2008 will be a Year of Transfer in Iraq

U.S. SUPPORT FOR GOI ANTICORRUPTION EFFORTS
SIGIR has issued its fourth review of U.S. support to Iraq’s anticorruption efforts, finding commendable progress in the Chief of Mission’s plans to reemphasize support for this important program. This progress complements the Prime Minister of Iraq’s designation of 2008 as the Year of Reconstruction and Anticorruption. A three-day conference in January focused on the GOI’s commitment to fight corruption, which bodes well for the possibilities of progress in this area this year. A new leader for Iraq’s Commission on Public Integrity was recently designated; supporting him and the Commission will be essential elements to success in overcoming corruption in Iraq.

GOI COMMITS TO IMPROVING INFRASTRUCTURE SERVICES
The Prime Minister of Iraq has committed the GOI to improving infrastructure services across Iraq in 2008. The GOI’s $48 billion budget for 2008 underscores this priority, with approximately 28% of the total budget dedicated to infrastructure and capital expenditures. As part of this effort, the Prime Minister created the Baghdad Essential Services Committee to guide and reinvigorate the service sector in the capital.

SECURITY CONDITIONS HINDER RECONSTRUCTION OVERSIGHT
Virtual all indicators of violent activity declined in 2007, underscoring the strategic success of the surge. Progress continues in growing the size and responsibilities of Iraqi Security Forces (ISF), with more than 441,000 members of the ISF trained to date. However, violence continues to impede the efforts of U.S. agencies working on Iraq’s relief and reconstruction. For example, SIGIR inspectors were denied access to project sites this quarter because of adverse security conditions. Other oversight agencies were also unable to visit sites to ensure quality control, examine contract compliance, and monitor the progress of construction. Thus, security conditions, although generally improved, still limit the work of managers, operators, and overseers in Iraq.

SUCCESS OF THE CONCERNED LOCAL CITIZEN INITIATIVE
The creation of the U.S.-supported Concerned Local Citizen groups (CLCs) was a significant security development in 2007. The CLCs are predominantly Sunni security elements operating in mostly Sunni areas west and north of Baghdad. Approximately 70,000 persons have joined CLC-related organizations. Sustaining the successes of CLCs will hinge on how well they can be integrated into Iraq’s existing security structure.

SIGIR issued seven audits and six inspections this quarter, reviewing various aspects of continued U.S. support for Iraq’s recovery.

SIGIR AUDITS
SIGIR audited the work performed by Parsons Delaware, Inc., under 11 construction task orders issued through Parsons’ $500 million design-build contract. SIGIR found that three of the task orders were completed, but eight were terminated for convenience, with work completed to varying degrees. The most serious problems occurred under the task orders issued to build 141 primary healthcare centers (PHCs) throughout Iraq, a program that SIGIR reviewed in 2006. SIGIR also examined reconstruction work performed by Parsons Infrastructure & Technology Group, Inc. under a contract managed by the Air Force Center for Environmental Excellence (AFCEE). The U.S. government was satisfied with the overall project, particularly regarding the oversight work accomplished by AFCEE.

SIGIR INSPECTIONS
As part of its ongoing study of projects funded by the Iraq Security Forces Fund (ISFF) projects, SIGIR inspectors visited three ISFF projects this quarter. The inspection of the Erbil Police Academy revealed that the project was well designed, had a clear scope of work, and benefited from an effective quality control program. One salutary factor of note was the clear involvement and support of local Iraqi officials through a cost-sharing agreement. SIGIR also assessed Iraqi Army facilities at Diyarah and Debecha. These projects evidenced good planning and construction practices, and SIGIR’s inspection concluded that the facilities, when completed, should meet overall operational and capacity requirements.

IRAQ RECONSTRUCTION OVERSIGHT
SIGIR issued its seventh audit this quarter, reviewing various aspects of continued U.S. support for Iraqi reconstruction.

THE YEAR OF TRANSFER IN IRAQ RECONSTRUCTION
Success in the continuing relief and reconstruction efforts in Iraq will depend substantially on the Government of Iraq’s (GOI) capacity to employ its own reconstruction resources in support of a national recovery plan. 2008 will be a Year of Transfer for the U.S. program, with a number of important milestones to meet, including:

- transferring reconstruction planning, management, and funding responsibilities to Iraq control
- transferring U.S.-provided reconstruction programs, projects, and assets from U.S. to Iraqi control
- transferring provincial security responsibilities from Coalition to Iraqi forces

DEVELOPMENTS AFFECTING THE YEAR OF TRANSFER
Three key developments will affect the Year of Transfer. First, Iraq’s national income could substantially exceed expectations because of the rise in oil prices and production. This potential windfall underscores the need for the GOI to pursue its duty to fight corruption with renewed vigor. Second, four pending legislative and constitutional measures could significantly affect governance in Iraq: the regions law, the provincial powers law, the elections law, and Article 140 of the Iraq Constitution. How Iraq resolves these measures will shape decisions on how the United States continues to support the reconstruction program. Third, Iraq is expected to assume primary security responsibility for all 18 provinces in 2008. This evolution in security will affect the U.S. role in Iraq’s reconstruction.

RECORD OIL PRODUCTION, EXPORTS, AND PRICES
This quarter, oil production reached a post-war record of 2.38 MBPD, while exports maintained their record output from the previous last quarter of 1.94 MBPD. The price of oil also reached post-war highs. Taken together, these factors indicate the likelihood of a potentially significant rise in available revenue for the GOI in 2008. The boom in the oil sector makes the passage of the pending hydrocarbon law all the more important.

THE EVOLVING CERP PROGRAM
CERP has funded more than 18,000 projects (with 14,000 completed), since its inception in 2003. A new SIGIR audit released this quarter examined larger CERP projects, identifying difficulties with the transfer and sustainability of these higher-cost projects. SIGIR found that CERP program guidance provided limited instruction on addressing these key issues, but the audit also concluded that large CERP projects were nevertheless generally well coordinated through informal channels.
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DEVELOPMENTS AFFECTING THE YEAR OF TRANSFER

SUCCESS IN THE CONTINUING RELIEF AND RECONSTRUCTION EFFORTS
The GOI commits to improving infrastructure and capital expenditures. As part of this effort, the GOI’s $48 billion budget for 2008 underscores this prior commitment to employ its own reconstruction resources in support of a national recovery plan. 2008 will be a Year of Transfer for the U.S. program, with a number of important milestones to meet, including:

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THE YEAR OF TRANSFER IN IRAQ RECONSTRUCTION
Success in the continuing relief and reconstruction efforts in Iraq will depend substantially on the Government of Iraq’s (GOI’s) capacity to employ its own reconstruction resources in support of an estimated national recovery plan. 2008 will be a Year of Transfer for the U.S. program, with a number of important milestones to meet, including:

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