI and KRG allowed Iraq's State Oil Marketing Organization (SOMO) to sell the crude oil produced by the Tawke and Taq Taq fields for export.<sup>216</sup> No agreement was reached, however, between the KRG and the GOI about who should pay the international oil companies operating the fields.<sup>217</sup> The GOI contends that the KRG is responsible for paying the international firms out

of its share of the proceeds because the KRG does not submit its oil contracts to the GOI for approval. The KRG's position is that the GOI should pay the international oil companies because the oil produced is Iraqi oil exported through Iraqi pipelines. Underscoring the contentiousness of this issue, the KRG's Minister of Natural Resources said on October 9, 2009, that no more oil will be pumped for

export from the Kurdistan Region until an agreement with the GOI over payment is reached.<sup>218</sup> The failure to pass the package of national hydrocarbon laws means that this disagreement remains unresolved; a senior member of the Iraqi Parliament recently announced that the CoR would not take up the package of hydrocarbon laws until 2010.<sup>219</sup>

Because of this, the three international companies operating the Taq Taq and Tawke fields—Addax Petroleum Corp., DNO International, and Genel Enerji—have not been paid for the oil they have produced.<sup>220</sup> On October 2, 2009, Addax Petroleum was acquired by China's SINOPEC.<sup>221</sup> Although SINOPEC (which is heavily backed by the Chinese government) claimed it had permission to participate in the second round, officials from the Iraqi Ministry of Oil indicated that SINOPEC will be barred unless it divests itself of the KRG contracts.<sup>222</sup> According to U.S. Embassy-Baghdad, SINOPEC has been banned from the second round.<sup>223</sup>

Notwithstanding current disputes over oil revenue sharing, the KRG continues to push oil development contracts in its territories. The KRG offers companies a production stake in the fields they develop and, in some cases, the KRG received shares in the companies awarded oil exploration and development contracts.<sup>224</sup> The KRG Minister of Natural Resources stated on October 9, 2009, that “over 30 companies have been awarded oil contracts” in the KRG region.<sup>225</sup> For a timeline of recent oil activity in the Kurdistan Region, see Figure 2.21.

On July 18, 2009, the KRG launched the flow of oil produced from the Khurmala Dome, part of the Kirkuk oil field, to a new refinery in Erbil via a 40-kilometer pipeline.<sup>226</sup> During the inaugural ceremony, the Prime Minister of the KRG said that, “the facility is the first private-sector refinery in the Kurdistan Region and throughout Iraq that operates at a serious capacity.”<sup>227</sup> The refinery was originally a Ministry of Oil project that the ministry could not complete. The project was handed over to the KRG, which established a public-private

**3** years ago  
this quarter

**Ambitious Hydrocarbon Goal**  
On July 27, 2006, Iraq and the United Nations jointly launched the 5-year International Compact with Iraq, which set the goal of approving the Hydrocarbon Law by the end of 2007.

FIGURE 2.21  
TIMELINE OF RECENT 2009 OIL ACTIVITY IN THE KURDISTAN REGION

JUN	JUL	AUG	SEP	OCT	
<p><b>June 1, 2009</b> KRG ceremony inaugurating crude oil exports from the Kurdistan Region.<sup>a</sup></p>	<p><b>July 27, 2009</b> Canadian firm Longford Energy, Inc., announces acquisition of a stake in the Chia Surkh block in the Kurdistan Region.<sup>d</sup></p>	<p><b>August, 2009</b> Heritage Oil completes testing of Miran West-1 discovery in the Kurdistan Region.<sup>f</sup></p>	<p><b>September 8, 2009</b> Talisman Energy announces that future plans to develop new projects in the Kurdistan Region will wait until after the KRG and the GOI reach agreement on oil revenue issues.<sup>g</sup></p>		
	<p><b>July 18, 2009</b> The KRG launches the flow of oil produced from the Khurmala Dome oil field to a new refinery in Erbil.<sup>c</sup></p>	<p><b>July 20, 2009</b> Gulf Keystone Petroleum, Ltd. is awarded two more production sharing contracts in the Kurdistan Region.</p>	<p><b>August 31, 2009</b> Bayou Bend Petroleum announces agreements with the KRG for exploration and development of three oil blocks.<sup>e</sup></p>	<p><b>September 8, 2009</b> Oil Search Ltd announces initial results for its Shakal-1 exploration well, located on a block it acquired in the Kurdistan Region in 2008.<sup>h</sup></p>	<p><b>October 9, 2009</b> KRG announcement that no more oil would be pumped for export from the Kurdistan Region until an agreement with the GOI over payment is reached.<sup>i</sup></p>

**Sources:**

- <sup>a</sup> Kurdistan Regional Government, press release, <http://www.krg.org/articles/detail.asp?lngnr=12&smap=02010100&mr=223&anr=29807>, accessed 10/26/2009.
- <sup>b</sup> Gulf Keystone Petroleum, Ltd., Kurdistan Update, 7/20/2009, [www.gulfkeystone.com](http://www.gulfkeystone.com), accessed 10/21/2009.
- <sup>c</sup> Remarks of the KRG Prime Minister at the opening of the Khurmala Dome oil project, 7/18/2009, <http://www.krg.org/articles/detail.asp?lngnr=12&smap=02010100&mr=223&anr=30604>, accessed 10/16/2009.
- <sup>d</sup> Longford Energy Inc., press release, 7/27/2009.
- <sup>e</sup> Middle East Economic Survey, *Weekly Report*, Vol LII, No. 36, 9/7/2009, p. 2.
- <sup>f</sup> Heritage Oil Plc, press release, 8/17/2009.
- <sup>g</sup> Talisman Energy, Inc., investor open house presentation, 5/2009; "Talisman Energy plans new projects in Iraq and Papua, New Guinea," *Energy Business Review*, 9/8/2009, [http://oilgasexploration.energy-business-review.com/News/talisman energy plans new projects in iraq and papua new guinea 090908/](http://oilgasexploration.energy-business-review.com/News/talisman%20energy%20plans%20new%20projects%20in%20iraq%20and%20papua%20new%20guinea%20090908/), accessed 10/18/2009.
- <sup>h</sup> Oil Search Ltd., Drilling Report, 9/7/2009.
- <sup>i</sup> Remarks by the KRG Minister of Natural Resources, 10/9/2009, <http://www.krg.org/articles/detail.asp?lngnr=12&smap=02010100&mr=223&anr=31849>, accessed 10/19/2009.

partnership to complete it.<sup>228</sup> The refinery is expected to provide the Kurdistan Region with diesel and kerosene for domestic consumption.<sup>229</sup>

### Oil Infrastructure Security and the Iraqi Oil Police

The GOI has full responsibility for funding and maintaining pipeline security.<sup>230</sup> This includes training and equipping the Oil Police, who provide security for Iraq's oil infrastructure. This quarter, 1,342 Iraqis attended training and graduated from the North Oil Police Training Center.<sup>231</sup>

Thus far in 2009, there have been eight attacks on Iraq's oil infrastructure, only one of which DoD assessed as effective,<sup>232</sup> and there have been no such attacks this quarter.<sup>233</sup> Since September 2007, there have been no attacks against any pipeline in a Pipeline Exclusion Zone (PEZ).<sup>234</sup> As SIGIR has previously noted, PEZ projects have been among the most successful of all U.S.-funded infrastructure projects.<sup>235</sup>

### Iraq National Oil Company

On July 29, 2009, Iraq's Council of Ministers (CoM) approved a draft bill (part of the hydrocarbon laws) to reestablish the state-run Iraq National Oil Company (INOC).<sup>236</sup> The INOC reportedly would be governed by a Board of Directors,<sup>237</sup> and the Board's CEO would hold cabinet rank and report directly to the CoM—not the Ministry of Oil.<sup>238</sup> Action on the bill is not expected until after the January 2010 elections.<sup>239</sup>

### Natural Gas Update

In September 2008, the Ministry of Oil and Royal Dutch Shell reached a heads of agreement to create a joint venture to capture, process, and utilize natural gas produced in Basrah province.<sup>240</sup> Large volumes of natural gas associated with crude oil production are currently flared because Iraq lacks the infrastructure to harness it.<sup>241</sup> The agreement would form the Basrah Gas Company (BGC), with the South Gas Company taking a 51% stake,

Shell taking a 44% stake, and Mitsubishi taking a 5% stake.<sup>242</sup> Although a one-year time limit was set to complete negotiations, no contract had been finalized or approved by the September 21, 2009, deadline.<sup>243</sup> No action is reportedly expected until after the January 2010 elections.<sup>244</sup>

**Electricity**

Since 2003, the United States has allocated \$5.16 billion, obligated \$4.99 billion, and expended \$4.86 billion to help Iraq improve its generation, transmission, and distribution of electricity.<sup>245</sup>

Table 2.13 provides a breakdown of U.S.-funded projects by project type. These expenditures—together with contributions by the international community, efforts by the Iraqis, and a decline in attacks on the electricity infrastructure—have resulted in increased electricity supplies throughout most of the country.

For the fifth straight quarter, average electricity supply on Iraq’s national grid achieved a new post-invasion high. Supply now exceeds Ambassador Bremer’s goal, announced in August 2003,

of providing 6,000 megawatts (MW) of power at system-wide peak—a milestone reached five years after its target date.

Because demand for electricity also has grown since 2003, the gap between supply and demand is roughly twice what it was six years ago; and though the situation has been improving over the past two years, Iraqis cannot yet count on the national grid to meet all their energy needs. During a visit this quarter, Deputy Prime Minister for Services Rafe al-Eissawi told the Inspector General that access to electricity remains a serious problem in Iraq. The people of energy-rich Iraq continue to endure power outages, and those who can afford to do so supplement the public supply with power from “backyard” or neighborhood generators.

**Electricity Supply**

This quarter, electricity supply to the national grid, which includes both domestic production and imports, averaged about 6,439 MW, or 154,500 megawatt-hours (MWh) per day. This is an almost 10% increase from the previous quarter and a 43% increase from the same quarter in 2007.<sup>246</sup> For domestic production and imports, relative to estimated demand, since January 2004, see Figure 2.22.

6 years ago this quarter

**The 6,000-Megawatt Goal**

In an address to the Iraqi people on August 29, 2003, Ambassador L. Paul Bremer III announced, “About one year from now, for the first time in history, every Iraqi in every city, town, and village will have as much electricity as he or she can use; and he will have it 24 hours a day, every single day.” This translated to a goal of adding some 1,600 MW of power to the national grid by the summer of 2004 to achieve a total peak electricity supply of 6,000 MW. It was not achieved until five years later.

