

# RECONSTRUCTION OVERVIEW

## SUMMARY OF FUNDING FOR IRAQ RECONSTRUCTION

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## SUMMARY OF U.S. FUNDING

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# SUMMARY OF FUNDING FOR IRAQ RECONSTRUCTION

Since 2003, the governments of the United States and Iraq, along with the international community, have collectively provided \$125.73 billion to support reconstruction in Iraq. These funds support programs that seek to strengthen Iraq's government, security, critical infrastructure, and economy. For an overview of funding for Iraq reconstruction, see Figure 2.1. Figure 2.2 presents a timeline of U.S. reconstruction appropriations

The Government of Iraq (GOI) is now the primary source of financing for the reconstruction effort. Revenues from Iraq's oil sector provide the economic resources for reconstruction efforts.

## U.S. Funding (\$50.77 billion)

SIGIR reports on 33 U.S. funding accounts related to Iraq reconstruction efforts. Since 2003, the United States has appropriated \$50.77 billion for the efforts.

The Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), Commander's Emergency Response Program (CERP), and Economic Support Fund (ESF) account for 91% of these U.S. appropriations:

- The IRRF is now largely expended, and as of September 30, 2008, its funds are no longer available for new obligations.
- The ISFF, currently the largest U.S. funding stream supporting Iraq, totals \$17.94 billion.<sup>33</sup>

- Of \$3.74 billion appropriated to the ESF, the U.S. Department of State (DoS) has obligated approximately \$1.25 billion through inter-agency agreements, grants, and cooperative agreements.<sup>34</sup>
- Now totaling \$3.56 billion, the CERP has been placed under stricter project-approval guidelines under the recent National Defense Authorization Act for Fiscal Year 2009.

Table 2.1 shows total appropriations by fiscal year and Table 2.3 presents detailed information available for U.S. funding. Appendix E updates information on U.S. appropriations for Iraq relief and reconstruction, including allocations, obligations, and expenditures.

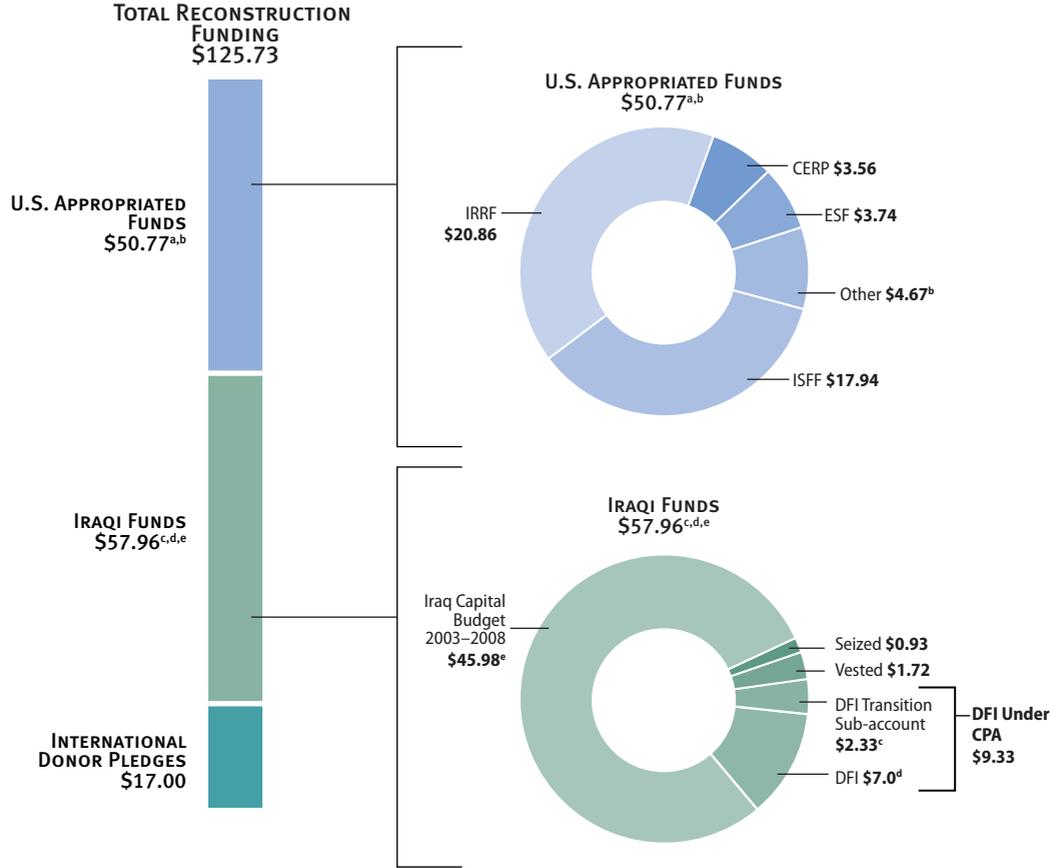
## Iraqi Funding (\$57.96 billion)

