

FUNDING FOR IRAQ RECONSTRUCTION

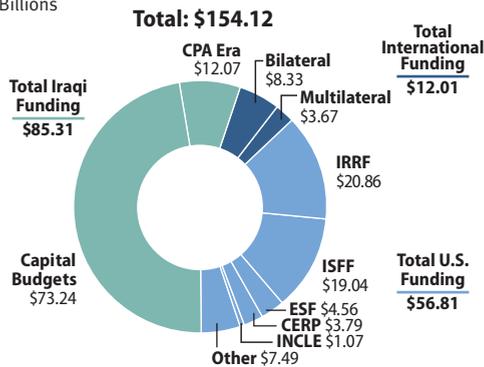
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SECTION

2

FUNDING OVERVIEW

FIGURE 2.1
FUNDING SOURCES, 2003–2010
\$ Billions



Note: Data not audited. Numbers affected by rounding.

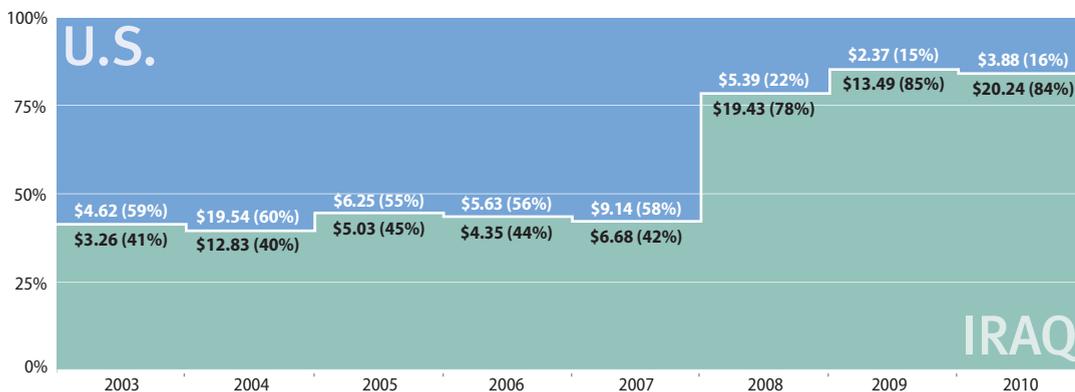
Sources: See Figure 2.2.

As of September 30, 2010, \$154.12 billion had been made available for the relief and reconstruction of Iraq through three main sources:⁵⁵

- U.S. appropriations—\$56.81 billion
- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and expenditures of the Iraqi capital budget—\$85.31 billion
- International commitments of assistance and loans from non-U.S. sources—\$12.01 billion

See Figure 2.1 for an overview of these funding sources. See Figure 2.2 for a historical comparison of U.S. and Iraqi support for reconstruction. ♦

FIGURE 2.2
U.S. AND IRAQI SUPPORT FOR RECONSTRUCTION, 2003–2010
\$ Billions (% of Combined Annual Funding)



Note: Data not audited. Numbers affected by rounding. U.S. contributions are represented by U.S. fiscal year. Iraqi contributions are represented by Iraqi fiscal year (which coincides with the calendar year).

Sources: 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. 109-34; 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; P.L. 111-117; P.L. 111-118; P.L. 111-212; OSD, response to SIGIR data call, 10/15/2010; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; NEA-I, responses to SIGIR data call, 9/27/2010, 10/4/2010, and 10/6/2010; DoS, DRL, response to SIGIR data call, 9/22/2010; TFBSC, response to SIGIR data call, 10/4/2010; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; DoJ, U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010; GOI, MOF, "Evaluation of the Iraqi Budget, 2006–2010," 8/2010; GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, "Budget Revenues and Expenses 2003, July-December," 2003.

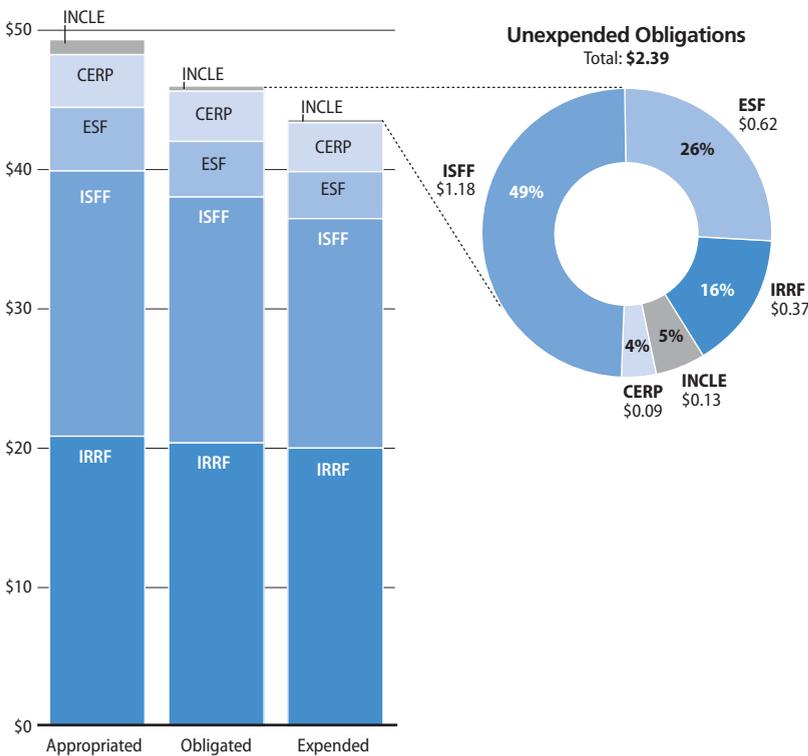
U.S. FUNDING

Since 2003, the U.S. Congress has appropriated or otherwise made available \$56.81 billion for reconstruction efforts in Iraq, including the building of physical infrastructure, establishment of political and societal institutions, reconstitution of security forces, and the purchase of products and services for the benefit of the people of Iraq.⁵⁶

As of September 30, 2010, \$49.32 billion had been made available through five major funds:⁵⁷

- Iraq Relief and Reconstruction Fund (IRRF)—\$20.86 billion
- Iraq Security Forces Fund (ISFF)—\$19.04 billion
- Economic Support Fund (ESF)—\$4.56 billion
- Commander’s Emergency Response Program (CERP)—\$3.79 billion
- International Narcotics Control and Law Enforcement (INCLE)—\$1.07 billion

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



Of this amount, \$46.00 billion had been obligated, and \$43.61 billion had been expended.⁵⁸

The military drawdown and accompanying transfer of reconstruction responsibilities to civilian control has rendered the INCLE an increasingly significant source of funding. SIGIR will now report on it as a major fund, providing greater detail on the activities that it supports.

Of the \$46.00 billion obligated from the major funds, \$2.39 billion had not been expended as of September 30, 2010. An additional \$3.31 billion had not been obligated, but \$1.43 billion of these funds had expired. Only funds that have not yet expired—\$1.88 billion as of September 30, 2010—may be obligated for new projects.⁵⁹

The Congress also made \$7.49 billion available through several smaller funding streams.⁶⁰

For an overview of U.S. appropriations, obligations, and expenditures from the five major funds, as of September 30, 2010, see Figure 2.3. For details on appropriations and the status of all funds as of September 30, 2010, see Table 2.1.

Note: Data not audited. Numbers affected by rounding.

Sources: 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. 109-34; 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; P.L. 111-117; P.L. 111-212; DoS, response to SIGIR data call, 4/5/2007; INL, response to SIGIR data call, 9/30/2010; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; OSD, responses to SIGIR data calls, 4/10/2009, 10/14/2010, and 10/15/2010; USACE, response to SIGIR data call, 10/6/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009.

FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.1

U.S. APPROPRIATED FUNDS

\$ Millions

APPROPRIATIONS BY FISCAL YEAR, FY 2003–FY 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. 110-5, 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. 110-252, P.L. 111-32
	2003	2004	2005	2006	2007	2008	2009
MAJOR FUNDS							
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2) ^a	2,475	18,389					
Iraq Security Forces Fund (ISFF)			5,490	3,007	5,542	3,000	1,000
Economic Support Fund (ESF) ^b	50			1,545	1,478	664	439
Commander's Emergency Response Program (CERP) ^c		140	718	649	743	956	335
International Narcotics Control and Law Enforcement (INCLE)				91	170	85	20
Subtotal	2,525	18,529	6,208	5,292	7,934	4,705	1,794
OTHER ASSISTANCE PROGRAMS							
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	40				78	278	260
Natural Resources Risk Remediation Fund (NRRRF) ^d	801						
Iraq Freedom Fund (Other Reconstruction Activities) ^e	700						
P.L. 480 Food Aid (Title II and Non-Title II)	368		3			24	
Democracy Fund (Democracy)					190	75	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7		45	85	51
Iraq Freedom Fund (TFBSO)					50	50	74
Department of Justice (DoJ)	37		2	10	23	25	7
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) ^f					19	16	36
Child Survival and Health Programs Fund (CSH)	90						
Education and Cultural Exchange Programs (ECA)				7	5	7	7
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	15	3				
International Affairs Technical Assistance				13	3		
U.S. Marshals Service		2		3	2	2	1
International Military Education and Training (IMET)					1	2	2
Alhurra-Iraq Broadcasting		5					
Subtotal	2,069	22	15	33	416	563	438
RECONSTRUCTION-RELATED OPERATING EXPENSES							
Diplomatic and Consular Programs ^g							
Coalition Provisional Authority (CPA) ^h		908					
Project and Contracting Office (PCO) ⁱ				200	630		
USAID Operating Expenses (USAID OE)	21		24	79		46	52
U.S. Contributions to International Organizations (IO Contributions)						38	30
Iraq Freedom Fund (PRT Administrative Costs)					100		
Subtotal	21	908	24	279	730	84	82
RECONSTRUCTION OVERSIGHT							
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	3	44
USAID Office of the Inspector General (USAID OIG)	4	2	3		3	7	4
DoD Office of the Inspector General (DoD OIG)				5		21	
DoS Office of the Inspector General (DoS OIG)				1	3	4	6
Defense Contract Audit Agency (DCAA)					16		
Subtotal	4	77	3	30	57	34	54
Total	4,619	19,536	6,250	5,635	9,137	5,386	2,367

^a The Congress initially appropriated \$18,649 million to IRRF 2, but earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. In FY 2006, the Congress transferred roughly \$10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded \$50 million.

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

^c Generally, the Congress does not appropriate the CERP to a specific country, but rather to a fund for both Iraq and Afghanistan. SIGIR reports DoD's allocation to the CERP for Iraq as an appropriation.