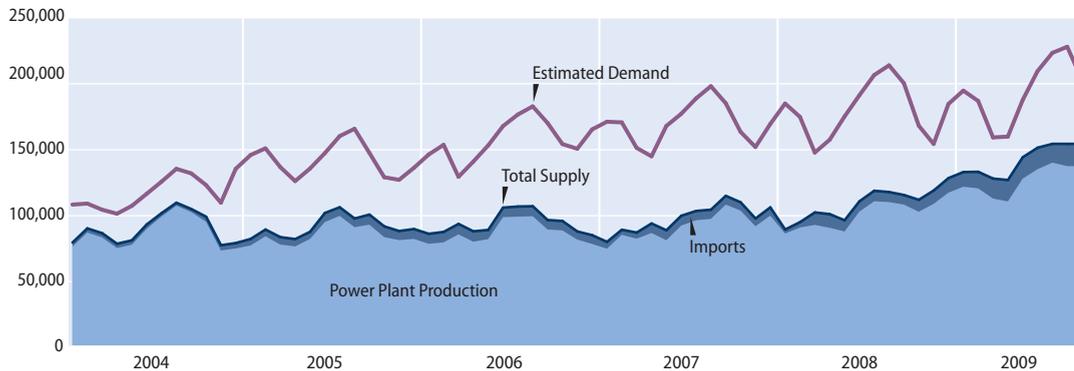
TABLE 2.13  
VALUE OF U.S. ELECTRICITY PROJECTS, BY PROJECT TYPE  
\$ Millions

PROJECT CATEGORY	COMPLETED	ONGOING	NOT STARTED	TOTAL
Generation	2,032.47	21.54	9.89	2,063.90
Distribution	1,228.04	9.47	25.24	1,262.75
Transmission	919.65	106.10	67.46	1,093.22
Sustainment and Spare Parts	300.87	2.84	0.70	304.41
General Infrastructure	278.58	11.37	3.94	293.90
Monitoring and Control	131.13	—	11.59	142.71
Other	20.76	8.90	3.72	33.38
<b>Total</b>	<b>4,911.50</b>	<b>160.23</b>	<b>122.54</b>	<b>5,194.27</b>

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

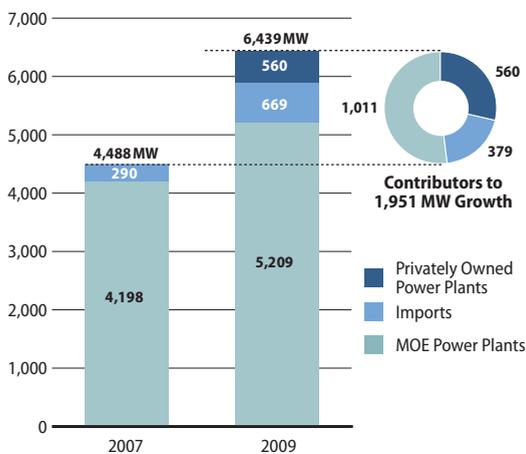
Source: IRMS, *Global Benchmark*, 10/9/2009.

**FIGURE 2.22**  
**AVERAGE IRAQI ELECTRICITY SUPPLY AND ESTIMATED DEMAND, BY MONTH, 1/2004–9/2009**  
 MWh per Day



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–9/30/2009; DoS, *Iraq Status Report*, 10/25/2006, p. 11, and 5/9/2007, p. 11.

**FIGURE 2.23**  
**SOURCES OF ELECTRICITY SUPPLY, 2007 VS. 2009**  
 Average for Quarter Ending September 30, MW



Note: Numbers affected by rounding.  
 Sources: ITAO/ESD, *Electric Daily Performance Reports*, 7/1/2007–9/30/2009.

Iraq's nameplate generating capacity averaged 15,300 MW this quarter, and feasible generating capacity averaged about 11,150 MW. Both were 4% above last quarter's levels. Specified by the manufacturer, nameplate capacity is a generating unit's maximum output when it is operating under optimal conditions. Feasible capacity is the maximum

output taking into account the condition of the plant, type of fuel used, and other ambient conditions. This quarter, Iraq's power plants operated at 38% of their nameplate capacity and 52% of their feasible capacity, modest increases from the same quarter in 2007.<sup>247</sup>

Of the 1,951 MW of supply added to the grid over the past two years, slightly more than half can be attributed to the refurbishment or expansion of GOI-owned power plants,<sup>248</sup> on which the U.S. government has spent more than \$2 billion.<sup>249</sup> About 29% of the increase came from two new power plants built by private investors in the Kurdistan Region, and 19% came from electricity imported from neighboring countries.<sup>250</sup> For an overview of the sources of increased electricity supply over the past two years, see Figure 2.23.

### Privately Owned Power Plants

The first of the two privately built and operated power plants, the Erbil Gas plant, began supplying electricity to the grid in 2008. The Sulaymaniyah plant came on line next, in spring 2009, and its output is expected to increase later this year when the third and fourth generating units are brought on line. Both of these combustion turbine plants are owned by Mass Global



The Erbil Gas power plant, privately built and operated, had an average output this quarter of 368 MW, which is 75% of its nameplate capacity. (KRG Ministry of Electricity photo)



The Qudas power plant, an MOE-run plant on which the United States has spent more than \$250 million, had an average output this quarter of 429 MW, which is 47% of its nameplate capacity. (USACE photo)

Company and are fueled primarily by natural gas piped from the Khor Mor gas field in Sulaymaniyah.<sup>251</sup> These two plants currently have a combined nameplate capacity of 738 MW (excluding the two generating units that are not yet completed) and produced, on average, about 560 MW (76% of capacity) this quarter.<sup>252</sup> By comparison, the recently expanded Qudas plant in Baghdad, on which the United States has spent more than \$250 million,<sup>253</sup> has a nameplate capacity of 910 MW and had an average output of 429 MW (47% of capacity) this quarter.<sup>254</sup>

According to press reports, Mass Global Company recently entered into a “build-own-operate” contract with the KRG for construction of another plant, this one in Dahuk.<sup>255</sup> Once this plant is completed, each of the Kurdistan Region’s three provinces will have a privately owned power plant connected to the grid, compared with none in the rest of Iraq.<sup>256</sup>

**Electricity Imports**

Electricity imports into Iraq averaged 669 MW this quarter, about 2% lower than last quarter but 131% more than the amount imported during the same quarter in 2007. This electricity was generated at power plants in Turkey and Iran. Two years ago, almost 60% of the imported electric power came from Turkey. Since then, imports from

Turkey have decreased by almost one-fourth, and imports from Iran have more than quadrupled, averaging about 537 MW (80% of total electricity imports) this quarter.<sup>257</sup> For changes in electricity imports since 2004, see Figure 2.24.

**Supply-Demand Gap**

With the growth rate of electricity supplies outpacing the rate of increased demand over the past two years, Iraq has been able to reduce the gap between supply and demand. Electricity supplies can be measured, but because of the supply shortfall, electricity demand in Iraq can only be estimated using computer models or other methods. Based on ITAO’s estimates, load served was about 69% of the country’s estimated demand this quarter, up from 54% in the same quarter two years ago (Figure 2.25).<sup>258</sup>

Four out of five Iraqis live in provinces where the gap between available electricity supply and estimated demand has been narrowed, to some extent, over the past two years. However, as discussed in Section 3 of this Report, disparities still exist among the provinces.<sup>259</sup>

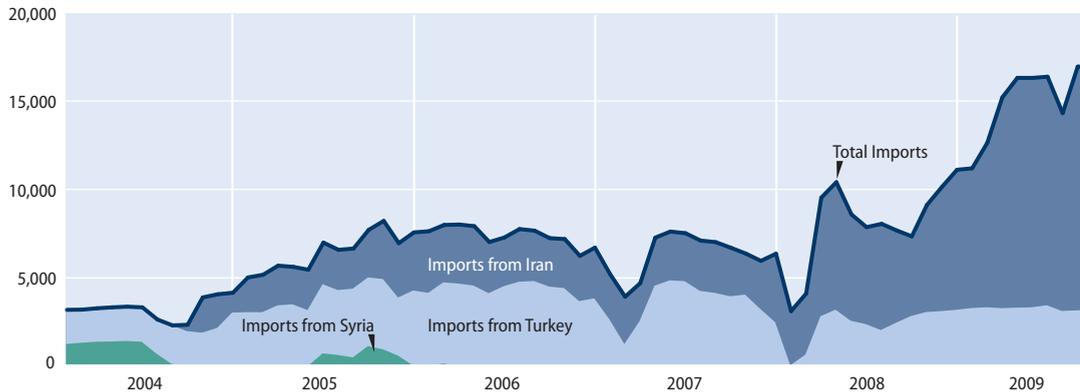
The supply-demand gap may have been generally reduced, but it still affects Iraqis in many ways:

- In a March 2009 poll, Iraqi residents said they received an average of eight hours of electricity per day.<sup>260</sup>

FIGURE 2.24

## ELECTRICITY IMPORTS, BY MONTH, 1/2004–9/2009

MWh per Day



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–9/30/2009; NEA-I, *Iraq Weekly Status Report*, 10/25/2006, page 11.

- Of the 284 Iraqi Army bases, only one is connected to the national grid, and all rely on expensive on-site generator-produced power.<sup>261</sup>
- The team leader of the PRT in Babylon reports that every meeting he has attended in government offices has been interrupted by power outages.<sup>262</sup>

### Small-scale Private Generators

Because power from the national grid is unable to meet demand, many Iraqis buy their own

portable generators or purchase power from private generation units that serve neighborhoods. To get a more accurate picture of the extent to which Iraqi households are relying on non-grid electricity, U.S. Embassy-Baghdad and the Ministry of Electricity (MOE) sponsored a study of private generation in Baghdad Central. About 5 million people, or 75% of Baghdad’s population, live in this area. The survey found that approximately 4,900 private generation units serve about 466,000 households in Baghdad Central,<sup>263</sup> or roughly 3 million residents.<sup>264</sup> Most of these generators run on diesel fuel purchased at subsidized prices from the Ministry of Oil. Together, they supply about 4,000 MWh of electricity each day—roughly 10% of the energy supplied to Baghdad Central by the grid. On average, however, the amperage is too low to power air conditioners or other heavy appliances. In theory, if these generators were able to supply their maximum output during any given hour, and if they integrated with power from the grid, the supply-demand gap in Baghdad Central would completely close—with power to spare.

Despite the benefits of these neighborhood generation units, they present environmental and safety hazards. The survey found that most private generators are located in open areas without

FIGURE 2.25

## ESTIMATED DEMAND FOR ELECTRICITY MET BY POWER FROM NATIONAL GRID, BY MONTH, 7/2007–9/2009



Note: Load served is measured at the substation level and is the amount of electricity that enters the local distribution systems; because of transmission losses that occur between power plants and substations, load served is less than total electricity supply.

Sources: ITAO/ESD, *Electric Daily Performance Reports*, 7/1/2007–9/30/2009.



A tangle of consumer-installed electric wires carries power from private generators to at least half the households in Central Baghdad. (Parsons Brinckerhoff photo)

protective containers. Many sites are covered with fuel that has spilled or has leaked from inadequate storage tanks. Minimal effort is made by operators to control fumes, smoke, and noise. And because consumers are responsible for running wires from generating units to their homes, the connections are generally disorganized and unsafe.<sup>265</sup>

#### GOI Efforts To Expand Generating Capacity and Production

The financing impasse that had delayed the MOE's plan to significantly expand Iraq's generating capacity apparently was resolved this quarter. In December 2008, the MOE entered into agreements with GE and Siemens under which these two companies would provide 72 combustion turbines, as well as related equipment and services, that would add more than 10,000 MW of nameplate generating capacity to the national grid.<sup>266</sup>

In its spring 2009 legislative session, however, the CoR did not approve the sale of treasury bonds to pay for this expansion. In August, after Prime Minister al-Maliki called attention to the delay, the Central Bank of Iraq agreed to allow banks to lend to the Ministry of Finance from their reserve requirements to finance the expansion.<sup>267</sup> According

to U.S. Embassy-Baghdad, the Treasury Attaché's office monitored the situation and encouraged the GOI to fund the most recent payment to GE, and payments are current as of September 30, 2009.<sup>268</sup>

According to the MOE, these new turbines will be installed at 20 locations in Iraq (Figure 2.26). Every province, except for those in the Kurdistan Region, will get at least one new power plant.<sup>269</sup> Construction is expected to begin in late 2010 or early 2011, with the new capacity coming on line two to six years later.<sup>270</sup> To move this project forward, the MOE held a conference in Erbil on October 1, 2009, with interested engineering and construction firms.<sup>271</sup>

The 10,000 MW of planned new capacity is almost five times the amount added over the past two years and would increase the country's current nameplate generation capacity by about two-thirds.<sup>272</sup> As SIGIR has previously reported, substantial increases in generation capacity will need to be accompanied by upgrades to Iraq's transmission and distribution systems; otherwise, these systems will not be able to handle the increased loads.<sup>273</sup> The Embassy is not aware of any contracts in place to facilitate the installation of the equipment or for the upgrades necessary to the national grid.<sup>274</sup> Furthermore, the availability of adequate and optimal fuel supplies will determine how well these new plants can perform. New combustion turbine plants fueled by natural gas, such as the plants in Erbil and Sulaymaniyah, have been operating twice as productively as the average power plant in Iraq—76% of nameplate capacity versus 38%.<sup>275</sup>