Since 2003, the GOI has allocated \$45.98 billion for reconstruction through its capital budgets. Iraq's total budget for 2008 now exceeds \$72.1 billion, which includes the recently passed Iraqi supplemental of just over \$20 billion. Iraq has the second-largest budget among neighboring Middle Eastern and North African countries with similar populations (see Table 2.2). But this rich budget has not translated into a proportionate increase in per capita income. At only \$1,214, Iraq's per capita income is well behind the regional front runner,

FIGURE 2.1

SOURCES OF IRAQ RECONSTRUCTION FUNDING—\$125.73 BILLION

\$ Billions



**Note:** Numbers affected by rounding.  
<sup>a</sup> See the Overview section for a description of funding changes in U.S. appropriations since the last Quarterly Report.  
<sup>b</sup> May include humanitarian aid or other types of assistance.  
<sup>c</sup> Includes 8/11/2004 transfer of \$86 million cash from the Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.  
<sup>d</sup> In previous Quarterly Reports, SIGIR reported approximately \$20 billion in DFI cumulative deposits to fund Iraqi government operations and reconstruction programs. SIGIR has refined that number to reflect only reconstruction funding, which is approximately \$7 billion, according to GAO Report 05-876 (7/28/2005, p. 2).  
<sup>e</sup> In FY 2003, the budget covered the last half of 2003 only. FY 2008 includes Supplemental funding.

**Sources:** OMB, response to SIGIR data call, 9/18/2008; Ministry of Finance, Ministry of Planning, and Coalition Provisional Authority, "Republic of Iraq Budget Revenues and Expenses: July-December 2003 Budget Summary," p. 6; Ministry of Finance, response to SIGIR data call, 10/2008; NEA-I, response to SIGIR data call, 10/2/2008.

# RECONSTRUCTION OVERVIEW

FIGURE 2.2

## TIMELINE OF U.S. APPROPRIATIONS \$ Billions



Note: Funding totals are not to scale.  
<sup>a</sup> Includes FY 2007 rescission of \$76 million under P.L. 110-28.  
<sup>b</sup> Includes FY 2008 rescission of \$50 million under P.L. 110-252.

Source: SIGIR analysis of Iraq reconstruction funding appropriated by the Congress.

Saudi Arabia, which has a budget of \$118 billion and per capita income of \$15,440. By contrast, Algeria has a budget close to Iraq's and a per capita income of \$3,620, which is triple that of Iraq.<sup>35</sup>

For an accounting of seized and vested assets, as well as the Development Fund for Iraq (DFI), see Appendix G.

## International Funding (\$17 billion)

October 2008 marks the fifth anniversary of the Madrid International Donors' Conference, the first large-scale effort by the international community to provide assistance to Iraq. As of September 30, 2008, international donors had pledged \$17 billion. For more information on international donors, see Appendix H.

TABLE 2.1

## U.S. SUPPORT FOR IRAQ RECONSTRUCTION (\$ BILLIONS)

U.S. FUND	APPROPRIATED	ALLOCATED	OBLIGATED	EXPENDED
IRRF 1	\$2.48	\$2.27	\$2.26	\$2.25
IRRF 2	18.39	18.33	17.86	17.26
<b>IRRF Total</b>	<b>\$20.86</b>	<b>\$20.60</b>	<b>\$20.12</b>	<b>\$19.51</b>
ISFF FY 2005	\$5.39	\$5.39	\$5.28	\$5.22
ISFF FY 2006	3.01	3.01	2.86	2.67
ISFF FY 2007	5.54	5.54	5.53	2.90
ISFF FY 2008	3.00	3.00	0.42	0.25
ISFF FY 2009 Bridge	1.00	-	-	-
<b>ISFF Total</b>	<b>\$17.94</b>	<b>\$16.94</b>	<b>\$14.09</b>	<b>\$11.04</b>
ESF FY 2003	\$0.05	\$0.05	\$0.05	\$0.05
ESF FY 2006	1.55	1.53	1.39	1.16
ESF FY 2007	1.60	1.60	1.35	0.72
ESF FY 2008	0.44	0.38	0.38	-
ESF FY 2009 Bridge	0.10	-	-	-
<b>ESF Total</b>	<b>\$3.74</b>	<b>\$3.56</b>	<b>\$3.17</b>	<b>\$1.93</b>
CERP FY 2004	\$0.14	\$0.14	\$0.14	\$0.13
CERP FY 2005	0.72	0.69	0.69	0.66
CERP FY 2006	0.71	0.69	0.69	0.64
CERP FY 2007	0.75	0.73	0.73	0.68
CERP FY 2008	1.24	1.00	1.00	0.57
<b>CERP Total</b>	<b>\$3.56</b>	<b>\$3.25</b>	<b>\$3.25</b>	<b>\$2.68</b>
Other Funding	\$4.67	\$0.26	\$0.26	\$0.08
<b>Total U.S. Appropriated</b>	<b>\$50.77</b>	<b>\$44.61</b>	<b>\$40.89</b>	<b>\$35.24</b>