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

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

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

^g Diplomatic and Consular Programs comprises FY 2010 supplemental funding to support U.S. Embassy-Baghdad in establishing an enduring provincial presence.

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

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

	FY 2010			TOTAL APPROPRIATED	STATUS OF FUNDS		
	P.L. 111-117	P.L. 111-118	P.L. 111-212		OBLIGATED	EXPENDED	EXPIRED
	12/16/09	12/19/09	7/29/10				
MAJOR FUNDS							
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)				20,864	20,382	20,009	482
Iraq Security Forces Fund (ISFF)			1,000	19,039	17,655	16,470	444
Economic Support Fund (ESF)	383			4,559	3,986	3,369	317
Commander's Emergency Response Program (CERP)		245		3,786	3,599	3,510	187
International Narcotics Control and Law Enforcement (INCLE)	52		650	1,068	380	249	2
Subtotal	435	245	1,650	49,317	46,003	43,608	1,431
OTHER ASSISTANCE PROGRAMS							
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	300			956	955	790	
Natural Resources Risk Remediation Fund (NRRRF)				801	801	801	
Iraq Freedom Fund (Other Reconstruction Activities)				700	680	654	
P.L. 480 Food Aid (Title II and Non-Title II)				395	395	395	
Democracy Fund (Democracy)				265	265	222	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	33		9	255	254	202	
Iraq Freedom Fund (TFBSO)				174	86	53	
Department of Justice (DoJ)	8			112	89	82	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	30			101	62	62	
Child Survival and Health Programs Fund (CSH)				90	90	90	
Education and Cultural Exchange Programs (ECA)	7			33			
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)				27	27	10	
International Affairs Technical Assistance				16	16	14	
U.S. Marshals Service				9	9	9	
International Military Education and Training (IMET)	2			7	8	5	
Alhurra-Iraq Broadcasting				5	5	5	
Subtotal	380		9	3,946	3,741	3,394	
RECONSTRUCTION-RELATED OPERATING EXPENSES							
Diplomatic and Consular Programs			1,030	1,030			
Coalition Provisional Authority (CPA)				908	832	799	
Project and Contracting Office (PCO)				830			
USAID Operating Expenses (USAID OE)	57			279			
U.S. Contributions to International Organizations (IO Contributions)	33			101			
Iraq Freedom Fund (PRT Administrative Costs)				100			
Subtotal	90		1,030	3,248	832	799	
RECONSTRUCTION OVERSIGHT							
Special Inspector General for Iraq Reconstruction (SIGIR)	23			203	190	180	
USAID Office of the Inspector General (USAID OIG)	7			29			
DoD Office of the Inspector General (DoD OIG)				26			
DoS Office of the Inspector General (DoS OIG)	7			21			
Defense Contract Audit Agency (DCAA)				16			
Subtotal	37			295	190	180	
Total	941	245	2,689	56,806	50,766	47,982	1,431

Sources: USACE, responses to SIGIR data calls, 10/6/2008 and 10/6/2010; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, 7/8/2010 and 7/13/2010; DoS, DRL, response to SIGIR data call, 9/22/2010; TFBSO, response to SIGIR data call, 10/4/2010; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 10/3/2009 and 7/14/2010; DoJ, U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010; USTDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; OSD, responses to SIGIR data calls, 4/10/2009, 10/14/2010 and 10/15/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 9/27/2010, 10/4/2010, 10/6/2010, and 10/7/2010; IRMS, *USF-I CERP Category Report*, 9/20/2010; INL, response to SIGIR data call, 9/30/2010.

New Appropriations

FY 2010 Supplemental Appropriations Act Passed by the Congress

This quarter, the Congress appropriated \$2.68 billion in new funding for Iraq reconstruction: \$1.65 billion in new reconstruction assistance and \$1.03 billion in new funding for reconstruction-related operating expenses.⁶¹ The funding was provided in the FY 2010 supplemental appropriations act (H.R. 4899), which was passed by the Congress on July 27, 2010,⁶² and was signed into law (P.L. 111-212) on July 29.⁶³ In total, the appropriation was \$407 million less than the Administration's request—nearly \$133 million more than requested for assistance, but \$540 million less than requested for construction and reconstruction-related operating expenses.⁶⁴ For details of the FY 2010 regular and supplemental appropriations, see Table 2.2.

FY 2011 Regular Appropriations Request Considered by the Congress

In February 2010, the Administration requested \$2.93 billion in FY 2011 appropriations for Iraq. According to the Administration's foreign operations budget justification, the requested appropriations are intended to help civilian agencies expand to fulfill responsibilities previously borne by the Department of Defense (DoD). For details of the request, see Table 2.2.

The requested foreign operations appropriations are intended to help civilian agencies expand to fulfill responsibilities previously borne by the Department of Defense.

SIGIR Forensic Audit

In October, SIGIR released the fifth interim report on its forensic audit of Iraq reconstruction funds, identifying additional instances of questionable activity. This quarter, SIGIR reviewed 71,295 transactions valued at \$4.0 billion, bringing the total transactions reviewed to 179,207 valued at \$39.8 billion. The effort has yielded 53 criminal investigations,

TABLE 2.2
FY 2010 AND FY 2011 APPROPRIATIONS
\$ Millions

FUND	FY 2010 APPROPRIATIONS			FY 2011 REGULAR APPROPRIATIONS
	REGULAR	SUPPLEMENTAL	TOTAL	REQUEST
Foreign Assistance				
Defense				
	ISFF	1,000	1,000	2,000
	CERP	245	245	200
	Subtotal	245	1,000	2,200
Foreign Operations				
	ESF	383	383	383
	INCLE	52	650	315
	NADR	30	30	30
	IMET	2	2	2
	Subtotal	467	650	729
Total Assistance	712	1,650	2,362	2,929
Reconstruction-Related Operating Expenses				
State		1,030	1,030	0
Total Operating		1,030	1,030	0
Total Assistance and Operating	712	2,680	3,392	2,929

Note: Numbers affected by rounding. Debate on the FY 2011 regular appropriations request is ongoing, and it is not known when the law(s) will pass. Table does not include all appropriations related to Iraq reconstruction; for complete details, see Table 2.1.

Sources: P.L. 111-212; Senate Report 111-188, to accompany H.R. 4899, "Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes," pp. 25, 55, 64; DoD, "Fiscal Year 2011 Budget Request: Overview," 2/2010, Chapter 6, pp. 5, 9; DoS, "FY 2010 Supplemental Budget Justification," 2/1/2010, p. 31; DoS, "FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables," 3/8/2010, p. 23.

including 4 opened this quarter.⁶⁵ SIGIR also issued a report this quarter that details the methodology it used to conduct this work, to aid other inspectors general in conducting similar forensic audits.⁶⁶ For more information, see Section 5 of this Report.

Iraq Relief and Reconstruction Fund

The IRRF has been the largest source of U.S. reconstruction funds, comprising \$20.86 billion made available through two appropriations: IRRF 1 (\$2.48 billion) and IRRF 2 (\$18.39 billion).⁶⁷

As of September 30, 2010, \$373 million of obligated funds had not been expended: \$10 million from the IRRF 1 and \$363 million from the IRRF 2. An additional \$482 million had not been obligated; as a result, these funds have expired, and they may not be obligated to new projects.⁶⁸ SIGIR is currently auditing the IRRF to determine the

exact status of funds and, depending on the audit's findings, may correct these agency-reported values.

The IRRF 1 was canceled on September 30, 2009, five years after the end of the period during which it was permissible to make new obligations; consequently, there is no longer authority to obligate or expend any funds from the IRRF 1.⁶⁹

The period of obligation for some IRRF 2 funds was extended by P.L. 109-234 and P.L. 110-28, essentially extending the period of obligation for some of the IRRF 2 until September 30, 2008. Consequently, some IRRF 2 funds will remain available for expenditure until September 30, 2013.⁷⁰

For the status of the IRRF, as of September 30, 2010, see Table 2.3.

Ongoing IRRF-funded Projects

According to the Iraq Strategic Partnership Office (ISPO), as of September 30, 2010, there were 25 ongoing IRRF projects, with a total cost of nearly \$330 million.⁷¹ For a complete list of ongoing IRRF-funded projects, see Table 2.4.

As of September 30, 2010, there were 25 ongoing IRRF projects, with a total cost of nearly \$330 million.

TABLE 2.3
IRRF: STATUS OF FUNDS, BY APPROPRIATION AND SECTOR
\$ Millions

APPROPRIATION	SECTOR	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
IRRF 1	Subtotal	2,258.7	2,248.5		
IRRF 2	Security & Law Enforcement	4,928.7	4,892.8	-0.8 (0%)	0.3 (0%)
	Electric Sector	4,102.8	4,058.8	0.2 (0%)	1.2 (0%)
	Justice, Public Safety Infrastructure, & Civil Society	2,312.6	2,209.2	-1.2 (0%)	
	Water Resources & Sanitation	1,968.3	1,950.5	0.3 (0%)	5.9 (0%)
	Oil Infrastructure	1,604.3	1,593.0		0.5 (0%)
	Private Sector Development	860.0	830.0		
	Health Care	816.6	802.1	-0.3 (0%)	0.6 (0%)
	Education, Refugees, Human Rights, Democracy, & Governance	519.5	447.6	-0.1 (0%)	
	Transportation & Telecommunications Projects	466.6	455.3		2.5 (1%)
	Roads, Bridges, & Construction	279.3	271.3	-0.5 (0%)	4.2 (2%)
	Administrative Expenses	219.5	217.9		
	ISPO Capacity Development	45.4	32.2		3.4 (12%)
		Subtotal	18,123.6	17,760.6	-2.4 (0%)
Total		20,382.2	20,009.2	-2.4 (0%)	18.6 (0%)

Note: Data not audited. Numbers affected by rounding.

Sources: DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 7/6/2010 and 9/23/2010; OSD, response to SIGIR data call, 4/10/2009; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, response to SIGIR data call, 7/8/2010; USTDA, response to SIGIR data call, 4/2/2009.

FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.4
ONGOING IRRF PROJECTS
\$US

IMPLEMENTING AGENCY	CATEGORY	DESCRIPTION	TOTAL COST
USACE	Electric	Jamila, Farabi 132 kV Substation (Baghdad)	52,308,062
	Transportation	RR Computer Based Train Control Acquisition	43,995,071
	Water Resources	Eastern Euphrates Drain (Muthanna)	38,500,000
	Transportation	Al-Mamoon Exchange and Telecom (Baghdad)	32,549,850
	Water Resources	Falluja Sewer System, WWTP Inst. (Anbar)	31,706,958
	Electric	Ramadi 132 kV Substation (Anbar)	31,547,620
	Water Resources	Meshkab Water Supply Project (Najaf)	23,646,442
	Electric	Wazeriya National Training Center	8,370,986
	Transportation	Al-Sharqat Bridge (Salah Al-Din)	7,990,544
	Transportation	Al-Amarah Al Maymunah Cargoway (Missan)	7,750,178
	Water Resources	Falluja Sewer Collect Area B Reaward (Anbar)	6,809,712
	Transportation	Baghdad-Kirkuk Cargoway South Segment (Salah Al-Din)	5,761,372
	Water Resources	Falluja Sewer Trunk Mains T0 & T3 Re-Award (Anbar)	5,624,515
	Health	Replace 26 Elevators and Repair 7 in Central and Southern Iraq	2,983,000
	Health	Replace 13 Elevators and Repair 11 in Northern Iraq	1,983,624
	Electric	Yousefiya 33/11 kV Substation (Baghdad)	500,000
	Water Resources	Mosul Dam Technical Support (Ninewa)	219,497
	Subtotal		302,247,432
ISPO	Electric	Technical Assistance to the Iraqi Ministry of Electricity	8,000,000
	Education/Refugee/Democracy	Iraqi Constitutional and Legislative Development Project	7,933,936
	Education/Refugee/Democracy	PFMAG—Subject Matter Experts*	3,000,000
	Private Sector Development	Organization for Economic Corporation and Development	2,500,000
	Electric	Professional Services to the Iraqi Ministry of Electricity	2,071,000
	Electric	Regulatory Consulting Services*	1,974,296
	Education/Refugee/Democracy	Budget Execution Embassy Linguist Task*	1,528,000
	Private Sector Development	Enhance Iraqi Investment Policies	500,000
	Subtotal		27,507,232
Total			329,754,664

Note: Data not audited. Numbers affected by rounding.

* Contract complete; awaiting resolution of close-out issues.

Source: U.S. Embassy-Baghdad, ISPO, response to SIGIR data call, 10/4/2010.

Iraq Security Forces Fund

Since 2005, the Congress has appropriated \$19.04 billion to the ISFF to support Iraq’s Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF) and increasing ministerial capacity.⁷² This quarter, the Congress appropriated \$1.00 billion in FY 2010 supplemental appropriations to the ISFF.⁷³ The Congress is currently considering the Administration’s request for \$2.00 billion in ISFF funding for FY 2011.⁷⁴

As of September 30, 2010, \$1.18 billion of obligated ISFF funds had not been expended. An additional \$1.38 billion had not been obligated, but \$444 million of this amount has expired. This leaves \$940 million in FY 2010 supplemental funding, appropriated by P.L. 111-212, available for obligation to new projects. Funds appropriated to the ISFF by P.L. 111-212 expire on September 30, 2011, after which time they cannot be obligated to new projects.⁷⁵

For the status of the ISFF, including a breakdown of unexpended obligations, as of September 30, 2010, see Figure 2.4.

ISFF Quarterly Obligations and Expenditures

As of September 30, 2010, \$18.13 billion (95%) of the \$19.04 billion appropriated to the ISFF had been allocated to four major sub-activity groups: Equipment, Infrastructure, Sustainment, and Training. The remaining \$908 million (5%) of the ISFF has been allocated to smaller sub-activity groups. Collectively termed “Related Activities,” they include the ISFF Quick Response Fund and construction of detention centers and rule-of-law complexes, among other programs.⁷⁶

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

This quarter, USF-I obligated \$564.1 million of the ISFF,⁷⁷ more than 11 times the amount obligated last quarter.⁷⁸ The new obligations were concentrated in MOD equipment, sustainment, and training, as well as MOI equipment.⁷⁹

This quarter, USF-I expended \$467.4 million of the ISFF.⁸⁰ Only two other quarters saw lower ISFF expenditures: last quarter and the first quarter the ISFF was available.⁸¹ The new expenditures were concentrated in MOD sustainment and equipment, as well as MOI equipment.⁸²

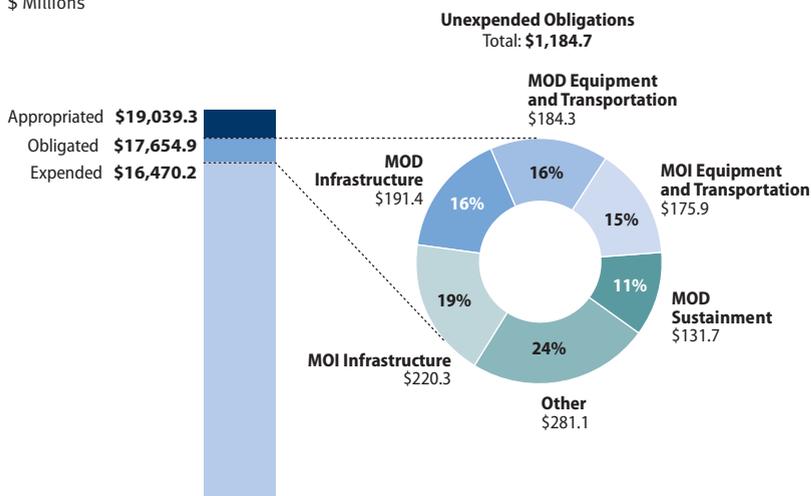
Future Funding Sources for the Iraqi Security Forces

In February 2010, the Administration requested \$1.00 billion in FY 2010 supplemental appropriations and \$2.00 billion in FY 2011 regular appropriations for the ISFF.⁸³ With the passage of P.L. 111-212 in July, the Congress provided the full amount requested for FY 2010 supplemental funding.⁸⁴ If the Congress appropriates the full amount requested for FY 2011, the ISFF will have received \$21.04 billion in total appropriations, and it will eclipse the IRRF (\$20.86 billion) as the largest U.S. reconstruction fund for Iraq.⁸⁵

According to the Administration, “This funding is critical to keep [the ISF] on track to effectively defend the Iraqi people and protect Iraqi institutions by the end of 2011.”⁸⁶ It is unclear what the

If the Congress appropriates the full amount requested for FY 2011, the ISFF will eclipse the IRRF as the largest U.S. reconstruction fund for Iraq.

FIGURE 2.4
ISFF: STATUS OF FUNDS
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-13; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-212; OSD, response to SIGIR data call, 10/14/2010.

FUNDING FOR IRAQ RECONSTRUCTION

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

MINISTRY	SUB-ACTIVITY GROUP	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Defense	Equipment	4,743.4	4,559.1	121.7 (3%)	86.6 (2%)
	Infrastructure	3,075.8	2,884.5	0.4 (0%)	45.5 (2%)
	Sustainment	2,022.1	1,890.3	139.2 (7%)	115.0 (6%)
	Training	561.0	472.1	94.8 (20%)	49.1 (12%)
	Subtotal	10,402.3	9,806.0	356.0 (4%)	296.3 (3%)
Interior	Training	2,468.6	2,397.7	19.4 (1%)	10.2 (0%)
	Equipment	1,886.7	1,710.8	133.0 (8%)	117.9 (7%)
	Infrastructure	1,400.3	1,180.0	25.4 (2%)	16.0 (1%)
	Sustainment	623.2	559.8	28.0 (5%)	5.6 (1%)
	Subtotal	6,378.8	5,848.3	205.9 (3%)	149.7 (3%)
Varies	Related Activities	873.8	815.9	2.2 (0%)	21.4 (3%)
Total		17,654.9	16,470.2	564.1 (3%)	467.4 (3%)

Note: Data not audited. Numbers affected by rounding.

Sources: OSD, responses to SIGIR data calls, 7/13/2010 and 10/14/2010.

withdrawal of the U.S. military from Iraq—scheduled to be completed by December 31, 2011—portends for the ISF, and what future sources of funding might be available.

Future U.S. Support from Civilian Funding Streams

This quarter, the Congress appropriated \$650 million to the INCLE in Iraq to support the police training program administered by the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL), as discussed below in the INCLE subsection. The Administration has requested an additional \$315 million in FY 2011 appropriations for the INCLE in Iraq.⁸⁷

Two other established funds may be well suited for post-ISFF funding support of MOD forces: the Foreign Military Financing (FMF) fund and the International Military Education and Training (IMET) fund. As reported previously by SIGIR,⁸⁸ the FMF could be used to support the ISF through the U.S. Foreign Military Sales (FMS) program. Meanwhile, the IMET (and FMF) could be used to fund training. As of September 30, 2010, no money

had been appropriated for FMF in Iraq, and \$6 million had been appropriated for the IMET in Iraq.⁸⁹