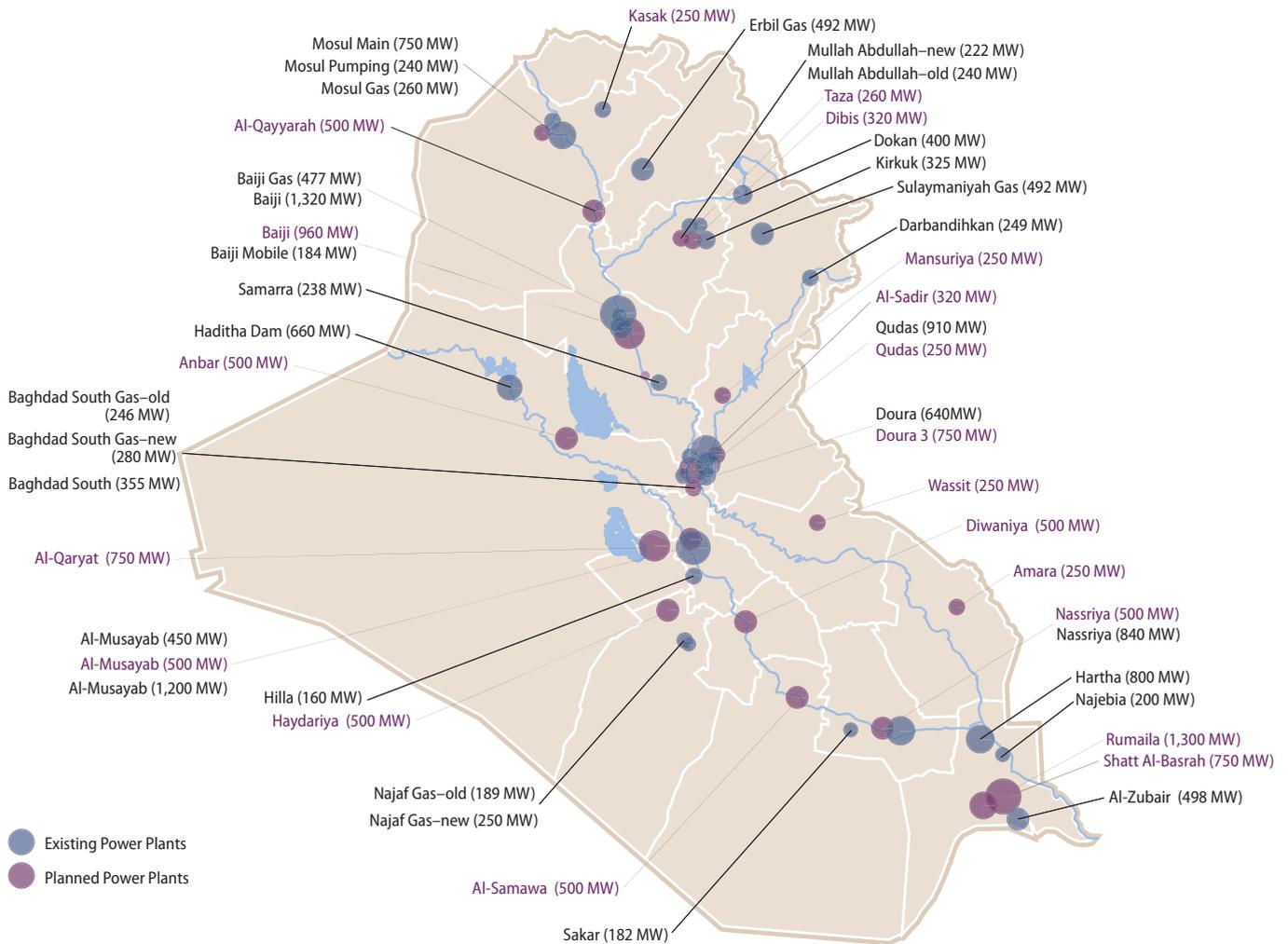
As the MOE prepares to launch its ambitious capacity-expansion project, it continues to make incremental additions to electricity supplies with other, smaller-scale projects. For example, production from two floating power plants—one located in Khor al-Zubair, the other near the port of Umm Qasr—may come on line by the end of 2009. These power ships are being provided by Kartet, a Turkish company. They will have a combined capacity of 250 MW and will burn heavy fuel oil to generate electricity.<sup>276</sup>

FIGURE 2.26

## EXISTING AND PLANNED POWER PLANTS IN IRAQ

Current Nameplate Capacity: 15,300 MW

Projected (2016 or later) Nameplate Capacity: 25,300 MW



**Note:** Map includes only plants with nameplate capacity greater than 150 MW. Planned power plants include only those that are part of the MOE's integrated plan to build new combustion-turbine generating units.

**Sources:** ITAO/ESD, *Electric Daily Performance Reports*, 7/1/2009–9/30/2009; MOE, General Directorate for Gas Power Plants Projects, <http://www.gppproject.com>, accessed 9/14/2009.

**Renewable Energy Resources**

Hydropower remains the only significant renewable resource used for electricity generation in Iraq, though its contribution is still suppressed by the effects of the drought and decreased water flows in the Tigris and Euphrates rivers. Hydroelectric production this quarter was 9% below what it was last quarter and 43% below what it was in the same quarter two years ago.<sup>277</sup>

Solar energy continues to be used in niche applications:

- This summer, the Ministry of Industry and Minerals signed a contract with a European firm to supply solar panels, each capable of generating 250 watts of electricity.<sup>278</sup>
- Working with MNSTC-I, GRD is overseeing construction of a system designed to use both solar and wind energy to supply drinking water and electricity to a remote border security checkpoint southeast of Baghdad.<sup>279</sup>
- This quarter in the Ghazaliyah district of Baghdad, the 2nd Heavy Brigade Combat Team completed installation of a system that enables the New Iraqi Clinic to operate solely on solar power. When it was dependent on the national grid for electricity, the clinic reportedly received only about two hours of power each day. The brigade also is working on a solar-powered courthouse in Abu Ghraib.<sup>280</sup>
- In July, GRD completed the second phase (valued at \$2 million) of a CERP project to install solar-powered streetlights in Falluja, and it expects to complete the third phase (valued at \$3 million) in June 2010.<sup>281</sup>

**Ongoing U.S. Projects**

As of September 30, 2009, GRD had 19 ongoing electricity projects with a total value of almost \$180 million. More than three-fourths of those expenditures are for transmission and distribution projects. The largest project, construction of the Farabi and Jamila 132-kV substations in Sadr City, is expected to be completed in November 2009 at a total cost of almost \$50 million. GRD also reports that it is close

to completing construction of the Ramadi 132-kV substation (\$30 million) and rehabilitation of the 132-kV substation in Falluja (\$17 million). Only one large generation project remains: the \$28 million project to provide parts for the Qudas power plant and hot gas path inspections at the Baghdad South power plant.<sup>282</sup>

**Water**

The availability of potable water in Iraq is a pressing humanitarian need as the recent drought has created problems in all areas of water use. This quarter, the UN Educational, Scientific, and Cultural Organization (UNESCO) reported that, since 2005, more than 100,000 people in northern Iraq have fled their homes as a result of a major decline of water flow in karez (underground aqueduct) systems. These systems have supplied Iraqis with water for hundreds of years, but 70% of them are now dried up due to drought and the overexploitation of groundwater. By August 2009, 116 of 683 karez systems were still supplying water.<sup>283</sup>

As of September 30, 2009, the United States had allocated approximately \$2.74 billion, obligated \$2.63 billion, and expended \$2.47 billion for water projects in Iraq.<sup>284</sup> GRD reported the completion of 697 water supply, water treatment, and irrigation projects (37 projects remain ongoing) in addition to 188 wastewater treatment, sewage collection, and solid-waste projects (13 projects remain ongoing).<sup>285</sup> According to ITAO, the current design capacity of U.S.-funded water treatment and distribution facilities is 2.4 million cubic meters, serving 8.3 million people, and the current design capacity of U.S.-funded wastewater treatment and collection facilities is 1.2 million cubic meters, serving 5.3 million people.<sup>286</sup> For a list of U.S.-funded water projects completed this quarter and major, ongoing U.S.-funded water projects, see Table 2.14 and Table 2.15.

In response to the water shortage, the GOI has taken an increasingly aggressive posture

TABLE 2.14  
GRD WATER PROJECTS COMPLETED THIS QUARTER

PROJECT NAME	PROVINCE	DATE COMPLETED	PROGRAM	COST (\$ Millions)
Wassit Compact Water Treatment Unit	Wassit	8/24/2009	ESF	1.00
Fadhilyah Water Compact Unit	Thi-Qar	8/2/2009	IRRF	0.80
Rania Water Project	Sulaymaniyah	7/30/2009	ESF	2.41
Al Mussayib Water Treatment Plant	Babylon	9/19/2009	CERP	1.32
Abu Newas Water Treatment Plant	Baghdad	8/25/2009	IRRF	0.40
PRDC Athreban Water Project	Tameem	8/8/2009	ESF	1.00
Water Project - Sadr City 7 Sectors	Baghdad	7/7/2009	IRRF	3.02
Al Jihad 200m <sup>3</sup> /hr Water Compact Unit	Basrah	8/24/2009	ESF	1.15
CD-ITAO – Task 9 – World Bank Logistical Support	Baghdad	9/30/2009	ESF	0.15

Note: Numbers affected by rounding.

Source: GRD, responses to SIGIR data call, 10/2/2009 and 10/15/2009; GRD, [www.grd.usace.army.mil/news/releases/NR09-09-03.pdf](http://www.grd.usace.army.mil/news/releases/NR09-09-03.pdf), accessed 10/15/2009.

TABLE 2.15  
MAJOR ONGOING GRD WATER PROJECTS

PROJECT NAME	PROVINCE	FORECAST DATE OF COMPLETION	PROGRAM	COST (\$ Millions)	% COMPLETE AS OF 10/2/2009
GRANT Eastern Euphrates Drain	Muthanna	11/1/2009	IRRF	38.62	73%
Fallujah Sewer System	Anbar	12/31/2009	IRRF	31.10	89%
GRANT Meshkab Water Supply Project	Najaf	3/31/2010	IRRF	23.48	65%
Al Kibla Sewer and Storm Network	Basrah	9/23/2010	ESF	12.40	0%
Establish Sanitation Network – Alabbas	Basrah	7/1/2010	ESF	12.04	9%
Fallujah Sewer Pump Station F1 and F2	Anbar	12/31/2009	CERP	11.13	87%
Garma Water Reverse Feeding	Basrah	1/28/2010	ESF	10.87	92%

Note: Numbers affected by rounding.