Note: Numbers affected by rounding.

Sources: IRRF 1: USAID, response to SIGIR data call, 10/10/2008; Treasury, response to SIGIR data call, 10/3/2008; USTDA, response to SIGIR data call, 9/30/2008; DoS, response to SIGIR data call, 4/5/2007; DFAS, response to SIGIR data call, 10/10/2008. IRRF 2: DoS, *Iraq Weekly Status Report*, 10/1/2008. ISFF: OSD, response to SIGIR data call, 10/14/2008. ESF: DoS, response to SIGIR data call, 10/14/2007; ITAO, responses to SIGIR data call, 1/4/2008 and 10/14/2008; GRD, response to SIGIR data call, 10/6/2008; USAID, response to SIGIR data call, 10/14/2008; ITAO, *Essential Indicators Report*, 10/2/2008. CERP: OSD, response to SIGIR data call, 10/14/2008. Other Funding: INL, response to SIGIR data call, 10/7/2008.

TABLE 2.2

## COMPARISON OF IRAQ'S FINANCIAL STATUS TO REGIONAL NEIGHBORS

COUNTRY	POPULATION (MILLIONS)	BUDGET (BILLIONS)	GNI PER CAPITA
Iraq	27.5	\$43.1	\$1,214
Saudi Arabia	24.2	\$118.3	\$15,440
Syria	19.9	\$11.2	\$1,760
Yemen	22.4	\$8.4	\$870
Algeria	33.9	\$40.5	\$3,620

Note: Comparison cites budgets for 2007. Gross National Income (GNI) includes Gross Domestic Product, as well as interest, dividends, and other receipts.

Sources: World Bank, [www.worldbank.org/datastatistics/](http://www.worldbank.org/datastatistics/), accessed 10/12/2008; U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008; *CIA World Factbook*, [www.cia.gov](http://www.cia.gov), accessed 10/12/2008.

