

# 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

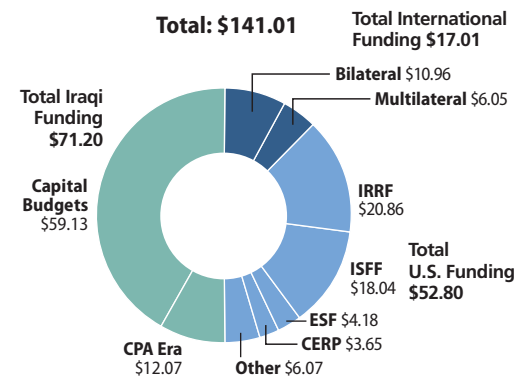
See Figure 2.1 for an overview of these funding sources.

## 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



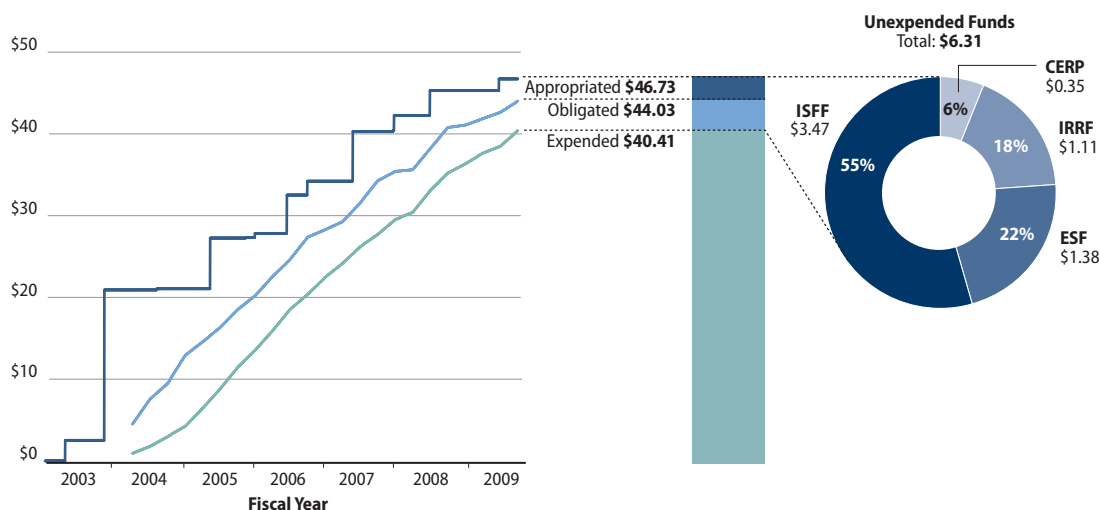
**Note:** Data not audited. Numbers affected by rounding. CPA-Era Iraq funds include \$1.72 billion in vested funds, \$0.93 billion in seized funds, \$9.33 billion in DFI, and \$0.09 billion in CERP funds provided by the Central Bank of Iraq. ISFF data provided by OSD is preliminary for the quarter ending 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

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 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 recission 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>

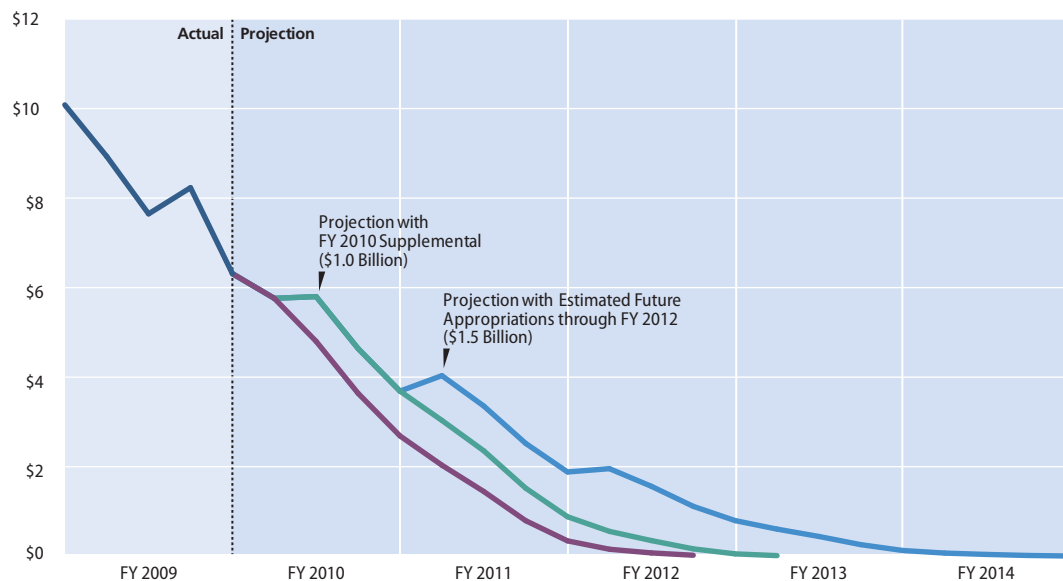
Note: Data not audited. Numbers affected by rounding.