Source: GRD, responses to SIGIR data call, 10/2/2009 and 10/15/2009.

to secure access to riparian sources beyond its borders. On September 3, 2009, the Minister of Water Resources (MoWR) led an Iraqi delegation that met with the governments of Syria and Turkey. Participants focused on the issues of shared water and water conditions, the recent drought, and the fluctuations of the Euphrates River at a time when below-average flows in both the Tigris and Euphrates rivers and 40% below-average rainfall have caused shortages.<sup>287</sup> The GOI delegation expressed frustration over a

Turkish refusal to increase water flows to address Iraq's need. Turkey's Energy Minister countered Iraqi pressure by maintaining that Turkey is also dealing with a drought and that, as a humanitarian gesture, it has been releasing more water than is customary.<sup>288</sup>

Among other actions to address the effects of the drought, the MoWR has undertaken a campaign to plant 60,000 shrub and tree seedlings near dams and lakes throughout Iraq to conserve soil moisture.<sup>289</sup>



Construction continues on the Meshkab Water Supply Project. (GRD photo)

### Water Treatment

As of October 1, 2009, GRD reported that, through projects funded by the IRRF, it has increased Iraq's water treatment capacity by one million cubic meters per day, serving more than five million people. Efforts to provide an additional 100,000 cubic meters of water treatment capacity are still ongoing.<sup>290</sup> For example, GRD reported that work on the \$10.1 million, ESF-funded **Garma Water Reverse Feeding Facility** in Basrah, due for completion on January 28, 2010, is currently 92% complete and is expected to provide potable water for up to 220,000 people.<sup>291</sup>

On August 24, 2009, a \$1 million, ESF-funded water treatment plant was officially opened in Wassit province. The plant was the result of a joint effort undertaken by GRD and the local government; GRD expects it will serve 35,000 residents.<sup>292</sup> This quarter, GRD also reported that, in partnership with the GOI, work is ongoing on the **Karkh Water Treatment Plant**—an \$8.3 million project to rebuild the plant's electrical backup-generator system, which was damaged in a 2005 insurgent attack. Repairs to the twin Rolls-Royce jet turbines are complete, but testing remains ongoing. According to GRD, the project is expected to allow the plant to continue to produce water for 40% of Baghdad residents during outages of the main electrical service. It is expected to be completed on November 30, 2009.<sup>293</sup>

In Madain, a remote region on the outskirts of eastern Baghdad, the U.S. Army set up a solar-powered system for filtering water and taught local residents how to operate it. These small filtration systems can purify about 6,000 gallons of water per day,<sup>294</sup> and the U.S. Army intends to provide more of these systems to residents in the greater Baghdad area.<sup>295</sup>

### Wastewater Treatment

GRD reported that the \$23.5 million, IRRF-funded **Meshkab Water Supply Project** in Najaf province, which began on January 24, 2007, is 65% complete and is expected to enhance the ability to collect grey and sewage water from the surrounding area for treatment and subsequent return to the river.<sup>296</sup> This grant project with the GOI's Ministry of Municipalities and Public Works is expected to be completed by the end of March 2010.<sup>297</sup>

### Transportation and Communications

As of September 30, 2009, the United States has allocated \$1.15 billion, obligated \$1.09 billion, and expended \$0.99 billion to improve Iraq's transportation and communications systems.<sup>298</sup>

### Ports

As of October 1, 2009, GRD had completed eight port projects in Iraq, including work on the GOI-funded **Umm Qasr Pier and Seawall Project**.<sup>299</sup> The United States also continues to support Iraqi port operations by providing security at key terminals. The U.S. Navy and Coast Guard are still charged with the protection of the **Al Basrah Oil Terminal (ABOT)**. Although not a traditional port (ABOT is located about 30 miles off Iraq's coast in the Persian Gulf), it serves as Iraq's main terminal for shipping oil exports.<sup>300</sup>

In addition to U.S. efforts, this quarter the Ministry of Transportation (MOT) opened the first

stage of berth construction at Abu-Floos Port as part of the MOT's **Investment Plan Projects**.<sup>301</sup>

## Roads and Bridges

As of October 1, 2009, GRD had completed 274 expressway and village road projects, and 33 remain ongoing.<sup>302</sup> GRD reported highlights of three projects completed in mid-August:

- Funded by \$360,000 from the ESF, the **Al Khdir Pedestrian Bridge** provides a crossing over the Euphrates River for the 50,000 habitants of the city of al-Khdir, in Muthanna province.<sup>303</sup>
- A \$3.4 million ESF project to construct four new lanes of highway was completed in Baghdad's Hilla business district.<sup>304</sup>
- A \$1.1 million ESF project to widen the **al-Hindia Jadawal al-Gharby Road** was completed in Babylon province.<sup>305</sup>

## Railroads

There are 2,400 km (approximately 1,500 miles) of open rail lines in Iraq. This quarter, U.S. Embassy-Baghdad's Office of the Transportation Attaché (OTA) reported improvements to the Umm Qasr to Mosul line and the al-Kashat to Tikrit line. In addition, approximately 2,500 passengers currently travel on the Baghdad to Basrah line each week.<sup>306</sup> As of October 1, 2009, GRD had completed 112 railroad renovation projects.<sup>307</sup>

## Aviation

A major milestone in Iraq's aviation sector occurred this quarter when the Iraqi Civil Aviation Authority (ICAA) took control of some civil aviation operations on August 25, 2009. Prior to the turnover, DoD's Regional Air Movement Control Center (RAMCC) had been coordinating the movements of all civilian aircraft in the Baghdad region—more than 400 daily flights—as well as assisting the ICAA in developing and normalizing its civilian aviation capacity.<sup>308</sup> After the turnover, the ICAA's eight certified air traffic controllers, with the assistance of U.S.-based Washington Consulting Group (WCG), began controlling the airspace above 24,000 feet.

According to MNF-I, the ICAA is not yet ready to take full control of civil aviation operations.<sup>309</sup>

OTA reports that Iraq has not provided sufficient funding to maintain and upgrade its air traffic control (ATC) infrastructure. The hiring of an additional 75 controllers is in progress, but is still more than a year behind schedule. The ICAA received \$17 million in special Iraqi funding for several critical contracts. The \$9 million WCG contract extension covers ATC training and provides the number of trained controllers required to control airspace above 24,000 feet over the next year. DoS agreed to continue funding life support for this contract, and the GOI agreed to cover salaries and transportation. The remaining \$8 million is for five separate contracts, all currently in final negotiations, to support various aspects of the aviation system. MNF-I reported that the ICAA was expected to sign three contracts with Boeing-owned Jeppesen on October 15, 2009, and that bids for the remaining contracts are under review. The ICAA is not currently compliant with International Civil Aviation Organization standards. MNF-I reports that compliance will require a commitment to significant increases in funding and the hiring of new employees over several years.<sup>310</sup>

OTA is working with the ICAA to develop a national traffic-counting requirement for all towers and radar-control facilities, thus allowing Iraqi aviation officials to better understand the current state of aviation in Iraq.<sup>311</sup> Currently, air carriers desiring to operate in or over Iraq are required to inform and gain the approval of the ICAA.<sup>312</sup>

Following a bilateral agreement between Iraq and the UK, British airline BMI expressed interest in commencing flights to Iraq, though the UK government currently does not permit British air carriers to fly to Iraq—a situation that is unlikely to soon change. However, Iraqi Airways may commence flights to the UK in the near future.

**5** years ago  
this quarter

### Iraqi Airways Resumes Flights after 14 Years

On August 23, 2004, Iraqi Airways made its first test flight from Amman, Jordan, to Baghdad since UN sanctions had grounded the air carrier in 1990. Today, Iraqi Airways operates several aircraft with flights to destinations in the Middle East and Europe.



An engineless Iraqi Airways jet parked at Baghdad International Airport in 2003. (DoD photo)



Iraqi Airways jet taxis at Baghdad International Airport in 2008. (DoD photo)

For security reasons, direct flights from Baghdad will not be permitted, and maintenance issues will likely require Iraqi Airways to lease other aircraft. For example, passengers en route to the UK might deplane in Istanbul, be rescreened for security, and continue on to the UK via Turkish Airlines. This is a costly option, but it demonstrates progress in rebuilding Iraqi Airways' services.<sup>313</sup>

As of October 1, 2009, GRD had completed 27 aviation projects aimed at improving the overall function of 5 airports in Iraq.<sup>314</sup> The ICAA website lists 23 airports currently operating in Iraq.<sup>315</sup>

### Telecommunications

The chair of the CoR's Services Committee has indicated that a draft telecommunications law would support the Communications Media Commission (CMC) that Prime Minister al-Maliki recently staffed with the appointment of commissioners. The CMC, an independent regulatory body, has recently been given a draft of the telecommunications law for review. In light of upcoming national elections, however, it is unlikely that any progress will be made on telecommunications-related legislation until after the January 2010

elections. Iraq's Ministry of Communication (MOC) is also continuing efforts to create a new state-owned mobile company that would compete with privately owned providers already in the market—a plan opposed by the U.S. government. Nevertheless, the U.S. Embassy-Baghdad reports that the MOC continues to actively participate in the Strategic Framework Agreement process, which provides U.S. and GOI officials opportunities to collaborate on a wide range of economic, social and political issues.<sup>316</sup>

The contract for the \$18.3 million, IRRF-funded al-Mamoon Exchange and Telecommunications Center in Baghdad was re-awarded on July 31, 2009. Originally started in 2006, the initial contract was terminated for lack of progress. This project, which GRD estimates at 50% complete, is expected to provide the MOC with a state-of-the-art business center to meet MOC's vision for a national communications complex. The planned completion date for this project is August 15, 2010.<sup>317</sup>

### Phone and Internet Service

Mobile phones remain the primary vehicle for Iraqi access to telecommunications. The U.S. Embassy

reports that there are nearly 19.5 million mobile telephone subscribers, approximately 1.25 million landline users, and approximately 1.5 million Internet subscribers.<sup>318</sup> For a breakdown of the main mobile phone service providers in Iraq, see Table 2.16. ♦

TABLE 2.16  
**MAIN MOBILE PHONE SERVICE PROVIDERS IN IRAQ**

COMPANY NAME	NUMBER OF SUBSCRIBERS (MILLIONS)
Zain (formerly Iraqna)	10.2
Asia Cell	7.1
Korek	2.0

**Note:** Numbers affected by rounding.

**Source:** U.S. Embassy-Baghdad, response to SIGIR data call, 10/4/2009.

# GOVERNANCE

*The United States fully understands—recognizes, and supports—the notion that there’s a sovereign Iraqi government. But we stand ready to use our good offices to support Iraqi national unity. Above all, the United States remains committed to a long-term, bilateral relationship with a united Iraq.*<sup>319</sup>

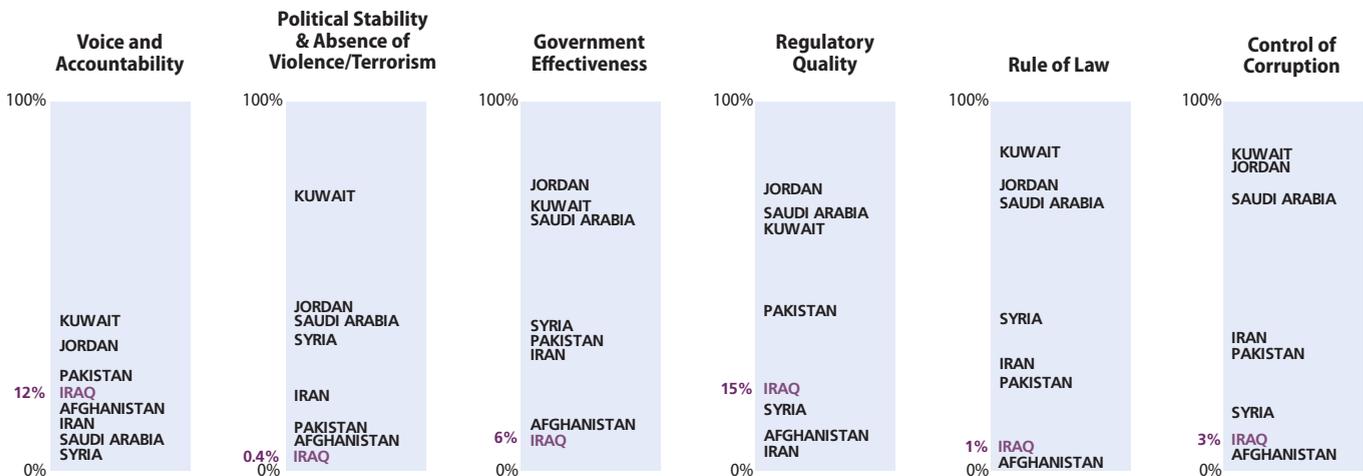
—Vice President Joseph Biden, Erbil, Iraq, September 17, 2009

Iraq continues to rank toward the bottom of World Bank and Brookings Institution compilations of governance indicators (see Figure 2.27). According to these indicators, Iraq faces significant challenges in addressing the issues of political stability, rule of law, and control of corruption.

U.S. assistance in the area of governance encompasses elections, anticorruption, human rights, health care, education, capacity development, legislation, and programs to support refugees and internally displaced persons (IDPs). Since 2003, the United States has allocated approximately \$7.28 billion, obligated \$7.06 billion, and expended \$6.04 billion for governance activities in Iraq.<sup>320</sup> For the status of these funds, see Figure 2.28.