# RECONSTRUCTION OVERVIEW

TABLE 2.3

## U.S. APPROPRIATED FUNDS

FUNDING MECHANISM	PL. 108-7	PL. 108-11	PL. 108-106	PL. 108-287	PL. 109-113	PL. 109-102	PL. 109-148	PL. 109-234	PL. 109-289	PL. 110-28	2007 FOREIGN ASSISTANCE CONTINUING RESOLUTIONS	CONSOLIDATED APPROPRIATIONS ACT, 2008	SUPPLEMENTAL APPROPRIATIONS ACT, 2008 (INCLUDES FY 2008 AND FY 2009 BRIDGE FUNDING)	TOTAL APPROPRIATIONS
	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2003	EMERGENCY WARTIME SUPPLEMENTAL APPROPRIATIONS ACT, 2003	EMERGENCY APPROPRIATIONS ACT FOR THE RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2005	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR DEFENSE, THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF STATE, FY 2006	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FY 2006	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2007	U.S. TROOP READINESS, VETERANS' CARE, KATRINA RECOVERY, AND IRAQ ACCOUNTABILITY APPROPRIATIONS ACT, 2007	PL. 110-92, PL. 110-116, PL. 110-137, PL. 110-149	PL. 110-161	PL. 110-252 <sup>1</sup>	
Public Law #														
Date of Enactment	2/20/2003	4/16/2003	11/6/2003	8/5/2004	5/11/2005	11/14/2005	12/30/2005	6/15/2006	9/29/2006	5/25/2007	12/21/2007	12/26/2007	6/30/2008	
<b>Major Funding Streams</b>														
Iraq Relief and Reconstruction Fund (IRRF 2) <sup>a</sup>			\$18,439,000		\$5,391,000			\$3,007,000	\$1,700,000	\$3,842,300		\$1,500,000	\$2,500,000	\$18,389,000
Iraq Security Forces				\$140,000	\$718,000		\$408,000	\$300,000	\$375,000	\$375,400		\$370,000	\$875,000	\$17,940,300
Commander's Emergency Response Program (CERP) <sup>b</sup>														\$3,561,400
Economic Support Fund (ESF) <sup>c</sup>	\$40,000	\$10,000			\$60,390			\$1,485,000		\$1,478,000	\$122,800	\$14,879	\$526,500	\$3,737,569
Iraq Relief and Reconstruction Fund (IRRF 1)	\$2,475,000													\$2,475,000
<b>Major Funding Stream Totals</b>	<b>\$40,000</b>	<b>\$2,485,000</b>	<b>\$18,439,000</b>	<b>\$140,000</b>	<b>\$6,109,000</b>	<b>\$60,390</b>	<b>\$408,000</b>	<b>\$4,792,000</b>	<b>\$2,075,000</b>	<b>\$5,695,700</b>	<b>\$122,800</b>	<b>\$1,884,879</b>	<b>\$3,851,500</b>	<b>\$46,103,269</b>
<b>Other Assistance Programs</b>														
Natural Resources Risk Remediation Fund (NRRRF)		\$489,300												\$489,300
Department of State, Bureau of International Narcotics and Law Enforcement Affairs (DoS/INL)	\$20,000							\$91,400		\$150,000	\$20,048		\$85,000	\$366,448
Democracy Fund (State)										\$250,000			\$75,000	\$325,000
International Disaster and Famine Assistance <sup>d</sup>		\$143,800								\$45,000	\$5,000	\$50,000	\$45,000	\$288,800
Migration and Refugee Assistance <sup>d</sup>										\$45,000	\$20,000	\$149,400	\$269,000	\$483,400
Iraq Freedom Fund (Brinkley Initiative)										\$50,000			\$50,000	\$100,000
Child Survival and Health Programs Fund		\$90,000												\$90,000
PL 480 Title II Food Aid	\$68,000													\$68,000
Voluntary Peacekeeping Operations		\$50,000												\$50,000
Alhurra-Iraq Broadcasting			\$40,000											\$40,000
Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)										\$7,000	\$12,350	\$15,975	\$4,500	\$39,825
Emergency Refugee and Migration Assistance		\$37,000												\$37,000
Overseas Humanitarian, Disaster and Civic Aid														\$17,000