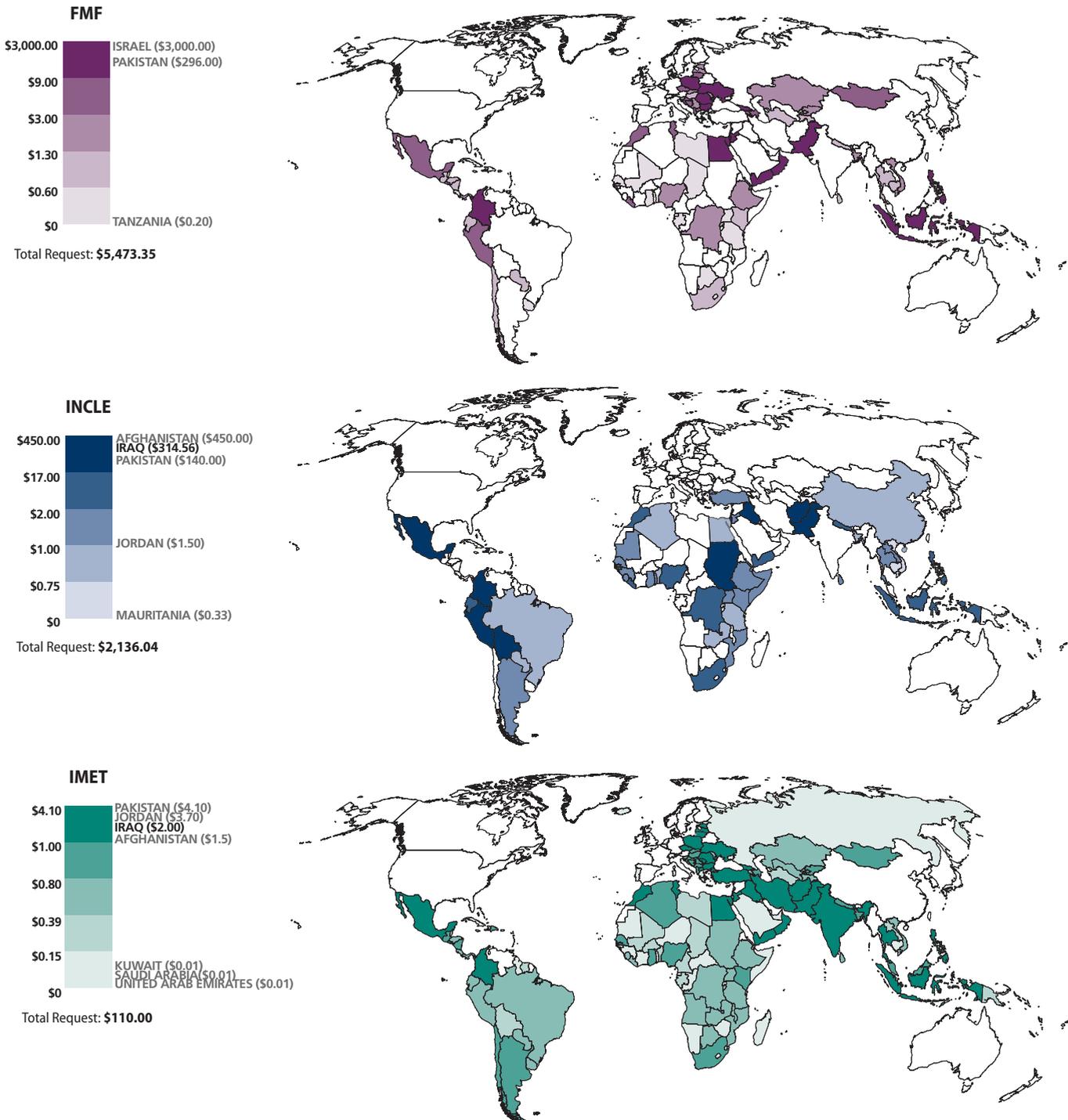
Supporting the ISF through Department of State (DoS) funds—including the INCLE, FMF, and IMET—would put DoS in charge of policy, which is consonant with how the United States has historically provided security assistance to other nations and with stated U.S. objectives for Iraq. However, as the Inspector General noted in recent testimony before the House Committee on Oversight and Government Reform, DoS and other civilian agencies face a capacity gap. Weak program management and inadequate oversight of contracts and grants have undermined program objectives and wasted taxpayer dollars.⁹⁰ The scale of the security assistance effort in Iraq that DoS is inheriting magnifies the challenge. DoS is relatively new to large-scale program, contract, and grant management, and it takes time to nurture an organizational culture that respects the need for planning and to develop a workforce with appropriate skills.⁹¹

If fully funded, the Administration's request for FY 2011 appropriations would make the INCLE program in Iraq the second largest in the world,

Weak program management and inadequate oversight of contracts and grants have undermined program objectives and wasted taxpayer dollars.

FIGURE 2.5
**SECURITY-RELATED CIVILIAN FUNDING STREAMS:
 ADMINISTRATION REQUESTS FOR FY 2011 APPROPRIATIONS**

\$ Millions, by Quintile



Notes: Data not audited. Numbers affected by rounding. Maps and quintile/percentile charts display only bilateral assistance. Only countries that received assistance from the specific fund are included in the relevant quintile/percentile calculations. The maps and quintile/percentile graphics do not include the following regional/multilateral assistance: Africa Regional (\$4.50 million INCLE and \$2.80 million FMF); East Asia and Pacific Regional (\$1.30 million INCLE and \$850,000 IMET); Trans-Sahara Counter-Terrorism Partnership (\$1.03 million INCLE); Caribbean Basin Security Initiative (\$37.46 million INCLE and \$18.16 million FMF); or Western Hemisphere Regional (\$70.0 million INCLE). The maps and quintile/percentile graphics also do not include assistance used to fund DoS Bureaus: Office to Monitor and Combat Trafficking in Persons (G/TIP) (\$187.46 million INCLE); INL (\$187.46 million INCLE); or Political-Military Affairs (PM) (\$5.41 million IMET and \$56.58 million FMF).

Source: DoS, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2011," 3/8/2010, pp. 21–26.

behind Afghanistan. It would also put the IMET program in Iraq among the top 10% of such programs in the world.⁹² The Administration has not requested FY 2011 FMF appropriations for Iraq. However, if Iraq were to be appropriated \$1 billion in FMF (half the amount of the FY 2011 ISFF request), only Israel and Egypt would be expected to receive more.⁹³ For more details on staffing and contracting issues, see Section 3 of this Report. For details on the Administration's worldwide FY 2011 requests for FMF, INCLE, and IMET, see Figure 2.5.

Increased Iraqi Support for the ISF

According to analysis by the U.S. Government Accountability Office (GAO), from 2005 to 2009, Iraq increased MOD spending by 28% annually and MOI spending by 45% annually, on average. Spending reached an all-time high in 2009, with \$8.6 billion spent: \$3.7 billion for the MOD and \$5.0 billion for the MOI.⁹⁴ From 2005 to 2009, budget execution fluctuated, but both the MOD and MOI were able to execute more than 90% of their budgets in 2009.⁹⁵ For 2010, the Government of Iraq (GOI) budgeted \$5.19 billion for the MOD (\$3.39 billion for operating expenses and \$1.80 billion for capital investment) and \$5.90 billion for the MOI (\$4.96 billion for operating expenses and \$934 million for capital investment).⁹⁶

Despite increased spending and improved budget execution since 2005, the GAO estimates that the MOD and MOI did not spend or set aside between \$2.5 billion and \$5.2 billion that could have been applied to Iraq's security needs.⁹⁷ In light of these resources, the GAO concluded that Iraq has the potential to further contribute toward its security needs, even as it addresses other competing priorities.⁹⁸

Both DoS and DoD disagreed with GAO's conclusions. According to their analysis, the GOI's 2010 budget for the MOD and MOI accounts for almost 14% of the Iraqi gross domestic product (GDP). DoS and DoD felt that this clearly indicated the seriousness with which the GOI treats its responsibility to cover its costs for internal and external security.⁹⁹

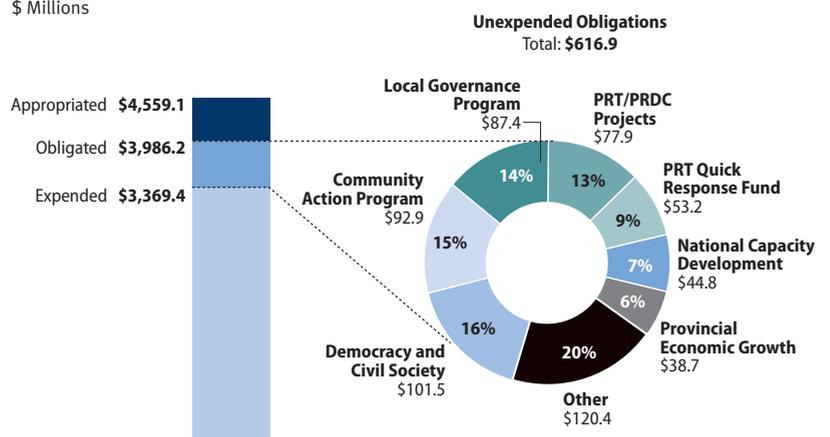
Economic Support Fund

Since 2003, the Congress has appropriated \$4.56 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.¹⁰⁰ The Congress is currently considering the Administration's request for an additional \$383 million in ESF funding for FY 2011.¹⁰¹

As of September 30, 2010, \$617 million of obligated ESF funds had not been expended. An additional \$573 million had not been obligated, but \$317 million of this amount has expired. This leaves \$256 million, appropriated by P.L. 111-117, available for obligation to new projects. Funds appropriated to the ESF by P.L. 111-117 expire on September 30, 2011, after which time they cannot be obligated to new projects.¹⁰²

For the status of the ESF, including a breakdown of unexpended obligations, as of September 30, 2010, see Figure 2.6.

FIGURE 2.6
ESF: STATUS OF FUNDS
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; USACE, response to SIGIR data call, 10/6/2010; USAID, response to SIGIR data call, 7/13/2010.

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

TRACK	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Community Stabilization Program	619.3	608.6		-10.3 (-2%)
	PRT/PRDC Projects	564.1	486.2	15.6 (3%)	18.1 (4%)
	Local Governance Program	435.5	348.1	25.0 (6%)	3.8 (1%)
	Community Action Program	384.3	291.4	55.0 (17%)	26.2 (10%)
	PRT Quick Response Fund	238.4	185.2	29.4 (14%)	12.5 (7%)
	Infrastructure Security Protection	194.7	186.7	7.1 (4%)	2.8 (2%)
	Subtotal	2,436.3	2,106.2	132.1 (6%)	53.0 (3%)
Political	National Capacity Development	309.4	264.6		14.2 (6%)
	Democracy and Civil Society	279.8	178.3	41.8 (18%)	-0.5 (0%)
	Iraqi Refugees	95.0	90.6		
	Economic Governance II, Policy and Regulatory Reforms	85.0	83.9		-1.1 (-1%)
	Ministerial Capacity Development	37.7	34.5	-3.3 (-8%)	4.5 (15%)
	Regime Crimes Liaison Office	28.5	28.0		
	Elections Support	13.9	13.8		
	Monitoring and Evaluation	8.5	3.8	1.0 (14%)	0.6 (18%)
Subtotal	857.9	697.5	39.6 (5%)	17.7 (3%)	
Economic	O&M Sustainment	274.5	273.4	6.9 (3%)	6.8 (3%)
	<i>Inma</i> Agribusiness Development	144.8	108.6	20.8 (17%)	-6.7 (-6%)
	Provincial Economic Growth	97.8	59.1	12.0 (14%)	3.0 (5%)
	Targeted Development Program	60.4	43.2	3.0 (5%)	6.4 (17%)
	Plant-Level Capacity Development & Technical Training	50.1	50.1		2.2 (5%)
	<i>Izdihar</i>	32.8	31.4		
	Financial Sector Development	31.6	0.0	31.6	
Subtotal	692.0	565.7	74.3 (12%)	11.5 (2%)	
Total		3,986.2	3,369.4	245.9 (7%)	82.3 (3%)

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

Sources: P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; USACE, response to SIGIR data call, 10/6/2010; USAID, response to SIGIR data call, 7/13/2010.