This quarter, the governance programs that saw the most activity were funded by the ESF. The National Capacity Development program, which seeks to build capacity of key Iraqi ministries, develop management skills, and institutionalize training activities,<sup>321</sup> had \$45 million in new obligations and \$33 million in new expenditures.<sup>322</sup> The Community Action Program, which fosters citizen involvement at the grassroots level,<sup>323</sup> had \$46 million in new obligations and \$32 million in new expenditures.<sup>324</sup> Other programs with significant quarterly obligations and expenditures include Ministerial Capacity Development, PRT/PRDC Projects, and the PRT Quick Response Fund.<sup>325</sup> For an overview of quarterly obligations and

FIGURE 2.27  
GOVERNANCE INDICATORS  
Percentile of Countries



**Voice and Accountability**—the extent to which citizens are able to participate in selecting their government, freedom of expression and association, and free media  
**Political Stability and Absence of Violence/Terrorism**—the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means  
**Government Effectiveness**—the quality of public services, quality of the civil service and its independence from political pressures, and quality of policy formulation and implementation  
**Regulatory Quality**—the ability of the government to formulate and implement sound policies and regulations that permit and promote private-sector development  
**Rule of Law**—the extent to which agents have confidence in and abide by the rules of society, and in particular, the quality of contract enforcement, property rights, the police, and the courts  
**Control of Corruption**—the extent to which public power is exercised for private gain, including both petty and grand forms of corruption

Note: The aggregate governance indicators reflect a statistical compilation of responses on the quality of governance given by a large number of enterprise, citizen, and expert survey respondents. Countries are ranked relative to each other, but relative positions are subject to margins of error.

Sources: Worldwide Governance Indicators Project, "Aggregate Governance Indicators 1996–2008," 6/2009, <http://info.worldbank.org/governance/wgi/pdf/wgidataset.xls>, accessed 10/19/2009; Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, "Governance Matters VIII: Governance Indicators for 1996–2008," World Bank Policy Research, 6/2009, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1424591](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1424591), accessed 10/19/2009; CIA, *World Factbook*, [www.cia.gov](http://www.cia.gov), accessed 10/14/2009; World Health Organization, *Country Profiles*, [www.emro.who.int](http://www.emro.who.int), accessed 10/13/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009.

expenditures for governance sectors and selected programs, see Table 2.17.

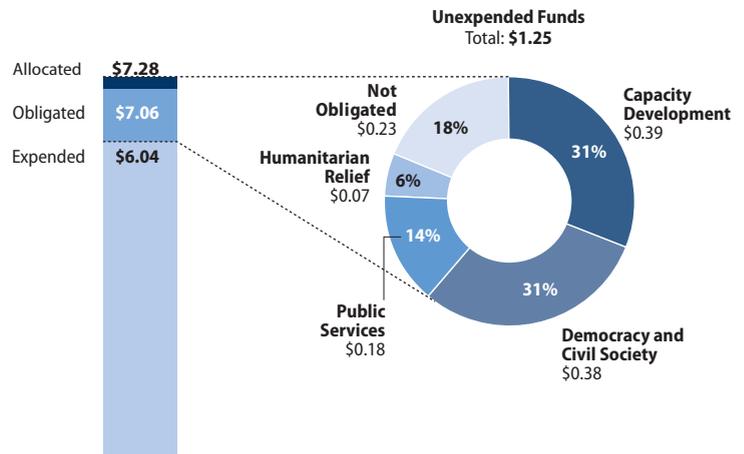
## Anticorruption

Corruption remains a very serious problem in Iraq, and GOI efforts to address corruption issues are ongoing, but are not yet sufficiently effective. Draft legislation to strengthen Iraq's anticorruption institutions and a proposed comprehensive anticorruption law are still awaiting CoR approval. A GOI campaign that began in June 2009 is starting to address the critical issue of bribery in government.<sup>326</sup>

Recent efforts to hold senior GOI officials accountable for corruption may indicate a growing GOI commitment to the issue. In September 2009, Iraq's Higher Judicial Council (HJC) announced that it had received 445 corruption-related cases to date in 2009. On September 2, 2009, the Commission on Integrity (COI) announced the arrest of Deputy Transportation Minister Adnan al-Ubaidi on bribery charges. Al-Ubaidi was arrested and is awaiting trial after receiving part of a \$500,000 bribe that he had demanded for extending a private security contract for services at the Baghdad International Airport. COI officials indicated that capacity-building assistance provided by the United States made the arrest possible. Also awaiting trial is former Trade Minister Abdul Falah al-Sudani, who was arrested in May 2009 after resigning amid allegations of corruption. Judicial authorities indicate that he will be tried in Baghdad, while other senior Trade Ministry officials arrested on corruption charges will be tried separately in Muthanna province, where the case originated.<sup>327</sup>

There are growing reports of anticorruption activities being carried out by provincial authorities, including the September 2009 conviction and imprisonment of four officials in Kerbala province for embezzlement of provincial funds. In July 2009, the KRG unveiled a strategy for good governance and transparency based on an assessment

FIGURE 2.28  
**GOVERNANCE: STATUS OF FUNDS**  
\$ Billions



**Note:** Data not audited. Numbers affected by rounding. Unexpended funds include expired appropriations. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations; CERP allocation, obligation, and expenditure data is pulled from IRMS; therefore, totals may not match top-line values found in the Funding Sources subsection of this Report. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Democracy and Civil Society and Iraqi Refugees (Jordan) sectors; values for these sectors are carried over from the previous quarter.

**Sources:** DoS, response to SIGIR data call, 4/5/2007; IRMS, *MNC-I Quarterly Report*, 10/12/2009; NEA-I, response to SIGIR data call, 10/7/2009; U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/6/2009, 7/16/2009, and 10/3/2009; USAACE, GRD, response to SIGIR data call, 10/2/2009; USAID, response to SIGIR data call, 4/13/2009.

commissioned from U.S. accounting and consulting firm PricewaterhouseCoopers.<sup>328</sup>

## UNCAC Compliance

The U.S. Embassy's Anti-Corruption Coordination Office (ACCO) continues to support anti-corruption initiatives aimed at improving Iraqi capacity and transparency at both national and sub-national levels. In September 2009, senior anticorruption officials, assisted by UN experts under a U.S.-funded project, met to finalize the GOI's new anticorruption strategy for achieving compliance with the United Nations Convention Against Corruption (UNCAC). The new strategy, which replaces the 18-point plan issued by the GOI in January 2008, is expected to be released in October and

**2** years ago  
this quarter

**Judge Radhi Leaves Iraq**  
On August 23, 2007, Judge Radhi al-Radhi, head of one of Iraq's main anticorruption agencies, the Commission on Public Integrity, left Iraq because of increasing threats on his and his family's lives. He was granted asylum in the United States.

TABLE 2.17  
**QUARTERLY OBLIGATIONS AND EXPENDITURES FOR GOVERNANCE SECTORS,  
 WITH SELECTED PROGRAMS**  
 \$ Millions

GOVERNANCE SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGES
Capacity Development	National Capacity Development (ESF)	Obligated	309	45
		Expended	223	33
	Ministerial Capacity Development (ESF)	Obligated	86	49
		Expended	58	30
	PRT/PRDC Projects (ESF)	Obligated	477	9
		Expended	353	29
	PRT Quick Response Fund (ESF)	Obligated	201	5
		Expended	132	25
Community Stabilization Program (ESF)	Obligated	646	0	
	Expended	615	19	
Planning and Design – PRDC (ESF)	Obligated	12	12	
	Expended	12	12	
Other Capacity Development	Obligated	559	1	
	Expended	512	1	
Democracy and Civil Society	Community Action Program (ESF)	Obligated	311	46
		Expended	193	32
	Local Governance Program (ESF)	Obligated	411	55
		Expended	271	13
	Other Democracy and Civil Society	Obligated	1,320	0
		Expended	1,194	0
Humanitarian Relief	Obligated	819	4	
	Expended	747	0	
Public Services	Obligated	1,906	11	
	Expended	1,728	5	

**Note:** Data not audited. Numbers affected by rounding. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations; CERP allocation, obligation, and expenditure data is pulled from IRMS; therefore, totals may not match top-line values found in the Funding Sources subsection of this Report. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Democracy and Civil Society and Iraqi Refugees (Jordan) sectors; values for these sectors are carried over from the previous quarter.

**Sources:** DoS, response to SIGIR data call, 4/5/2009; IRMS, *MNC-I Quarterly Report*, 10/12/2009; NEA-I, response to SIGIR data call, 10/7/2009; U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/6/2009, 7/16/2009, and 10/3/2009; USACE, GRD, response to SIGIR data call, 10/2/2009; USAID, response to SIGIR data call, 4/13/2009; SIGIR, *Quarterly Report and Semiannual Report to the United States Congress*, 7/2009.

to mark a step forward in anticorruption efforts.<sup>329</sup> The GOI plan had not, however, been released by the time this report was published.

### Other U.S. Anticorruption Initiatives

ACCO coordinates with USAID, DoD, and U.S. Embassy offices on anticorruption projects and

activities and is monitoring approximately 30 activities, including USAID/Tatweer programs to train OIGs, DoJ training programs at the COI, and DoD mentoring of inspectors general at the Ministries of Defense and Interior.<sup>330</sup> For the status of ongoing U.S.-funded anticorruption programs, see Table 2.18.

TABLE 2.18  
ONGOING U.S.-FUNDED ANTICORRUPTION PROGRAMS

PROGRAM	PROJECT COST (\$ MILLIONS)	U.S. AGENCIES	DESCRIPTION
Provincial Accountability and Governance Program	2.36	ACCO	Program to strengthen local governments' anticorruption capacity and instill a culture of transparency, accountability, and good governance.
UNDP/UNODC Anticorruption Work Plan	8.00	ACCO	Promotes achieving compliance with UNCAC requirements.
University of Utah Anticorruption Program	2.00	Embassy/ACCO	Assists COI and CoR in reforming Iraq's existing legal framework.
Commission on Integrity Program	15.17	DOJ/ICITAP/ACCO	Promotes capacity building of AC bodies.
Anticorruption Outreach	0.65	Embassy/ACCO	Conduct a multi-pronged public diplomacy effort and assist the GOI in developing public outreach programs.

Source: U.S. Embassy-Baghdad, ACCO, response to SIGIR data call, 10/7/2009.

## Elections Overview

Iraq's Independent High Electoral Commission (IHEC) is currently preparing for the CoR elections expected in early 2010, ramping up voter-awareness efforts and deploying mobile registration units to reach remote areas and IDPs.<sup>331</sup> However, on October 11, 2009, the Special Representative of the UN Secretary-General for Iraq (SRSG) expressed concern that, with elections fast approaching, the CoR has yet to clarify the elections' legal framework in an Election Law.<sup>332</sup> As of September 20, 2009, the UN reports that 296 political entities had been certified by the IHEC to run in the upcoming election, including 250 groups and 46 individuals; 166 are new and 130 were recertified.<sup>333</sup>

### DoS Bureau of Democracy, Human Rights, and Labor Support for Elections

As of September 30, 2009, the DoS Bureau of Democracy, Human Rights, and Labor (DRL) has obligated approximately \$59.4 million for provincial, KRG, and national election assistance in Iraq. DRL expects to obligate an additional \$11.8 million from the FY 2009 Supplemental in support of the January 2010 elections. Recent and ongoing DRL-funded initiatives conducted by its partners include the following:<sup>334</sup>

- **The National Democratic Institute (NDI)** partnered with an Iraqi organization to conduct vote tabulation assistance for the KRG's July 2009 presidential and parliamentary elections. NDI is currently training members of political entities on negotiation strategies for entering a coalition in advance of the January 2010 elections.
- **The International Republican Institute (IRI)** provided pre-election training for both major parties and emerging entities committed to democratic development in competing for seats at the municipal, district, and national levels, while also working with civil society organizations to conduct grassroots and broadcast media voter education, including for the voter registration update.
- **The International Research and Exchanges Board (IREX)** conducted workshops throughout the provinces on election reporting, verifying campaign promises, examining party statements, learning the rules and procedures of the IHEC, and supporting broadcast elections programming on the television and radio on the KRG elections.
- **The Institute for War and Peace Reporting (IWPR)** trained 75 reporters on elections coverage in preparation for the KRG elections and continued to provide on-the-job training for 40 reporters, editors, and photojournalists.