# SUMMARY OF FUNDING

FUNDING MECHANISM	EMERGENCY APPROPRIATIONS ACT FOR THE DEFENSE AND FOR THE RECONSTRUCTION AND AFGHANISTAN, 2003	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2003	EMERGENCY APPROPRIATIONS ACT FOR THE DEFENSE AND FOR THE RECONSTRUCTION AND AFGHANISTAN, 2004	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2005	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE GLOBAL WAR ON TERRORISM, 2005	EMERGENCY APPROPRIATIONS ACT FOR THE STATE, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, 2006	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2006	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2007	U.S. Troop Readiness, Veterans Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007	2007 FOREIGN OPERATIONS AND CONSOLIDATED APPROPRIATIONS ACT, 2007	PL. 110-116, PL. 110-137, PL. 110-149	PL. 110-161	PL. 110-252 <sup>1</sup>	SUPPLEMENTAL APPROPRIATIONS ACT, 2008 (INCLUDES FY 2008 FUNDING)	CONSOLIDATED APPROPRIATIONS ACT, 2008	FY 2009 BRIDGE FUNDING	TOTAL APPROPRIATIONS
Public Law #	PL. 108-7	PL. 108-11	PL. 108-106	PL. 108-287	PL. 109-13	PL. 109-102	PL. 109-148	PL. 109-234	PL. 109-289	PL. 110-28	PL. 110-116, PL. 110-137, PL. 110-149	PL. 110-161	PL. 110-252 <sup>1</sup>						
Date of Enactment	2/20/2003	4/16/2003	11/6/2003	8/5/2004	5/11/2005	11/14/2005	12/30/2005	6/15/2006	9/29/2006	5/25/2007	12/21/2007	12/26/2007	6/30/2008						
International Affairs Technical Assistance								\$13,000			\$2,750								\$15,750
Education and Cultural Exchange Programs																	\$6,150		\$12,300
Combatant Commander Initiative Fund (CIC Initiative Fund)		\$3,612																	\$3,612
U.S. Marshals Service (Litigation Support Services)						\$1,000												\$1,648	\$2,648
International Military and Education Training (IMET)						\$693												\$242	\$2,073
Department of Justice; litigation support											\$1,648								\$1,648
Other Assistance Programs	\$68,000	\$833,712	\$57,000	\$0	\$0	\$693	\$0	\$105,400	\$0	\$0	\$551,398	\$64,686	\$530,148	\$530,148	\$530,148	\$530,148	\$530,148	\$530,148	\$2,432,804
Reconstruction Related Operational Costs																			
Coalition Provisional Authority (CPA) <sup>a</sup>			\$908,000																\$908,000
Project and Contracting Office <sup>f</sup>								\$200,000											\$830,000
Special Inspector General for Iraq Reconstruction (SIGIR)			\$75,000					\$24,000											\$173,000
Iraq Freedom Fund (PRT Administrative Costs)																			\$100,000
USAID Administrative Expenses <sup>g</sup>			\$21,000					\$79,000											\$172,959
United States Agency for International Development, Office of Inspector General (USAID OIG)			\$1,900					\$2,500											\$19,723
Defense Contract Audit Agency (DCAA) <sup>h</sup>																			\$16,372
Department of State, Office of Inspector General								\$1,000											\$8,900
DoD Office of the Inspector General								\$5,000											\$5,000
Reconstruction Related Operational Cost Totals		\$24,500	\$984,900	\$0	\$26,900	\$0	\$0	\$309,000	\$0	\$0	\$785,428	\$2,042	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$2,233,954
Grand Total All U.S. Appropriated Funding For Iraq Reconstruction	\$108,000	\$3,343,212	\$19,480,900	\$140,000	\$6,135,900	\$61,083	\$408,000	\$5,206,400	\$2,075,000	\$7,032,526	\$189,528	\$2,110,971	\$4,478,507	\$50,770,027					

<sup>a</sup> \$18.439 billion represents the amount appropriated by Congress for Iraq programs in IRRF 2, under P.L. 108-106, enacted in November 2003. Congress had initially appropriated \$18.649 billion to IRRF 2, but also earmarked that \$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 a \$352 million Iraq bilateral debt forgiveness program to the United States that required funding in a Treasury account. Congress was notified of all transfers out of the IRRF. In addition, in FY 2006 appropriations, Congress earmarked that \$9.95 million be transferred into the IRRF from the DoS Economic Support Fund account. Also includes \$50M rescission as identified in HR 2642.

<sup>b</sup> Congress appropriated \$500M in CERF funding under P.L. 110-161; DoD allocated \$370 million for Iraq and \$130 million for Afghanistan.

<sup>c</sup> \$40M from FY 2003 ESF base account that was not reimbursed; \$10M from P.L. 108-11. FY 07 ESF Emergency Supplemental includes \$76M rescission.

<sup>d</sup> HR 2642 appropriated funding for International Disaster and Famine Assistance and Migration and Refugee Assistance is subject to change pending final worldwide allocation of these two funds.

<sup>e</sup> Excludes \$75M for Special Inspector General for Iraq Reconstruction under P.L. 108-106.

<sup>f</sup> Per conference reports for P.L. 109-234 and P.L. 110-28, reconstruction support funding is provided for Project and Contracting Office activities.

<sup>g</sup> Incomplete pending further investigation into administrative expenses for all fiscal years.

<sup>h</sup> As identified in 110-28 conference report. Includes Iraq reconstruction efforts for civilian personnel, temporary/additional duty and miscellaneous contracts.

<sup>i</sup> Additional funding under P.L. 110-252 reported by OMB will be reflected in future SIGIR Quarterly Reports.

<sup>j</sup> Excludes \$99 million for a regional training center in Jordan. Future SIGIR reports will reflect this funding in ISF appropriation totals.

# SUMMARY OF U.S. FUNDING

SIGIR reports on the oversight and accounting for U.S. monies appropriated or otherwise made available for the building of physical infrastructure, the establishment of political and societal institutions, and the purchase of products and services for the benefit of the people of Iraq.