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

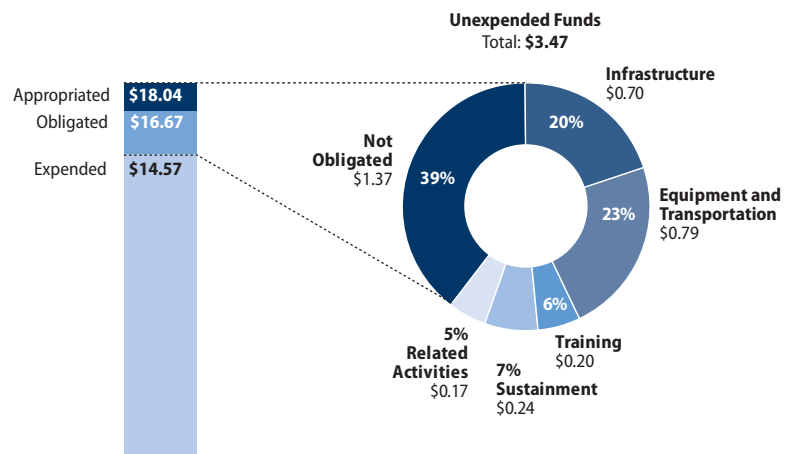
Of the \$18.04 billion appropriated to the ISFF, \$17.06 billion (95%) has been allocated to four major sub-activity groups.<sup>60</sup>

- 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>

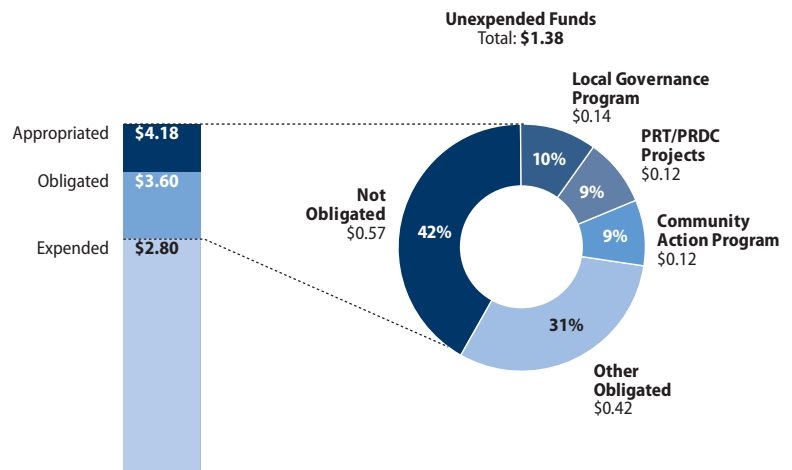
- Security—programs focused on reducing violence, improving infrastructure security, and strengthening the link between the government and the community
- Political—activities designed to increase the capacity of national and provincial governments
- Economic—programs aimed at increasing the GOI’s operations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

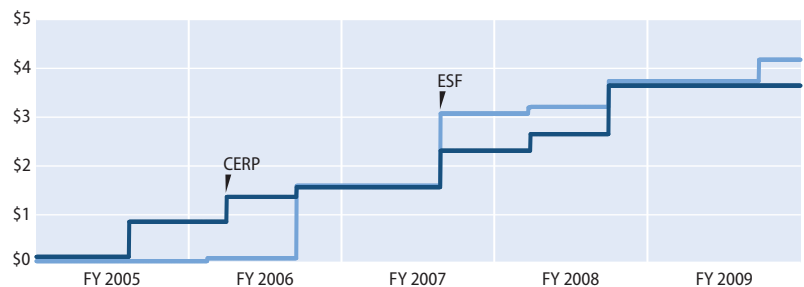
FIGURE 2.5  
ESF: STATUS OF FUNDS  
\$ Billions



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>	<b>121.6 (8%)</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>

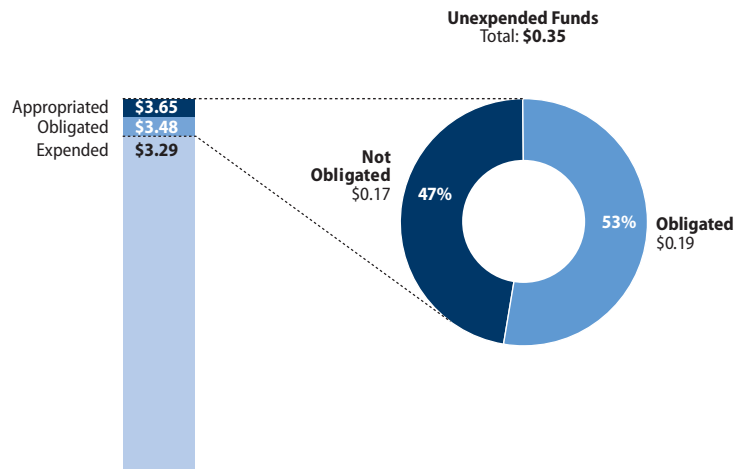
For the status of the CERP by project category, according to the *MNC-I Quarterly Report* available from the Iraq Reconstruction Management System (IRMS),<sup>86</sup> see Table 2.5.

### 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. ♦