ESF Quarterly Obligations and Expenditures

The ESF has been allocated to programs in three tracks: Security, Political, and Economic. The majority of ESF allocations have been made to the Security track each year.¹⁰³

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

This quarter, there were \$245.9 million in net obligations from the ESF. Most of the new obligations—\$132.1 million—were made for programs in the Security Track, including \$55.0 million for the Community Action Program (CAP), \$29.4 million for the PRT Quick Response Fund, and \$25.0 million for the Local Governance Program. There were \$39.6 million in net obligations in the Political Track and \$74.3 million in new obligations to the Economic Track.¹⁰⁴

This quarter, there were \$82.3 million in net expenditures from the ESF. Most of the new expenditures—\$53.0 million—were made for programs in the Security Track, including \$26.2 million for the CAP. There were \$17.7 million in net expenditures in the Political Track and \$11.5 million in net expenditures in the Economic Track.¹⁰⁵

Policy Guidance and Project Management

More than \$4.45 billion (98%) of the ESF in Iraq has been allocated to DoS or the U.S. Agency for International Development (USAID). Of the amount allocated to DoS, more than half was sub-obligated to the U.S. Army Corps of Engineers (USACE). Within DoS, the largest user of ESF funds is the Bureau of Democracy, Human Rights, and Labor (DRL).¹⁰⁶ For an overview of ESF, by agency, see Figure 2.7.

DoS provides policy guidance for all ESF programs, including those implemented by USACE and by other civilian agencies.¹⁰⁷ However, U.S. Embassy-Baghdad does not have one overarching process for the use of ESF funds. Instead, Embassy sections using ESF funds employ their own project-selection criteria and manage the projects that they approve.¹⁰⁸ An overview of project management practices for major implementers of ESF follows.

United States Agency for International Development

In Iraq, USAID has used the ESF to fund projects related to democratic governance, economic growth, agricultural development, and other sectors.¹⁰⁹ Among the largest ongoing USAID projects is the CAP, which is intended to work at the grassroots level to foster citizen involvement and give communities the opportunity to mobilize skills and resources to meet local development needs.¹¹⁰ Since 2003, USAID has allocated more than \$676 million to the CAP.¹¹¹ The third phase of the CAP (CAP III) began in October 2008, and is scheduled to close on September 30, 2012.¹¹²

Program management practices for the CAP are representative of other large USAID projects,

which rely heavily on implementing partners to administer sub-projects or sub-grants and provide basic oversight.¹¹³ USAID has four main implementing partners for CAP III: Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance, Cooperative Housing Foundation International (CHF), Mercy Corps, and International Relief and Development. According to U.S. Embassy-Baghdad, these partners facilitate the creation and training of community action groups (CAGs) responsible for identifying and prioritizing community needs, mobilizing resources, and monitoring project implementation. USAID's implementing partners then work with the CAGs to determine project feasibility and develop scopes of work. When projects are selected, they seek endorsement from the local government, try to obtain matching funds, and solicit bids.¹¹⁴

According to U.S. Embassy-Baghdad, transparency is ensured through a selection committee that scores projects against established selection criteria. Additionally, the CAP has an overall monitoring and evaluation plan, with targets and indicators against which the implementing partner reports.¹¹⁵

SIGIR is currently reviewing CHF International's implementation of CAP III, including performance results and costs incurred. The contractor received \$57.36 million for activities in Anbar and south-central Iraq. SIGIR expects to issue the audit report in early 2011.

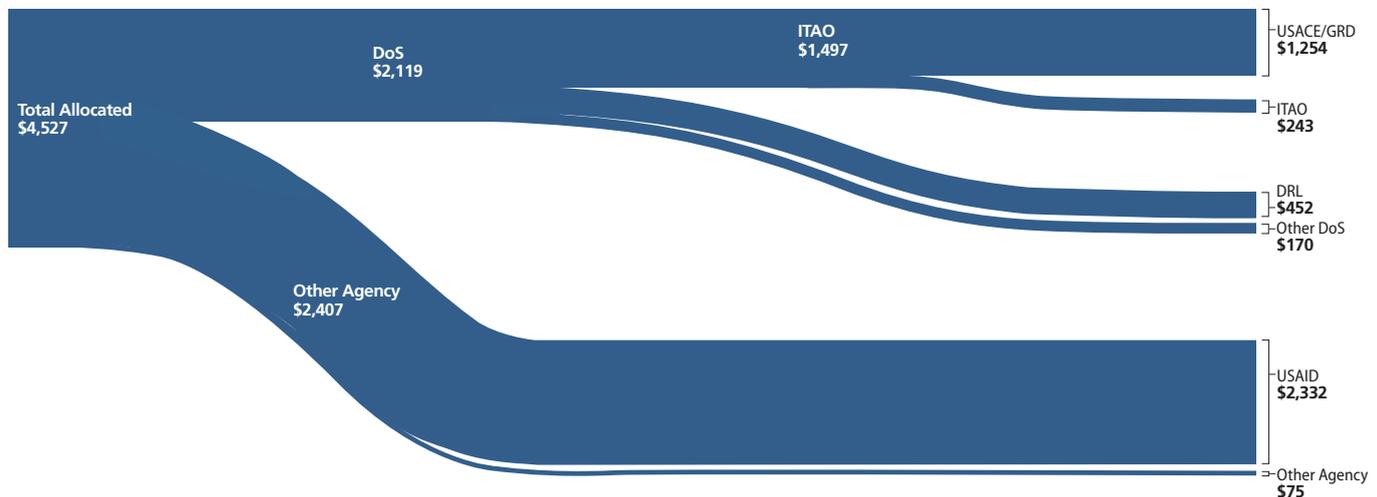
United States Army Corps of Engineers

In FY 2006 and FY 2007, the Iraq Transition Assistance Office—which has since become ISPO—provided more than \$1.25 billion to USACE through an interagency agreement.¹¹⁶ This money was used to support four programs: Infrastructure Security Protection; O&M Sustainment; Plant-Level Capacity Development & Technical Training; and PRT/PRDC Projects. As of September 30, 2010, \$1.08 billion (92%) of the money allocated for USACE projects had been obligated and \$996 million (85%) had been expended.¹¹⁷

DoS provides policy guidance for all ESF programs. However, U.S. Embassy-Baghdad does not have one overarching process for the use of ESF funds.

FIGURE 2.7
ESF ALLOCATIONS, BY AGENCY, FY 2006–FY 2010
 \$ Millions

AGENCY	OFFICE	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	TOTAL
Department of State (DoS)	USACE/GRD (through ITAO) ^a	869	385	0	0	0	1,254
	DRL	85	205	0	71	90	452
	ITAO	45	93	48	29	28	243
	DoS	42	0	20	5	0	67
	PRM	50	0	0	0	0	50
	CLA	0	0	0	19	0	19
	NEA/MEPI	0	0	10	0	0	10
	Baghdad/ACCO	0	0	0	4	6	10
	OPA	0	0	0	5	0	5
	S/GWI	0	0	0	5	0	5
	ECA	0	0	0	2	0	2
	INR	0	2	0	0	0	2
	Subtotal		1,091	685	78	140	124
Other Agency	U.S. Agency for International Development (USAID)	434	1,110	384	404	0	2,332
	Department of Justice	33	0	0	0	0	33
	Department of Treasury	13	0	0	0	6	19
	Department of Commerce	0	3	0	5	5	13
	Department of Agriculture	0	2	0	8	0	10
	Subtotal		480	1,115	384	417	11
Total		1,571	1,800	462	557	135	4,527



Note: Numbers affected by rounding. Audited allocations, shown here, are current as of 3/31/2010 and differ slightly from the the agency-reported values referenced in the ESF status of funds update. Since SIGIR issued the audit from which this data is drawn, ISPO has replaced ITAO.
^aESF allocated to USACE/GRD was sub-obligated from ITAO.

Source: SIGIR 10-018, "Most Iraq Economic Support Funds Have Been Obligated and Liquidated," 7/21/2010, pp. 12–13.

According to U.S. Embassy-Baghdad, these projects are managed in a manner consistent with established USACE project management policies and guidelines. A small ISPO project-monitoring staff oversees the USACE efforts and provides liaison with relevant GOI agencies and PRTs. ISPO oversight activities include monitoring USACE's regular reports, dialogue on project issues and remedial assistance, overall financial management, and periodic site visits (if permitted by security conditions).¹¹⁸

Bureau of Democracy, Human Rights, and Labor

DRL does not have dedicated grant officers. Instead, it relies on grant officers employed by the DoS Bureau of Administration's Office of Acquisition Management (AQM), to award and amend its grants.¹¹⁹ The grant officer appoints a grant officer representative (GOR), who is a DRL employee responsible for ensuring that the grantee is making adequate progress in achieving the project goals and objectives and that the funds are being used responsibly.¹²⁰

According to U.S. Embassy-Baghdad, grantees are required to submit quarterly narrative reports that outline program activities, outputs, and outcomes in line with their monitoring-and-evaluation plan. GORs review each narrative report quarterly, and DRL conducts a formal GOR review with senior DRL management at least twice a year to assess each grant.¹²¹ However, SIGIR audits of DRL's management of grants to the International Republican Institute (IRI) and the National Democratic Institute (NDI) found that DRL's oversight of the impact of these grants has been limited:

- In January, SIGIR found that grantee security costs were significant, and DRL did not have documentation on whether IRI's grant was meeting its goals and whether the grant money was being used in the most effective and efficient manner.¹²²
- In July, SIGIR found that weaknesses in DoS oversight and IRI compliance with grant requirements left DoS vulnerable to paying

excessive charges and having insufficient information on exactly what was achieved.¹²³

- This quarter, SIGIR found that NDI appeared to have charged more than allowed for security contract administration, which reduced the amount of funds available for direct program activities.¹²⁴

DoS officials stated that, in response to SIGIR's audits, grants officers will take a more active role in overseeing awards in the future and that they have recently received authority to hire additional staff. DRL stated that it continues to take steps to improve monitoring and evaluation.¹²⁵

Commander's Emergency Response Program

Since 2004, the Congress has provided approximately \$3.79 billion in CERP funding for the purpose of enabling military commanders in Iraq to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility.¹²⁶ The Congress is currently considering the Administration's request for an additional \$200 million in CERP funding for FY 2011.¹²⁷

The DoD Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) was unable to provide the top-line obligation and expenditure data for the FY 2010 CERP appropriation. Consequently, SIGIR is unable to provide a precise accounting of the current status of CERP funds.¹²⁸

As of September 30, 2010, at least \$3.60 billion had been obligated, and at least \$3.51 billion had been expended. Approximately \$89 million of obligated CERP funds had not been expended. Approximately \$187 million in additional funding had not been obligated, but this entire amount has expired.¹²⁹

CERP Quarterly Obligations and Expenditures

In this Report, as in the past, SIGIR is unable to provide a full project-level accounting of the

SIGIR is unable to provide a precise accounting of the current status of CERP funds.

CERP with data provided by the OUSD(C). This is because OUSD(C) does not report quarterly obligations and expenditures, by project or project category, for prior fiscal year CERP appropriations. Rather, it reports obligations and expenditures only for the current fiscal year's appropriation.