- **American University (AU)** continued to provide basic voter education in Ninewa, Salah Al-Din, and Anbar provinces, with a specific focus on women, IDPs, and illiterate voters.

### USAID Support for Elections

USAID has obligated approximately \$103 million for its existing electoral support program, which is implemented by the International Foundation for Electoral Systems (IFES). Of this amount, USAID estimates that approximately \$42 million will be expended in 2010. IFES is developing information and communication systems for tallying election results and updating voter registration records.<sup>335</sup> USAID's Elections Support Program has assisted the IHEC in administering four major electoral events since 2004.<sup>336</sup>

In preparation for the January 2010 elections, USAID and IFES have been working to respond to training, supply, and equipment needs outlined in a needs assessment of the IHEC's provincial level offices, referred to as Governorate Electoral Offices (GEOs). USAID's electoral support program will be conducting electoral administration training for IHEC and GEO staff, supporting the continued development of the public outreach office, IT department, and Data Entry Center. In the post-election period, USAID will continue to provide institutional and capacity-building support to the IHEC.<sup>337</sup>

### UN Support for Elections

On August 7, 2009, the UN Security Council adopted Resolution 1883 to extend for another year the mandate of the UN Assistance Mission for Iraq (UNAMI).<sup>338</sup> UNAMI continues to provide the IHEC with electoral experts who help manage the electoral process. According to the SRSG, more than 250,000 Iraqis had visited the 1,082 voter registration centers in Iraq as of September 5, 2009. This year, on average, around 4,750 forms for additions, deletions, and changes to the Voter List are being issued per day, compared with 2,500 forms last year. The IHEC is continuing to distribute 18 million voter information cards to registered Iraqis.<sup>339</sup>

### KRG Presidential and Parliamentary Election

The KRG is the governing body of the autonomous Kurdistan Region in northern Iraq. Encompassing an area larger than 15,000 square miles, the Kurdistan Region has a president, prime minister, and an elected parliament—the Iraqi Kurdistan Parliament (IKP). On July 25, 2009, more than 1.8 million voters (about 80% of the eligible voters) cast their ballots in the Kurdistan Region's presidential and parliamentary election.<sup>340</sup> Voters in Kurdistan also take part in Iraq's national elections.

### Human Rights

The human rights environment in Iraq continues to be an area of concern. Although Iraq's legal framework provides for broad protection of human rights, extrajudicial harassment and violence are rampant. A new USAID initiative for 2010 is currently being designed to improve Iraqi citizens' access to the justice system, especially for vulnerable groups, through widened civil society advocacy, legal assistance activities, and improved legal education. Funding for this initiative currently stands at \$24 million from FY 2009 supplemental funds, and further obligations are expected to bring the total obligated amount to \$60 million.<sup>341</sup> In addition, following the January 2010 elections, the focus of many DRL-funded programs is expected to shift toward addressing the issues of sectarian reconciliation, providing mediation training, advising political parties on consensus-building issues, and strengthening the capabilities of the Ministry of Human Rights, CoR, judicial system, and media.<sup>342</sup>

### GOI Efforts To Address Human Rights Issues

On October 6, 2009, Iraq's Minister of Defense hosted a human rights conference in Baghdad to address human rights and the fair treatment of prisoners. Iraqis, including officials from the Ministry of Human Rights and Ministry of the

Interior, reiterated the GOI's commitment to detainee rights. Iraq's Interior Minister stated that 490 investigations into missing or dead detainees had been initiated.<sup>343</sup>

## Persecution and Violence against Homosexuals

In August 2009, the non-profit human rights advocacy group Human Rights Watch (HRW) released a report on the situation facing members of the gay community in Iraq. In the report, HRW describes roving gangs of "death squads" that target men suspected of engaging in homosexual behavior. These groups are suspected of being tied to militias operating in Iraq, notably Muqtada al-Sadr's Mahdi Army. Furthermore, HRW reported that Iraqi authorities have done little to stem violence against homosexuals.<sup>344</sup>

## Health Care

The GOI still struggles to meet the health care needs of its people and lacks a widely accepted vision and strategy for implementing a public health care system.<sup>345</sup> According to the World Health Organization (WHO), in 2008 Iraq had 6.1 physicians and 12.6 hospital beds per 10,000 persons.<sup>346</sup> By comparison, in 2007 Saudi Arabia had 21 physicians and 22.1 hospital beds,<sup>347</sup> and Jordan had 26.7 physicians and 18 hospital beds per 10,000 persons.<sup>348</sup>

GRD reported that as of October 1, 2009, 133 Primary Healthcare Centers (PHCs) funded by the IRRF had been turned over to the GOI Ministry of Health (MOH). GRD estimates that these PHCs treat approximately 4.6 million outpatients annually. GRD also reported that it completed 47 hospital renovations, and 6 projects remain ongoing. GRD estimates that these hospitals serve 6.6 million patients each year.<sup>349</sup>

Recently, the U.S. Embassy's Office of the Health Attaché (OHA) has been working with the GOI to determine its level of commitment to the ESF-funded **Missan Surgical Hospital**.<sup>350</sup> Last quarter,

SIGIR reported that the hospital project was behind schedule and had construction deficiencies.<sup>351</sup> As of August 2009, OHA, in coordination with GRD and ITAO, reported that progress is being made to resolve construction challenges and medical support and operational issues by Iraq's MOH.<sup>352</sup>

## Maternity and Obstetrics Care

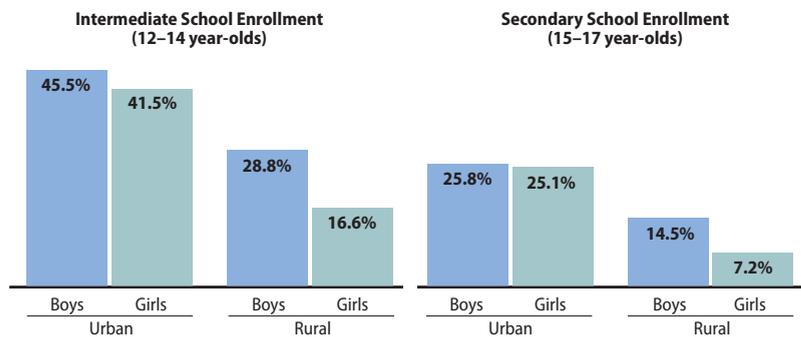
This quarter, GRD completed construction of the ESF-funded **Mussayib Maternity Hospital**. However, the MOH asked to delay the opening ceremony until the hospital has been adequately equipped and staffed. PRT Babylon is working with the MOH on the procurement of equipment.<sup>353</sup> This hospital will be coming online at a critical time. Babylon province is in a baby boom, with the Director General of Health reporting a 300% increase in births since 2003. The facility may be needed to serve as many as 5,000 births and at least 25,000 child well-care visits per year.<sup>354</sup>

In August 2009, the UN Population Fund turned over to the GOI 31 maternity wards as part of the Emergency Obstetric Care Project. The wards will enable 24 hospitals and 7 PHCs to provide services to an estimated 4 million Iraqi women.<sup>355</sup>

## H1N1 Influenza

OHA, in collaboration with the MOH, continues to monitor and report disease outbreaks. Current efforts include the pandemic H1N1 influenza. In coordination with Centers for Disease Control and Prevention and Naval Medical Research, training continues to be offered to Iraqi public health technicians from the Ministries of Health and Agriculture. In August 2009, a coordinated training activity was held in Amman, Jordan, for 42 Iraqi public health and veterinarian professionals.<sup>356</sup> Additionally, USAID is currently providing technical assistance to the MOH to increase its capacity to design and implement an effective H1N1 influenza awareness programs. This program is also expected to strengthen the overall capacity of the MOH to respond to any infectious diseases affecting Iraq.<sup>357</sup>

FIGURE 2.29  
INTERMEDIATE AND SECONDARY SCHOOL ENROLLMENT RATES



Source: USAID, response to SIGIR data call, 10/3/2009.

In August 2009, UNAMI's Health Sector Outcome Team, working through WHO and Iraq's MOH, responded to the spread of the H1N1 virus by ramping up disease monitoring and health education activities. In the Kurdistan Region, the MOH, supported by UNICEF, has been preparing to air a series of television and radio spots on H1N1 and seasonal influenza preventive measures.<sup>358</sup>

## Education

Iraq's population is young and growing rapidly. More than 40% of the population is currently under 15 years of age; and over the next two decades, the youth population in Iraq is expected to grow by almost 3 million, from 5.8 million in 2005 to a projected 8.6 million in 2025. On average, Iraqi women tend to marry and begin child-bearing at a young age, giving birth to between four and five children.<sup>359</sup>

Currently, the largest numbers of illiterate young people in the Middle East are found in Iraq, Yemen, and Egypt; girls represent more than two-thirds of that group. Iraq's education system, once regarded as the best in the Middle East, has been in gradual decline since the mid-1980s. Thus, the current older population in Iraq has had more education than

the younger generation. According to 2007–2008 data from Iraq's Central Organization for Statistics and Information Technology, primary school enrollment for 6- to 11-year-olds was 84.8%, with the lowest rate for rural girls at 70.1%; however, enrollment rates markedly decline at the intermediate and secondary school levels (See Figure 2.29).<sup>360</sup>

The DoS Bureau of Educational and Cultural Affairs (ECA) supports education, democracy, civil society, and cultural heritage activities in Iraq through educational and cultural exchanges. Approximately \$12.47 million was allocated for ECA programs in Iraq in FY 2009. The majority of funds supported cultural grants, including high school and undergraduate leadership programs (\$3.0 million) and educational advising (\$1.25 million). More than \$3.39 million supports English language teaching. Since 2003, approximately 170 Iraqis have been awarded Fulbright Student scholarships, including 29 in FY 2009, to allow for completion of a Masters Degree in the United States. Students are expected to return to Iraq to share new knowledge and expertise with colleagues; however, ECA is concerned that participants may try to avoid returning to Iraq following program completion. Other educational exchange programs support mid-career professional training, and leadership development.<sup>361</sup>

GRD reported that as of October 1, 2009, it has completed 1,130 U.S.-funded school projects throughout Iraq, and 41 remain ongoing. These projects provide new construction as well as renovation of existing facilities.<sup>362</sup> For a list of U.S.-funded school-construction projects completed this quarter, see Table 2.19.

## Legislation

The CoR reconvened on September 8, 2009, for its fall session and is currently considering draft legislation for the January 2010 election cycle. In addition to an Elections Law, the CoR faces a legislative agenda that includes the 2009 supplemental

budget, the CY 2010 budget, investment and hydrocarbon framework laws, and approval of a security agreement with the United Kingdom.<sup>363</sup>

## Refugees and IDPs

As of September 23, 2009, 33,565 Iraqis had been resettled in the United States, including 18,135 in FY 2009, surpassing the goal of 17,000 set for the year. The majority of resettled Iraqi refugees have been processed from third countries—mainly Jordan and Syria—with 1,488 having been resettled from the in-country refugee processing program in Baghdad.<sup>364</sup>

The use of different methodologies to track the movement of IDPs and refugees can yield varying and occasionally inconsistent findings. UN High Commission on Refugees (UNHCR) reports that approximately 2.65 million Iraqis remain displaced inside Iraq, and approximately 1.90 million Iraqis are refugees residing outside Iraq, as of January 2009.<sup>365</sup> For the location and number of Iraqi refugees and IDPs, see Figure 2.30.