The United States has made reconstruction assistance available through 33 funding streams. As of September 30, 2008, the Congress has appropriated more than \$50.77 billion to these accounts.<sup>36</sup>

## Evolving U.S. Reconstruction Program

The nascent normalcy in Iraq means that the U.S. reconstruction program has entered a new and more fiscally limited phase. Although many projects continue, the rate of U.S. appropriations notably declined this year, and most

large U.S.-funded reconstruction projects have been completed or discontinued. The FY 2008 Supplemental provided \$4.48 billion—36% less than the FY 2007 Supplemental. Table 2.4 summarizes appropriations for Iraq reconstruction by fiscal year, and Figure 2.3 shows an overview of the rate of U.S. appropriations made available for that fiscal year.

In addition to reducing funding levels, the Congress placed conditions on future U.S. funding. In the new National Defense Authorization Act (NDAA), the Congress authorized limited amounts of additional funding while placing limitations on the permissible uses of U.S. appropriations.<sup>37</sup> Moreover, recent appropriations require increased coordination of reconstruction spending with the GOI, particularly for projects currently funded through the CERP.<sup>38</sup>

TABLE 2.4

### U.S. APPROPRIATIONS FOR RECONSTRUCTION, BY FISCAL YEAR (\$ MILLIONS)

FY	APPROPRIATED
2003	\$3,451
2004	\$19,621
2005	\$6,136
2006	\$5,675
2007	\$9,108
2008/2009*	\$6,779
<b>Total</b>	<b>\$50,770</b>

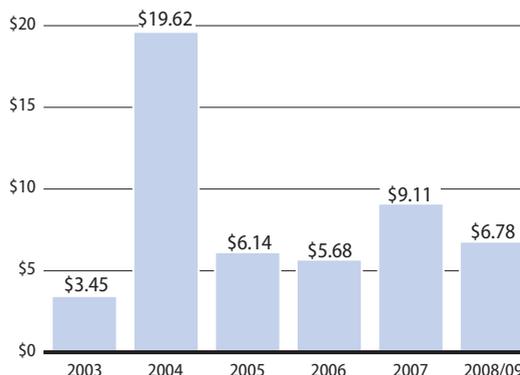
\*Funds made available under this appropriation were for FY 2008 as well as FY 2009 bridge funding.

Source: 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.

FIGURE 2.3

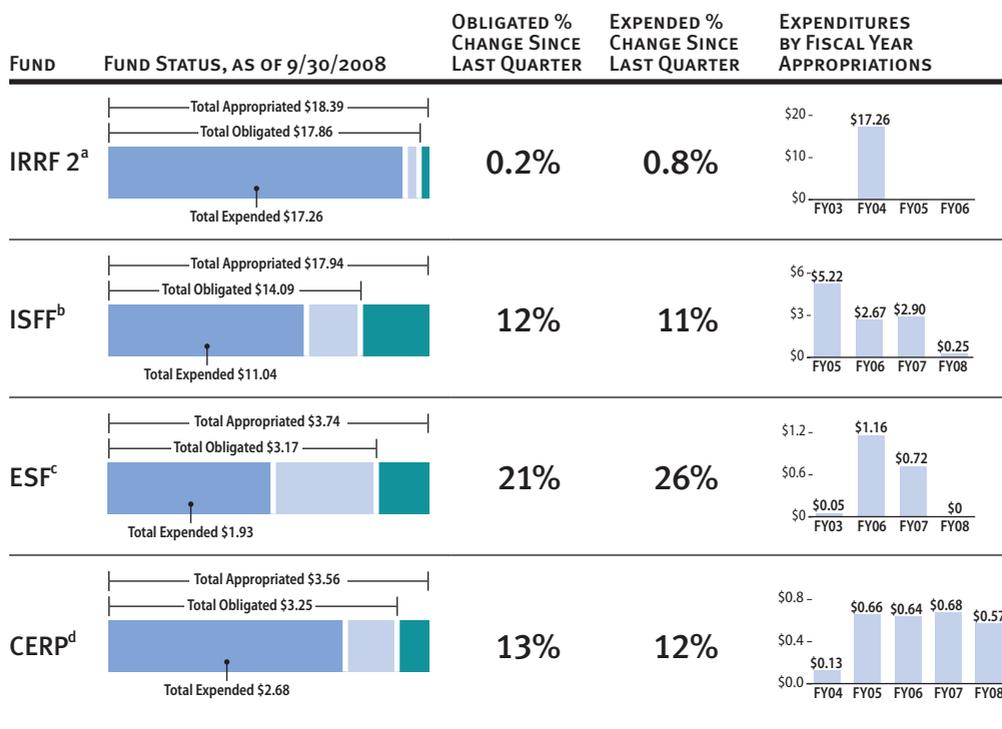
### U.S. APPROPRIATIONS FOR RECONSTRUCTION, BY FISCAL YEAR

\$ Billions



Source: 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.