In past quarters, SIGIR used the Iraq Reconstruction Management System (IRMS) to obtain the cumulative CERP data that OUSD(C) does not supply. This quarter, there were numerous apparent flaws in the CERP data available from the IRMS. For example, quarterly CERP data from the IRMS showed a doubling of CERP obligations in the Education project category, but no CERP expenditures in any project category.¹³⁰ Consequently, SIGIR cannot provide a reasonably accurate project-level accounting of the CERP.

The IRMS was shut down on September 1, 2010, and can no longer serve as a substitute source of CERP data. OUSD(C) has not yet identified a viable alternative source of project-level CERP data.

The data on completed and ongoing electricity projects in the Public Services subsection of this Report provides an example of the problems created by this gap in reporting. Using project-level data provided by OUSD(C), SIGIR was able to determine that 29 electricity projects funded with FY 2010 CERP appropriations, with a combined value of \$11.9 million, were underway at the beginning of this quarter.¹³¹ However, SIGIR was unable to determine the status of projects funded with prior-year appropriations. For example, in January 2010, OUSD(C) reported that there were 86 ongoing CERP electricity projects, funded with FY 2009 appropriations and having a combined value of almost \$20.7 million, that were ongoing as of October 1, 2009.¹³² Because the current OUSD(C) reports do not provide project-level data for prior-year appropriations, SIGIR cannot determine if any of these projects are still ongoing, when other projects were completed, or what their final costs were.

The final data available from the IRMS, as of its September 1, 2010, shutdown, shows one CERP electricity project using FY 2008 funding and six

projects using FY 2009 funding ongoing. According to the IRMS, these projects had a combined value of \$1.5 million. However, the reliability of this data is uncertain because the IRMS also shows that 12 projects using about \$4 million in FY 2010 CERP funds were ongoing—compared with the 29 projects collectively valued at \$11.9 million that were listed in the most recent CERP report provided by OUSD(C).¹³³

SIGIR continues to work with OUSD(C) to try to resolve these issues.

CERP Reforms: Progress Made, but Problems with Project Documentation and Tracking Remain

In July 2010, DoD reported to the Congress on the results of its congressionally mandated review of the CERP.¹³⁴ DoD concluded that its management of the CERP had been satisfactory, but that there was significant room for improvement. The key areas where DoD has made adjustments or said it would make further reforms include:

- improving DoD's assessment of requirements and the CERP budget justification process
- clarifying policy on the appropriate use of CERP funds, including the balance between infrastructure projects and smaller-scale humanitarian assistance projects, given the substantial differences between Iraq and Afghanistan
- providing holistic, integrated oversight and management of the CERP while maintaining its essential flexibility
- ensuring adequate numbers of appropriately trained personnel are provided to manage and execute the CERP, particularly in Afghanistan given the increasing CERP requirements
- enhancing coordination with host nation governments, U.S. government agencies, and other partners to ensure that CERP projects are appropriately designed and implemented and meet key criteria, such as sustainability

In a recent report, SIGIR acknowledged the significant improvements in DoD's planning and

SIGIR cannot determine if any of these projects are still ongoing, when other projects were completed, or what their final costs were.

management of CERP projects.¹³⁵ Particularly noteworthy are guidance improvements and recent changes to address the shortages of personnel who are trained as contracting officer's representatives.

Although these actions address some of SIGIR's concerns about project oversight, gaps remain with regard to planning. For example, CERP guidance does not explicitly require project implementation plans. Although this may be appropriate for small-scale CERP projects, a project implementation plan is necessary for large-scale efforts with multiple, integrated projects—such as the Baghdad International Airport project. SIGIR also identified recurring problems with project documentation and incomplete project tracking data in many of its audit reports.¹³⁶

SIGIR is currently reviewing the CERP fund and will report its findings in January 2011.

International Narcotics Control and Law Enforcement

Since 2006, the Congress has appropriated \$1.07 billion to the INCLE in Iraq to support rule-of-law activities.¹³⁷ The Congress is currently considering the Administration's request for an additional \$315 million in INCLE funding for FY 2011.¹³⁸

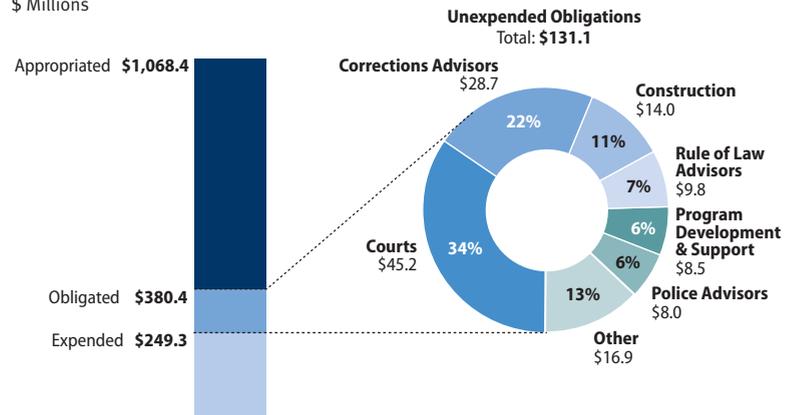
As of September 30, 2010, \$131 million of obligated INCLE funds had not been expended. An additional \$688 million, appropriated by P.L. 111-117 (\$38 million) and P.L. 111-212 (\$650 million), remains available for obligation to new projects. Funds appropriated to the INCLE by P.L. 111-117 expire on September 30, 2011, after which time they cannot be obligated to new projects.¹³⁹

For the status of the INCLE, including a breakdown of unexpended obligations, as of September 30, 2010, see Figure 2.8.

INCLE Quarterly Obligations and Expenditures

The INCLE has been allocated to 11 programs in four sectors: criminal justice, corrections,

FIGURE 2.8
INCLE: STATUS OF FUNDS
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212; INL, response to SIGIR data call, 9/30/2010.

counternarcotics, and other (which includes funding for program development and support). The majority of INCLE obligations to date have been made to programs in the criminal justice sector.¹⁴⁰

For the status and quarterly change of the INCLE, by program, as of September 30, 2010, see Table 2.7.

This quarter, INL obligated \$28.2 million of the INCLE. Most new obligations were made in the criminal justice sector, including \$12.6 million in new obligations to support Iraqi courts. Another \$5.6 million was obligated for police advisors, more than doubling total obligations to date for that program.¹⁴¹

This quarter, INL expended \$21.1 million of the INCLE. As with obligations, most new expenditures were made in the criminal justice sector, although new expenditures were more distributed among the programs.¹⁴²

The Increasing Significance of INCLE in Iraq

Appropriations to the INCLE in Iraq did not begin until FY 2006 and were then modest compared with appropriations made to the ISFF, CERP, and ESF.¹⁴³ In February 2010, the Administration

TABLE 2.7
INCLE: STATUS OF FUNDS, BY SECTOR AND PROGRAM
 \$ Millions

SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Criminal Justice	Courts	101.5	56.3	12.6 (14%)	7.1 (14%)
	Public Integrity	29.7	22.2		1.7 (8%)
	Rule of Law Advisors	22.1	12.3	0.3 (1%)	1.8 (17%)
	Major Crimes Task Force	13.1	5.4	-0.4 (-3%)	1.4 (36%)
	Police Advisors	8.9	0.9	5.6 (168%)	0.2 (27%)
	Justice Integration	6.8	5.0		0.2 (4%)
	Legal Framework	2.5	2.5		0.2 (8%)
	Subtotal		184.5	104.7	18.1 (11%)
Corrections	Advisors	86.5	57.8	6.3 (8%)	3.4 (6%)
	Construction	83.7	69.7		1.2 (2%)
	Subtotal	170.2	127.5	6.3 (4%)	4.6 (4%)
Counternarcotics	Counternarcotics	0.0	0.0		
Other	Program Development & Support	25.6	17.1	3.8 (17%)	4.0 (30%)
Total		380.4	249.3	28.2 (8%)	21.1 (9%)

Note: Data not audited. Numbers affected by rounding.

Sources: INL, responses to SIGIR data calls, 7/2/2010 and 9/30/2010.

The request was almost double the cumulative amount appropriated to the fund from FY 2003 through the regular FY 2010 appropriation.

requested \$832 million in FY 2010 supplemental and FY 2011 regular appropriations for the INCLE in Iraq to prepare for the transition of police training responsibility from DoD to DoS.¹⁴⁴ The request was almost double the cumulative amount appropriated to the fund from FY 2003 through the regular FY 2010 appropriation.¹⁴⁵

This quarter, the Congress appropriated \$650 million in FY 2010 supplemental funding for the INCLE—\$133 million more than the Administration requested in February.¹⁴⁶ If Congress appropriates the Administration’s full request for FY 2011 regular appropriations, the INCLE will be the fifth largest fund in overall appropriations for the relief and reconstruction of Iraq, totaling \$1.38 billion.¹⁴⁷

Use of the INCLE in Iraq

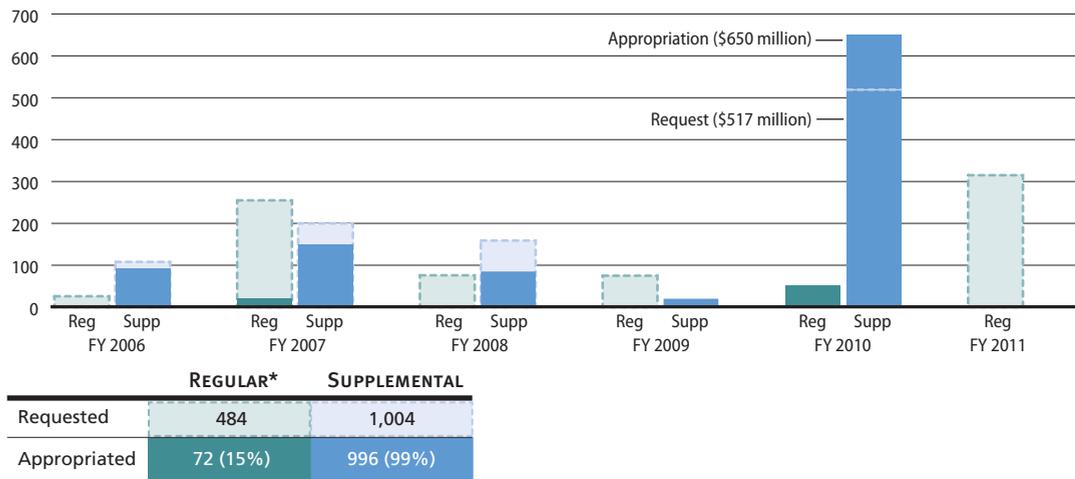
The Administration’s proposed uses of the INCLE in Iraq have shifted since FY 2006. Early requests for funding focused on corrections,¹⁴⁸ before shifting to judicial capacity building and security

and advanced technical assistance.¹⁴⁹ Requests to support the transition of police training responsibility to DoS began with the FY 2009 supplemental appropriation, and increased in FY 2010–2011.¹⁵⁰

In past fiscal years, the Congress has generally not supported the Administration’s full request for INCLE funding through regular appropriations. In at least one instance (FY 2008), the House Appropriations Committee noted that it was not recommending appropriations to the INCLE through the regular appropriation because funding had been provided through the previous year’s supplemental appropriation.¹⁵¹ After FY 2006, the Congress restricted DoS from using INCLE funding for new prison construction.¹⁵²

For a history of INCLE requests, justifications, appropriations, and earmarks for Iraq, see Figure 2.9 and Table 2.8.