The plight of Iraqi refugees and IDPs has received increased attention in 2009. On July 23, 2009, American film actress and UNHCR Goodwill Ambassador Angelina Jolie made her third trip to Iraq to highlight the needs of Iraq's IDPs and to appeal for more aid.<sup>366</sup> UNHCR reports that only 48% of its goal of \$299 million for Iraq and the region has been funded by donors—a shortfall that may affect future programs.<sup>367</sup>

This quarter, the DoS Bureau of Population, Refugees and Migration (PRM) contributed \$73 million to UNHCR's revised appeal for Iraq and the region surrounding Iraq. Of this, \$13 million was earmarked for returns and reintegration programming inside Iraq, bringing the total for IDP-related initiatives to \$33 million. The remaining \$60 million brought PRM's total un-earmarked contribution to \$165 million to support refugees in the region and IDPs inside Iraq. PRM also contributed \$2 million to the International Organization for Migration (IOM) to assist female-headed

TABLE 2.19  
GRD SCHOOL-CONSTRUCTION PROJECTS COMPLETED THIS QUARTER

PROJECT NAME	LOCATION	DATE COMPLETED	FUND	PROJECT COST (\$ MILLIONS)
Amer Bin Yasir Elementary School	Baghdad	7/13/2009	ESF	1.33
Zaryland Secondary School	Dahuk	7/30/2009	ESF	1.11
Abu Ghraib Kindergarten	Baghdad	7/28/2009	ESF	0.94
Al-Thawab School	Anbar	7/8/2009	ESF	0.63

Source: GRD, response to SIGIR data call, 10/2/2009.



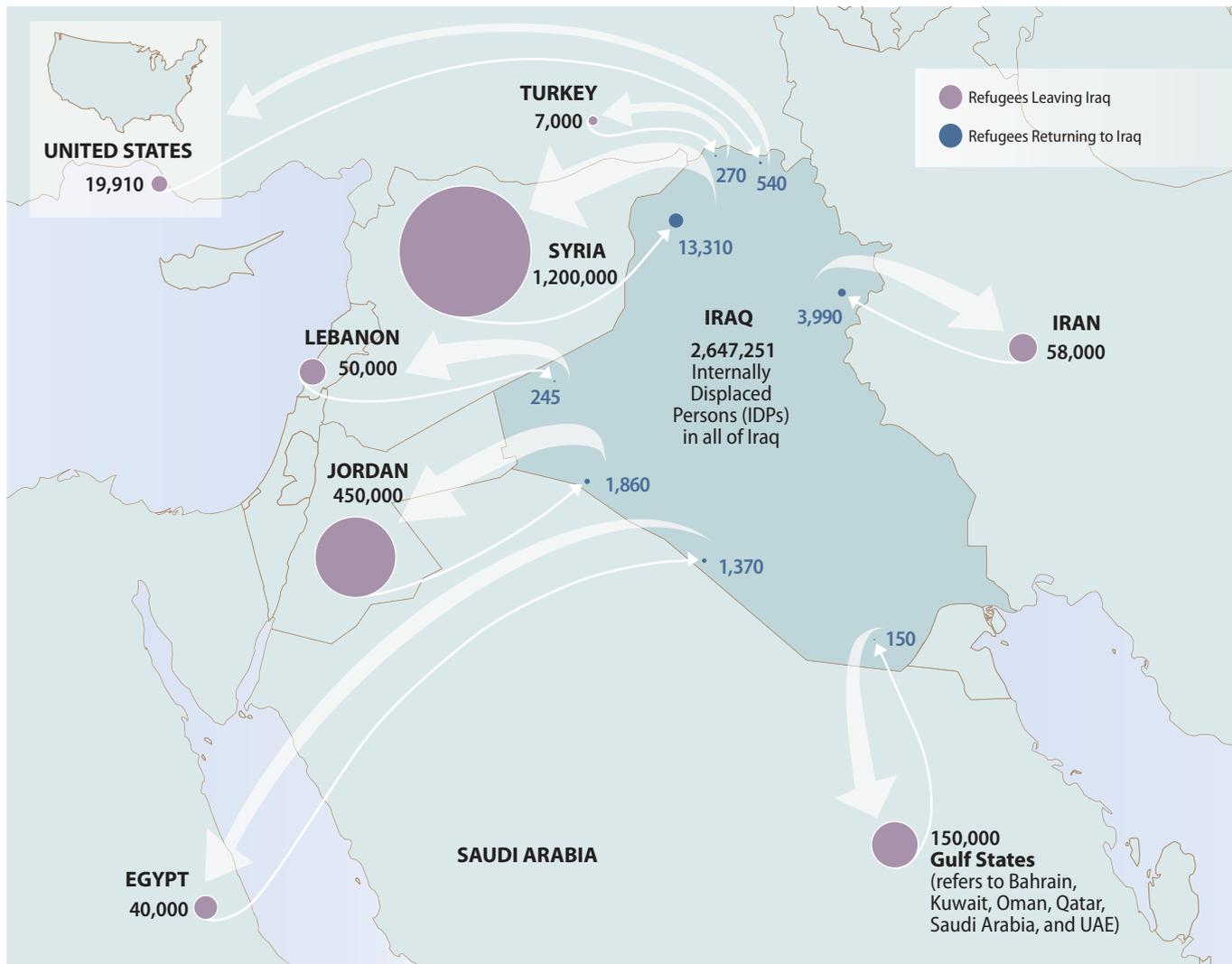
UNHCR Goodwill Ambassador Angelina Jolie at an IDP camp outside of Baghdad in August 2009. (UNHCR photo)

household returnees, building on a previous \$10 million contribution for a related program targeting returnees more broadly.<sup>368</sup>

This quarter, UNHCR initiated partnerships for home reconstruction or rehabilitation for 2,000 returnee families in Baghdad, Salah Al-Din, and Diyala provinces, as well as rehabilitation of 100 IDP and refugee shelters in Ninewa's capital of Mosul. UNHCR continued to assist returnees through its six Returns, Integration and Community Centers (RICCs) in Baghdad and is working with partners to open additional RICCs in Mosul and in southern Iraq. UNHCR also collaborated with Iraq's Ministry of Migration and Displacement to provide emergency supplies to 200 families affected by the August 19, 2009, bombings as well as 200 families affected by early August bombings in Ninewa.<sup>369</sup>

On August 14, 2009, President Obama announced the appointment of a new Senior Director for Multilateral Affairs and Human Rights

FIGURE 2.30  
IRAQI REFUGEES AND INTERNALLY DISPLACED PERSONS IN 2009



Note: Excludes refugee statistics for Europe and Australia.

Sources: UNHCR, "Country Operations Profile," [www.unhcr.org/pages/49e486426.html](http://www.unhcr.org/pages/49e486426.html), accessed 10/8/2009; USCIS, "Iraqi Refugee Processing Fact Sheet," [http://www.uscis.gov/files/article/iraqi\\_refugee\\_fs\\_11feb09.pdf](http://www.uscis.gov/files/article/iraqi_refugee_fs_11feb09.pdf), accessed 10/8/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009.

at the National Security Council to coordinate U.S. efforts to assist Iraqi refugees and IDPs. The new White House official is working with U.S. Embassy-Baghdad to make IDP and refugee issues a more urgent policy matter for the GOI and to provide greater resources for their aid.

U.S.-funded partners, including UNHCR, the International Committee of the Red Cross, IOM, Mercy Corps, the International Medical Corps, the International Rescue Committee, and others provide a wide range of humanitarian, legal, and livelihood assistance to refugees and IDPs.<sup>370</sup> ♦

## ECONOMY

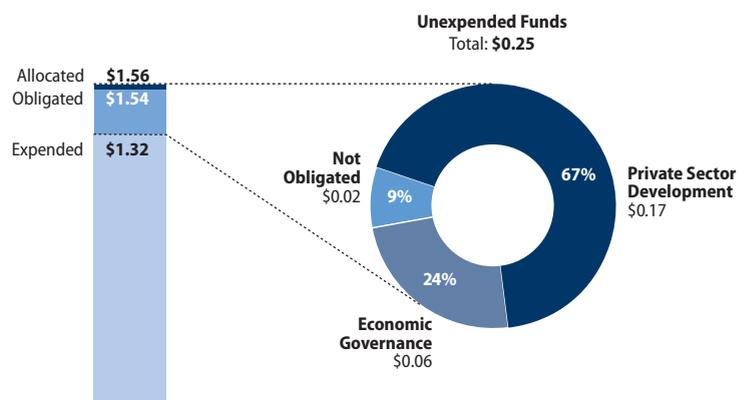
Iraq continues to rely on its oil resources as the country's predominant source of economic growth and government revenue. This quarter, the UN Security Council endorsed a recommendation that Iraq assume greater responsibility for oversight of its oil revenues, which are currently deposited in the Development Fund for Iraq (DFI).<sup>371</sup> This is a step in the direction of eventually transferring oversight of the DFI from the International Advisory and Monitoring Board (IAMB) for Iraq to the GOI's Committee of Financial Experts (COFE)—an economic milestone that would give Iraq full control of its oil revenues for the first time since 2003.<sup>372</sup> Other developments affecting Iraq's economy this quarter included a moderate rise in oil prices, an upturn in food prices, and the reported rescheduling of the second round of bidding on oil service contracts.

As of September 30, 2009, the United States had allocated \$1.56 billion, obligated \$1.54 billion, and expended \$1.32 billion to support Iraq's economic development.<sup>373</sup> The following are among recent examples of U.S. government efforts:

- Employment of Iraqi nationals on U.S.-funded projects (excluding CERP-funded projects) increased slightly this quarter—from 85,960 reported in the week of July 3, 2009, to 86,136 reported for the week of September 26, 2009.<sup>374</sup>
- The United States has made a special effort to support economic empowerment for Iraqi women across a wide spectrum of fields and social classes in every province.<sup>375</sup> For examples, see Section 3 of this Report.

For the status of U.S. funds supporting economic governance and private-sector development, see Figure 2.31.

FIGURE 2.31  
**ECONOMY: STATUS OF FUNDS**  
\$ Billions



**Note:** Data not audited. Numbers affected by rounding. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations; CERP allocation, obligation, and expenditure data is pulled from IRMS, and therefore totals may not match top-line values found in the Funding Sources subsection of this Report.

**Sources:** IRMS, *MNC-I Quarterly Report*, 10/12/2009; NEA, response to SIGIR data call, 10/7/2009; Treasury, response to SIGIR data call, 4/2/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; USAID, responses to SIGIR data call, 4/13/2009 and 10/14/2009; USTDA, response to SIGIR data call, 4/2/2009.

## Key Economic Indicators

During the quarter ending September 30, 2009, the Iraqi economy benefited from rising oil prices and a modest increase in oil production and exports. Prices for Kirkuk crude oil reached a high of \$73.35 and averaged \$68.54 per barrel this quarter.<sup>376</sup> Revenue from Iraqi oil exports totaled \$12.01 billion this quarter, up from \$8.45 billion posted last quarter.<sup>377</sup> According to the Central Bank of Iraq (CBI), year-to-date oil revenue through September 30, 2009, was \$26.3 billion.<sup>378</sup>

The International Monetary Fund (IMF) revised its real gross domestic product (GDP) growth forecast for Iraq from 6.9% to 4.3% in 2009.<sup>379</sup> Overall inflation remained low, but volatile.

TABLE 2.20

**REAL GDP, INFLATION, AND EXCHANGE RATES IN IRAQ****GDP (annual percentage change)**

The Iraqi economy continued to grow in 2009, but at a slower pace than 2008, when record oil prices spurred growth to an estimated 9.5%. The International Monetary Fund (IMF) revised its real GDP growth forecast for Iraq from 6.9% to 4.3% in 2009.

**Overall Inflation**

Year-on-year comparison of monthly averages for the overall consumer price index. Through prudent fiscal policies, the Central Bank of Iraq (CBI) has helped drive inflation downward from record high averages of 53% in 2006.

**Core Inflation**

Year-on-year comparison of monthly averages for the core consumer price index that excludes fuel, electricity, transportation, and communications. Core inflation has fallen for most of the first three quarters of this year, with the exception of volatile food prices.