FIGURE 2.4  
STATUS OF FUNDS OVERVIEW (\$ BILLIONS)



Notes: Numbers affected by rounding.

Sources:

<sup>a</sup> P.L. 108-106; DoS, *Iraq Weekly Status Report*, 10/1/2008.  
<sup>b</sup> P.L. 109-13; P.L. 109-234; P.L. 109-289; P.L. 110-28; P.L. 110-161; P.L. 110-252; OSD, response to SIGIR data call, 10/14/2008.  
<sup>c</sup> P.L. 108-7; P.L. 108-11; 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; DoS, response to SIGIR data call, 10/14/2007; ITAO, responses to SIGIR data call, 1/4/2008 and 10/14/2008; GRD, response to SIGIR data call, 10/6/2008; USAID, response to SIGIR data call, 10/14/2008; ITAO, *Essential Indicators Report*, 10/2/2008.  
<sup>d</sup> P.L. 108-287; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-28; P.L. 110-161; P.L. 110-252; OSD, response to SIGIR data call, 10/14/2008.

## Overview of Major U.S. Funding Accounts

Nearly 91% of U.S. appropriations for Iraq reconstruction have been made available through four main accounts: the Iraq Relief and Reconstruction Fund (commonly referred to as IRRF 1 and IRRF 2), Iraq Security Forces Fund (ISFF), Economic Support Fund (ESF), and Commander’s Emergency Response Program (CERP). These four funding accounts have obligated \$40.63 billion and expended \$35.16 billion for reconstruction efforts in Iraq, including a 6.4% increase in obligations and 5.8% increase in expenditures over last quarter. Information on these major reconstruction funding shows:

- **IRRF:** Over 97% is obligated, and nearly 94% has been spent.<sup>39</sup>

- **ISFF:** The ISFF has the largest amount of funds still available for new obligation—\$3.85 billion.<sup>40</sup>
- **CERP:** The CERP has obligated and expended the highest percentage of its appropriated funds, excluding the IRRF.<sup>41</sup>
- **ESF:** The ESF lags the other main funds in expenditures, with more than 48% of ESF appropriations yet to be expended<sup>42</sup> (compared with 6% for the IRRF 2, 25% for CERP, and 38% for the ISFF). For details on SIGIR’s review of the ESF account this quarter, see Section 4.

For the status of the major U.S. accounts supporting Iraq’s reconstruction, see Figure 2.4.

## Iraq Relief and Reconstruction Fund

On September 30, 2008, the authority to obligate IRRF 2 funds for new projects expired. Of the more than \$17.86 billion obligated to date, \$17.26 billion has been expended and \$530 million remains unobligated.<sup>43</sup> These monies are no longer available for new obligations but will remain available for adjustments to current contracts.<sup>44</sup>

Of the total obligated to date, only \$600 million remains available for expenditures.

## IRRF 2 Sector Funding

Funds appropriated under the IRRF 2 were allocated among 10 project categories.<sup>45</sup> Of total program expenditures this quarter, the Electricity sector (\$62 million) and Water and Sanitation sector (\$22 million) recorded the highest amounts.<sup>46</sup> For the status of allocations to IRRF 2 sectors, see Table 2.5.

TABLE 2.5

### ALLOCATIONS, OBLIGATIONS, AND EXPENDITURES, BY IRRF 2 SECTOR (\$ BILLIONS)

PROJECT TYPE	ALLOCATED	OBLIGATED	EXPENDED
Security and Law Enforcement	\$4.96	\$4.94	\$4.87
Justice, Public Safety, and Civil Society	2.30	2.26	2.18
Electricity Sector	4.18	4.07	3.94
Oil Infrastructure	1.72	1.61	1.58
Water and Sanitation	2.05	1.98	1.85
Transportation and Communications	0.46	0.46	0.42
Roads, Bridges, and Construction	0.32	0.28	0.26
Health Care	0.81	0.79	0.74
Private Sector Development	0.84	0.82	0.81
Education, Refugees, Human Rights and Governance	0.47	0.44	0.41
Administrative Expenses	0.22	0.22	0.21
<b>Totals</b>	<b>\$18.33</b>	<b>\$17.86</b>	<b>\$17.26</b>

Note: Numbers affected by rounding.

Source: DoS, *Iraq Weekly Status Report*, 10/1/2008.