FIGURE 2.9
INCLE: REGULAR AND SUPPLEMENTAL APPROPRIATIONS, FY 2006–FY 2011
 \$ Millions



* A request for an additional \$315 million in FY 2011 regular appropriations is still under consideration.

Note: Data not audited. Numbers affected by rounding.

Sources: See Table 2.8.

Smaller Funds

The Congress has appropriated or otherwise made available nearly \$7.49 billion in smaller funding streams for Iraq reconstruction. SIGIR has classified them into three categories:¹⁵³

- Other Assistance Programs—\$3.95 billion
- Reconstruction-related Operating Expenses—\$3.25 billion
- Reconstruction Oversight—\$295 million

As of September 30, 2010, at least \$4.76 billion (64%) of these funds had been obligated, and at least \$4.37 billion (58%) had been expended.¹⁵⁴ For details on the status of funds, see Table 2.1. ♦

TABLE 2.8
INCLE: REQUESTS, JUSTIFICATIONS, APPROPRIATIONS, AND EARMARKS
 \$ Millions

FY REQUEST	ADMINISTRATION'S BUDGET JUSTIFICATION	APPROPRIATION	CONGRESSIONAL EARMARKS AND RESTRICTIONS
2006 Regular \$26.47	Provide bilateral technical assistance to the MOI and MOJ; assign up to five senior advisors to advise on police, border enforcement, prosecutors, courts, and prisons; provide advanced and specialized training programs; maintain logistics and transportation support	P.L. 109-102 \$0.00	The conference report provided \$99.70 for "other programs," with the expectation that DoS would give programs in Iraq the highest priority with either FY 2006 INCLE funds or prior year unobligated funds; INL reported no appropriations received.
2006 Supplemental \$107.70	\$100.00 for construction and renovation of correctional facilities; \$7.70 for the protection of Iraqi judges	P.L. 109-234 \$91.40 Expired 9/30/2008	
2007 Regular \$254.60	Strengthen human rights enforcement; promote integration of police, courts and prisons; develop anti-corruption laws; develop legal assistance centers; provide courthouse security enhancements and protection for Iraqi judges; fund corrections advisors and INL administration and oversight costs	P.L. 110-5 \$20.05 Expired 9/30/2009	
2007 Supplemental \$200.00	Promote judicial security by protecting judges, witnesses, court staff, and facilities; train and mentor judges, prosecutors, and judicial investigators; integrate various components of the judicial system; support anticorruption efforts; construct additional jail/prison beds	P.L. 110-28 \$150.00 Expired 9/30/2008	Funds cannot be used for prison construction.
2008 Regular \$75.80	Support programs in development of the criminal justice system, public integrity, justice and rule of law; provide administrative oversight	P.L. 110-161 \$0.00	The House Appropriations Committee recommended no funding for Iraq; no funding was ultimately provided.
2008 Supplemental \$159.00	Expand judicial and court security, judicial capacity, justice integration, and anticorruption assistance to the provinces; continue to expand detention facilities	P.L. 110-252 \$85.00 Expired 9/30/2009	Funds cannot be used for prison construction.
2009 Regular \$75.00	Provide training, advice, and support to the courts/judiciary and Iraqi Corrections Service; maintain administrative oversight	P.L. 111-8 \$0.00	The Senate Appropriations Committee recommended \$25.00; no funding was ultimately provided.
2009 Supplemental \$20.00	\$9.00 for judicial training, security, and court administration; \$5.00 for subject matter experts to work on police transition planning; \$3.00 for rule of law advisors; \$3.00 for program support and oversight	P.L. 111-32 \$20.00 Expired 9/30/2010	Funds are subject to a form of GOI "matching."
2010 Regular \$52.00	Provide training, advising, and support to the courts/ judiciary and corrections; address problems of corruption and illegal drugs; engage Iraqi law enforcement development and reform efforts; provide administrative oversight	P.L. 111-117 \$52.00 Expires 9/30/2011	None of the funds made available may be used for new construction.
2010 Supplemental \$517.40	Fund start-up costs for the police program, including base camp and aviation facility upgrades, security infrastructure, and aircraft procurement	P.L. 111-212 \$650.00 Expires 9/30/2012	\$450.00 for one-time start up costs and limited operational costs of the Iraqi police program; \$200.00 for implementation, management, security, communications, and other expenses related to the Iraqi police program.
2011 Regular \$314.56	Hire police advisors and managers, contract personnel, and staff to develop and implement the police program; provide advanced training, capacity building, and standardized procedures for the judiciary; continue the deployment of rule of law advisors	under consideration	

Note: Data not audited. Numbers affected by rounding. Total appropriations are reported by INL. In some cases, reported appropriations do not equal the "up to" amount earmarked by the Congress.

Sources: DoS, "Congressional Budget Justification: Foreign Operations, FY 2006," 2/15/2005, p. 449; DoS, "Supplemental Budget Justification, FY 2006," 2/16/2006; P.L. 109-234; House Report 109-494, to accompany H.R. 4939, "Making Emergency Supplemental Appropriations for the Fiscal Year Ending September 30, 2006, and for Other Purposes," 6/8/2006, p. 36; DoS, "Congressional Budget Justification: Foreign Operations, FY 2007," 2/13/2006; DoS, "Congressional Budget Justification: Foreign Operations, FY 2007," 2/13/2006, p. 460; P.L. 110-5; INL, response to SIGIR data call, 7/2/2010; DoS, "FY 2007 Global War on Terror (GWOT) Supplemental," 2/14/2007, pp. 132-133; P.L. 110-28; Conference Report 110-107, to accompany H.R. 1591, "Making Emergency Supplemental Appropriations for the Fiscal Year Ending September 30, 2007, and for Other Purposes," 4/24/2007, p. 206; DoS, "Congressional Budget Justification: Foreign Operations, FY 2008," 2/13/2007, p. 75; House Report 109-265, to accompany H.R. 3057, "Making Appropriations for Foreign Operations, Export Financing, and Related Programs for the Fiscal Year Ending September 30, 2006, and for Other Purposes," 11/2/2005, pp. 97-98; House Report 110-197, to accompany H.R. 2764, "State, Foreign Operations, and Related Programs Appropriations Bill, 2008," 6/18/2007, p. 105; P.L. 110-161; DoS, "FY 2008 Global War on Terror (GWOT) Emergency," 2/13/2007, p. 139; P.L. 110-252; Senate Explanatory Statement to accompany H.R. 2642, "Making Appropriations for Military Construction, the Department of Veterans Affairs, and Related Agencies for the Fiscal Year Ending September 30, 2008, and for Other Purposes," 6/26/2008; DoS, "Congressional Budget Justification: Foreign Operations, FY 2009," 2/2008, pp. 54, 542; Senate Report 110-425, to accompany S. 3288, "Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2009," 7/18/2008, pp. 53-54; P.L. 111-8; DoS and USAID, "FY 2009 Supplemental Justification," 5/13/2009, pp. 40-42; P.L. 111-32; House Report 111-151, to accompany H.R. 2346, "Making Supplemental Appropriations for the Fiscal Year Ending September 30, 2009, and for Other Purposes," 6/12/2009, p. 131; DoS, "Guidelines for Government of Iraq Financial Participation in United States Government-Funded Civilian Foreign Assistance Programs and Projects," 4/9/2009; DoS, "Congressional Budget Justification: Foreign Operations, FY 2010," 5/28/2009, p. 47; P.L. 111-117; Conference Report 111-366, to accompany H.R. 3288, "Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010," 12/8/2009, pp. 1483-1484; DoS and USAID, "Supplemental Budget Justification, FY 2010," 3/2010, pp. 31-32; P.L. 111-212; Senate Report 111-188, to accompany H.R. 4899, "Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes," pp. 64-65; DoS, "Congressional Budget Justification: Foreign Operations, FY 2011," 3/10/2010, pp. 471-476.

IRAQI FUNDING

As of September 30, 2010, Iraq had provided \$85.31 billion for relief and reconstruction through Iraqi funding from the CPA era and its annual capital budgets.¹⁵⁵

This quarter, SIGIR is reporting a lower value for Iraqi funding than it has in the past, based on an updated methodology for calculating the Iraqi contribution to relief and reconstruction. In past quarters, Iraq's contribution to reconstruction was calculated as the amount of Iraqi funds overseen by the CPA plus the total sum of GOI capital budgets since 2003. According to that formula, \$91.43 billion had been provided for relief and reconstruction from Iraqi sources, as of last quarter.¹⁵⁶

Based on data provided by the GOI's Ministry of Finance (MOF), SIGIR is now able to calculate the GOI's actual capital expenditures for 2006–2009 instead of relying on amounts officially budgeted for capital projects.¹⁵⁷ Using this data, SIGIR has calculated that \$6.12 billion (12%) of the \$50.07 billion that the GOI provided through its 2006–2009 capital budgets has not been expended.¹⁵⁸

Guidance Needed for Use of Residual Iraqi Vested and Seized Asset Funds

In an audit issued this quarter, SIGIR found that DoD established controls over vested and seized Iraqi assets—which constitute a portion of Iraqi funding from the CPA era used to calculate Iraq's contribution to reconstruction—and that the Army maintained accurate accountability and routinely reported on the obligation and expenditures of vested and seized assets. However, DoD has not issued guidance on how to use remaining funds from these sources, nor has it designated an agency or established a process for working with the Iraqi ministries to identify new projects to be supported

with the remaining balances.¹⁵⁹ For more information, see Section 5 of this Report.