**Exchange Rates**

This year, the CBI has held Iraq's exchange rate at approximately 1,170 dinar per dollar. The dinar has appreciated against the U.S. dollar by more than 24% since November 2006, when the CBI began targeting interest rates to control rising inflation.



Sources: IMF, "World Economic Outlook: Sustaining the Recovery," October 2009, Statistical Appendix, p. 175. Central Bank of Iraq, Key Financial Indicators 9/16/2009, [www.cbi.iq](http://www.cbi.iq), accessed 10/6/2009.

The year-on-year core inflation rate rose from 8.8% in June 2009 to 10.8% in August 2009,<sup>380</sup> driven largely by rising food prices.<sup>381</sup> As core inflation (which excludes volatile food and energy prices) fell during most of the first three quarters of this year, CBI cut interest rates from 14% in January 2009 to 7% in June 2009.<sup>382</sup> The CBI continued to hold Iraq's exchange rate at 1,170 dinar per dollar, after it spurred a large appreciation in the dinar last year.<sup>383</sup> For more on recent trends for key economic indicators in Iraq, see Table 2.20.

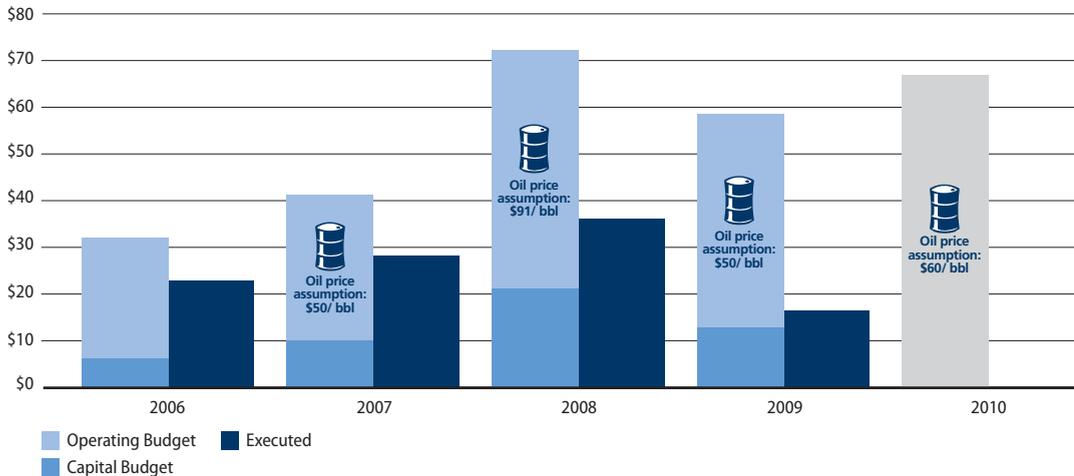
## Oversight of Iraqi Oil Revenues

On August 24, 2009, the UN Secretary-General issued a report on the DFI, noting IAMB's assessment that COFE is ready to assume oversight

of the DFI when IAMB's mandate expires in December 2009.<sup>384</sup> COFE has established a website ([www.cofe-iq.net](http://www.cofe-iq.net)) that includes financial reports and meeting minutes. The UN report, however, detailed ongoing concerns about the lack of transparency and accountability in Iraq's reporting and management of its oil revenues.<sup>385</sup> The UN Security Council must act before the end of this year to continue the IAMB's oversight of the DFI.<sup>386</sup> The immunity of DFI assets from attachment enacted by the UN also expires on December 31, 2009.<sup>387</sup> There is a U.S. Executive Order, however, that extends immunity for Iraqi assets held in the United States until May 2010.<sup>388</sup>

The Secretary-General's report noted that in 2004 the IAMB recommended that the GOI strengthen internal financial controls by installing metering systems in all oil fields, oil terminals,

FIGURE 2.32  
**GOI BUDGET AND BUDGET EXECUTION, 2006–2010**  
 \$ Billions



**Note:** Budget execution for 2009 includes expenditures through 6/30/2009. The Iraqi Council of Ministers approved the 2010 budget on 10/13/2009, and it must now be reviewed and approved by the Council of Representatives. Oil price is in \$USD.

**Sources:** “GOI Budget” (as approved by TNA and written into law December 2005); U.S. Treasury, responses to SIGIR data call, 1/4/2008, 12/31/2008, 1/6/2009, 1/16/2009, 4/9/2009, and 10/3/2009; IMF, “Country Report No. 03/383,” 12/2008, pp. 19, 21; GOI, Cabinet of Ministers, [www.cabinet.iq](http://www.cabinet.iq), accessed 10/14/2009.

and oil refineries.<sup>389</sup> Yet, as of December 31, 2008, IAMB external auditors placed the level of oil-metering installations in Iraq at only 33% of total capacity.<sup>390</sup> At a July 2009 IAMB meeting, Iraq’s Board of Supreme Audit (BSA) reported on the status of the metering program:<sup>391</sup>

- Only 2 of the 34 meters installed on 21 North Oil Company oil sites were functional and calibrated. A letter from the company dated August 1, 2009, claimed that metering systems will be installed in a majority of sites and tanks recalibrated in the last quarter of 2009.
- The Missan Oil Company had no meters installed on pipelines pumping to export terminals, but the company reported that the process to solicit bids and award contracts for this equipment had been initiated.
- The South Refinery Company did not have meters to measure outputs and inputs between depots, production departments, and beneficiaries, relying instead on radar-metering systems

or other mechanisms. The Thi-Qar refinery measures oil quantities using a depth bar, and the Missan refinery, which does not have any meters, has established a committee to determine measurements. The BSA report noted that 59 meters are required for southern refineries, but until recently, there were no letters of credit on record to purchase meters, and only 4 orders were reportedly in progress.

## The Iraqi Budget for 2009–2010

The GOI’s 2009 budget is \$58.6 billion, based on an oil price of \$50 per barrel.<sup>392</sup> During the third quarter of 2009, a supplemental to increase the budget by approximately \$5 billion was introduced in the CoR.<sup>393</sup> The CoR has had only one reading of the supplemental budget and has not yet approved it.<sup>394</sup> The 2009 GOI budget shortfall is estimated to be as high as \$16 billion, which could be offset with



USAID's Inma program purchased six million fingerlings, under a \$3 million agreement for the Euphrates fish farm. The growing interest in aquaculture underscores the importance of adequate water resources for Iraqi agriculture. (USAID photo)

accumulated fiscal reserves estimated to be approximately \$21 billion as of the end of 2008.<sup>395</sup> According to U.S. Embassy-Baghdad, the GOI had released 50% of total provincial budgets by the end of June 2009, and the provinces had spent approximately 30% of their capital investment budgets.<sup>396</sup> GOI budget expenditures for this quarter are not available, partly because of the August 19, 2009, attacks that severely damaged the Ministry of Finance.<sup>397</sup> Highly skilled professionals from the ministry were injured or killed, and a significant number of paper and electronic files were lost.<sup>398</sup>

On October 13, 2009, Iraq's Council of Ministers (CoM) approved a 2010 budget of approximately \$67 billion, based on an oil price of \$60 per barrel and exports of 2.15 MBPD, and a deficit of approximately \$15.3 billion.<sup>399</sup> The budget now goes to CoR for review, amendment, and approval.

Figure 2.32 provides details on GOI budgets and budget execution from 2006–2010.

## Key Economic Sectors

### Agriculture

Agriculture, the second largest sector of Iraq's economy, is suffering from the effects of a two-year drought and declines in water flowing into Iraq's rivers from neighboring countries.<sup>400</sup> This year, the situation worsened as Iran continued to divert the paths of the Karun and Karkha rivers for local projects and completely cut the flow from the Karun into Iraq's Shatt al-Arab River.<sup>401</sup> The lower water levels have led to increased salinity that is damaging agriculture and poisoning fish and animals.<sup>402</sup>

Addressing Iraq's use of surface irrigation water could mitigate reduced river flows. Conservative estimates are that much of the land devoted to agriculture is over-irrigated by as much as 25%–50% and that 25% percent of surface water supply is lost in the delivery system.<sup>403</sup>

To address the need for better management of Iraq's water resources, the U.S. Department of Agriculture, the Iraqi Ministry of Agriculture, and several other GOI ministries hosted a National Soil Salinity Conference on July 15–17, 2009. During the conference, senior GOI officials agreed to an outline of GOI actions to address the issue, which the Iraqi Ministry of Agriculture has agreed to as well.<sup>404</sup>

USAID continues to support the four most profitable agricultural sectors in Iraq—perennial fruits, annual vegetables, aquaculture and poultry, and beef and lamb. This support is provided through a \$92.5 million Inma agribusiness program that began in May 2007 and ends in August 2010. This quarter, Inma signed 6 feedlot and 3 packing shed grants, trained nearly 100 Iraqi fish farmers in advanced aquaculture techniques, made possible \$1.5 million in agricultural micro-finance loans, and held several national agricultural conferences on finance, livestock, and poultry.<sup>405</sup>

### Foreign Investment and Privatization

Many challenges remain to foreign investment and privatization in Iraq. As noted in the World Bank's

“Doing Business 2010: Reforming Through Difficult Times,” Iraq ranks 153 out of 183 countries in terms of enacting reforms that promote private-sector growth and investment.<sup>406</sup> An example of the unfavorable business climate in Iraq is that while more than 85 firms have filed for investment licenses in Iraq, few have moved to the investment execution phase.<sup>407</sup> Table 2.21 shows Iraq’s ranking compared with its neighbors, which places it at the bottom of the region.<sup>408</sup>

In August 2009, the Center for International Private Enterprise released a survey of 120 Iraqi business leaders. It sampled opinions on six groups of Iraqi business laws, identifying some of the major challenges:<sup>409</sup>

- lack of effective legal and regulatory systems
- poor enforcement of private property rights
- administrative corruption that adds 20%–30% to the cost of doing business
- bureaucratic red tape
- difficulty in obtaining basic business necessities, such as international letters of credit

Respondents particularly singled out the Import/Export Law as encouraging corruption because it is ineffective in setting up a framework for fair and competitive trade dealings.<sup>410</sup> To publicize investment opportunities in Iraq, the U.S. Departments of State and Commerce, in collaboration with the U.S. Chamber of Commerce, held a major Iraq-American business conference in Washington, D.C., on October 20–21, 2009.<sup>411</sup> A key accomplishment of the joint U.S.-GOI Trade and Investment Working Group this quarter was securing the participation of hundreds of U.S. and Iraqi government and private-sector leaders to participate in the conference.<sup>412</sup>

TABLE 2.21  
**DOING BUSINESS 2010: REFORMING THROUGH DIFFICULT TIMES**

COUNTRY	RANKING
Saudi Arabia	13
Kuwait	61
Turkey	73
Jordan	100
Iran	137
Syria	143
Iraq	153

Source: World Bank, “Doing Business 2010: Reforming Through Difficult Times,” <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22301788~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>, accessed 10/14/2009.

The KRG has taken steps to make the investment climate more attractive, such as passing an investment law that allows 100% foreign ownership of land (except for land containing oil, gas or mineral resources).<sup>413</sup> The KRG also contributes to the cost of basic infrastructure (water, electric, sewerage, public road, telecommunications, etc.) related to foreign investment projects.<sup>414</sup> In contrast, the GOI restricts foreign ownership of land in most of Iraq and requires foreign companies to bear the cost of basic infrastructure when investing in Iraq.<sup>415</sup> U.S. Embassy-Baghdad reports that land-use issues are the most commonly cited reason inhibiting project execution.<sup>416</sup> While the KRG has been more active in addressing the legal obstacles to foreign investment, corruption remains an obstacle to private-sector development in the Kurdistan Region, just as it is in the rest of Iraq.<sup>417</sup> ♦

1 year ago  
this quarter

**Encouraging Private-Sector Development**

On July 1–2, 2008, key GOI Ministries, UN agencies, and other economic institutions met for the first time to coordinate economic reform based on diversification and private-sector development.