GOI Revenue

As of September 30, 2010, the GOI had received \$35.60 billion in oil receipts since the beginning of the calendar year. Assuming that oil export receipts for the final three months of the calendar year are equal to the average monthly receipts for the first nine months of 2010, the GOI would receive \$47.47 billion in total annual oil receipts for the year, 28% more than the \$37.02 billion in 2009 oil receipts,¹⁶⁰ and just shy of the \$47.91 billion projected in the 2010 GOI budget.¹⁶¹

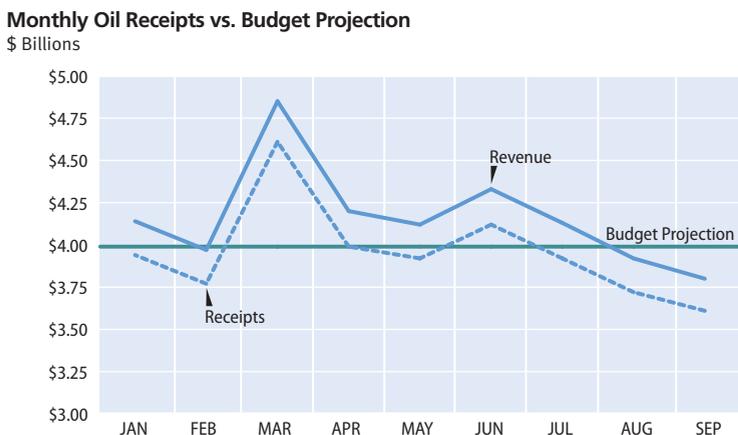
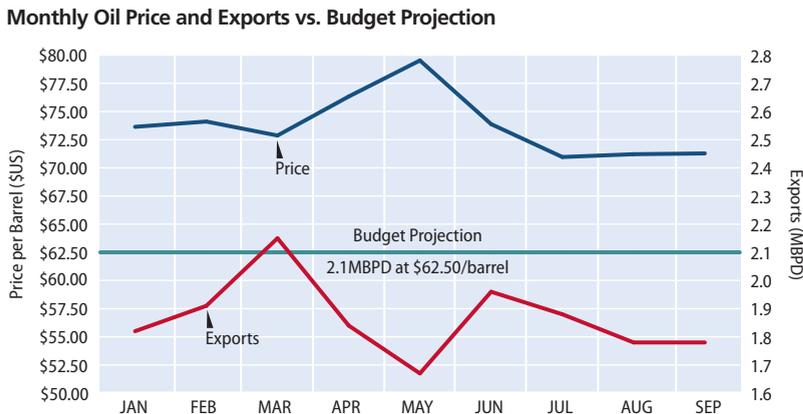
Since the beginning of the year, Iraq has received an average of \$73.69 per barrel of oil exported,¹⁶² well above the price of \$62.50 per barrel used to project Iraqi oil revenues for 2010.¹⁶³ However, since the beginning of the year, Iraq has averaged only 1.86 million barrels per day (MBPD) in exports—less than its projected export volume of 2.10 MBPD.¹⁶⁴ For details, see Figure 2.10.

Since the beginning of the year, Iraq has received an average of \$73.69 per barrel of oil exported.

Challenges in Determining the GOI's Budget Status

Ascertaining Iraq's budget status is difficult because of poor financial management practices. The consequent lack of clarity could undermine Iraq's allocation of resources, potentially contributing to waste and weakening accountability. According to the Director General of Finance for the MOF, part of the confusion arises from a lack of accounting codes in Iraq's financial management system. Currently, all of Iraq's outstanding advances (which are akin to "obligations" in U.S. budget terminology) are tracked under a single account code, which makes it difficult to determine Iraq's budget status.¹⁶⁵

FIGURE 2.10
MONTHLY OIL PRICE, EXPORTS, AND REVENUE VS.
2010 GOI BUDGET PROJECTIONS



Note: Data not audited. Numbers affected by rounding. Not all oil export revenue accrues to the GOI; 5% is paid in war reparations to Kuwait, which accounts for the difference between the Receipts and Revenue lines in this chart. Monthly oil export volumes reported by Treasury differ slightly from the data reported by NEA-I and used in the Oil and Gas subsection of this Report.

Sources: U.S. Treasury, response to SIGIR data call, 10/13/2010; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010.

The IMF believes that Iraq's fiscal performance has improved. Reduced government spending, higher-than-projected oil revenues, low inflation, and a stable exchange rate resulted in a budget surplus for the first half of 2010, and reflected progress in instituting structural reforms. However, according to the IMF's analysis, "both the fiscal balance and current account are projected to remain in deficit" in 2010–2011, and low oil production and exports are expected to cause a decline in economic growth.¹⁶⁶

This quarter, GAO performed an analysis of the GOI budget surplus.¹⁶⁷ According to the MOF, the GOI had recorded as much as \$40.3 billion in outstanding advances through 2009 against cumulative budget surpluses. These advances are unavailable for GOI expenditure, and according to the MOF, should therefore not be included in the total estimation of Iraq's budget surplus. Deducting advances from the total budget surplus through 2009 leaves an available surplus of \$11.8 billion.¹⁶⁸

The GAO also analyzed GOI financial deposit balances as an additional means to assess Iraq's fiscal position. GOI data and an independent audit report showed that, through the end of 2009, Iraq had accumulated between \$15.3 billion and \$32.2 billion in financial deposit balances.¹⁶⁹ The range reflects a discrepancy between the amount of government-sector deposits reported by the Central Bank of Iraq (CBI) to the International Monetary Fund (IMF) and the amount that the MOF asserts is available for government spending. According to the MOF, \$16.9 billion of the \$32.2 billion in government-sector deposits belong to state-owned enterprises and government trusts, such as those established for orphans and pensioners; therefore, only \$15.3 billion of the \$32.2 billion in government deposits through the end of 2009 is available for GOI spending.¹⁷⁰

The DoD, DoS, and Department of Treasury (Treasury) were unanimous in their belief that the actual amount funds available for spending by the GOI was at the low end of GAO's range and that maintaining a fiscal reserve would be sensible given Iraq's dependence on oil revenues and the volatility of oil prices. Also, DoD and Treasury believed that the actual value of Iraqi bank deposits were at the low end of GAO's range. DoD had the strongest objections, asserting that the GAO's overall message—that Iraq currently had significant cash reserves that would allow it to pay more of its security costs now and in 2011—was inaccurate and not supported by the financial data.¹⁷¹ ♦

INTERNATIONAL SUPPORT

As of September 30, 2010, international (non-U.S.) donors had committed \$12.01 billion for the relief and reconstruction of Iraq: \$6.15 billion in grant assistance and \$5.86 billion in loans.¹⁷² This quarter, total commitments increased by an estimated \$50 million (0.5%), which came entirely from Iran's continuing implementation of projects arising from its numerous memoranda of understanding for economic cooperation.¹⁷³

As of September 30, 2010, international donors had pledged \$18.10 billion: \$5.26 billion in grant assistance and \$12.84 billion in loans.¹⁷⁴

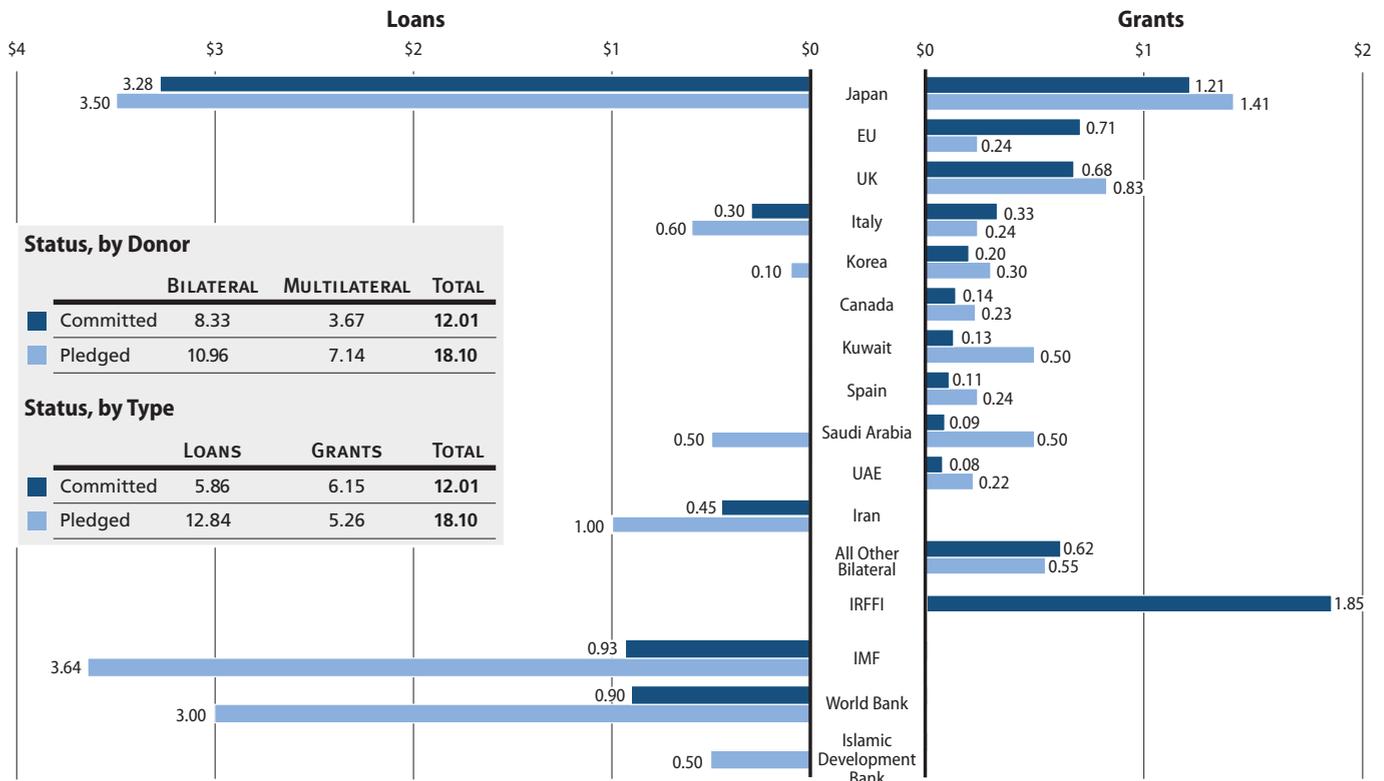
On October 1, 2010, the IMF completed the first review of Iraq's economic performance under the 24-month Stand-By Arrangement, making an additional \$741 million available for disbursement to Iraq.¹⁷⁵ It is not yet clear how this new availability will affect committed and pledged amounts.

As of September 30, 2010, commitments totaled 66% of pledges, but the percentage varied considerably among donors. Some donors, notably in the Middle East, have committed far less than they pledged.¹⁷⁶ For a breakdown of pledges and commitments, by type of assistance and donor, see Figure 2.11. ♦

FIGURE 2.11

INTERNATIONAL GRANTS AND LOANS, BY TYPE OF ASSISTANCE, STATUS, AND DONOR

\$ Billions



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

Source: NEA-I, response to SIGIR data call, 10/4/2010.