TABLE 2.6

IRRF 2 PROJECT UPDATES, BY SECTOR

PROJECT CATEGORY	OUTPUTS AND OUTCOMES
Security and Law Enforcement	<ul style="list-style-type: none"> <li>• 2 courthouses were completed this quarter in Diyala and Ninewa.</li> <li>• Work concluded on the Al-Chibayish Police Station in May 2008.</li> <li>• Phase I of the Nassriya Prison Facility was finished in May 2008.</li> </ul>
Justice, Public Safety, and Civil Society	<ul style="list-style-type: none"> <li>• Allocations decreased to efforts in the reconstruction and modernization of detention facilities by more than \$6 million.</li> <li>• Funding to democracy-building activities increased by \$24.80 million over last quarter.</li> </ul>
Electricity Sector	<ul style="list-style-type: none"> <li>• 1 distribution line was completed in Diyala.</li> <li>• Work concluded on a \$3.6 million substation in Anbar province.</li> </ul>
Oil Infrastructure	<ul style="list-style-type: none"> <li>• Oil reconstruction projects reached close-out.</li> <li>• Record oil output reached 2.47 MBPD.</li> </ul>
Transportation and Communications	<ul style="list-style-type: none"> <li>• The Digital Microwave Radio Communications Network/Computer Based Train Control System is scheduled to become operational before the end of 2008.</li> <li>• Progress continues on the Iraqi Computer Based Train Control (CBTC) project to rehabilitate housing and the Falluja station.</li> </ul>
Water Resources and Sanitation	<ul style="list-style-type: none"> <li>• Addition of 2.25 million cubic feet per day of treatment capacity.</li> <li>• The additional capacity would benefit as many as 8.4 million people.</li> </ul>
Roads, Bridges, and Construction	<ul style="list-style-type: none"> <li>• The \$4.9 million Sheikh Saad Bridge project was completed under a grant agreement with the Iraqi government.</li> <li>• A contract was initiated to add two lanes to the Babil Road Number 80.</li> </ul>
Health Care	<ul style="list-style-type: none"> <li>• 16 Primary Healthcare Centers were completed this quarter.</li> <li>• Renovations concluded on maternity and pediatric hospitals Al-Hilla Maternity Hospital and Children's Hospital and Baladi Maternity and Pediatric Hospital.</li> </ul>
Private Sector Development	<ul style="list-style-type: none"> <li>• Testing was completed for a local area network system for electronic trading on Iraq's stock exchange; electronic trading is expected to begin next quarter.</li> <li>• The U.S. Department of Energy assisted the Iraqis in the development of a national energy strategy.</li> </ul>
Education, Refugees, Human Rights, and Governance	<ul style="list-style-type: none"> <li>• Educational assistance was expanded to nearly 73,000 Iraqi refugees in Syria and Jordan.</li> <li>• Plans were accepted for the purchase of \$10.2 million in equipment and machinery for the Central Utilities Plant at the American University of Iraq in Sulaymaniyah.</li> <li>• Funding for governance activities increased by just more than \$18 million.</li> </ul>

Sources: DoS, Section 2207 Report, 7/2008; GRD, response to SIGIR data call, 10/15/2008; USAID response to SIGIR data call, 10/14/2008; NEA-I, response to SIGIR data call, 10/14/2008.

TABLE 2.7

MAJOR ONGOING IRRF RECONSTRUCTION PROJECTS (\$ MILLIONS)

PROJECT	TOTAL BUDGETED COST	START DATE	ORIGINAL COMPLETION DATE	PROVINCE
Construct Qudas Power Plant Expansion	\$182.45	2/17/2007	12/31/2008	Baghdad
Farabi & Jamila 132kV S/S - Construct New	\$50.00	7/31/2006	12/31/2008	Baghdad
Construct Eastern Euphrates Drain (Zones 3B and 4)	\$38.50	11/25/2006	03/01/2009	Muthanna
Basrah Children's Hospital <sup>a</sup>	\$34.40	10/18/2006	01/31/2009	Basrah
Ramadi 132kV S/S Construct New	\$30.91	1/30/2007	10/15/2008	Anbar
Diwaniyah 132kV Ais Substation - Construct New	\$26.29	6/17/2007	10/31/2008	Qadissiya
SS-016 Construction Wastewater Treatment Plant Fallujah Ph 2	\$24.51	12/09/2006	09/22/2009	Anbar
Construct Al Mamoon Telephone Switch Buildings	\$24.15	12/26/2005	12/31/2008	Baghdad
Construct Meshkab Water Supply Project	\$23.53	9/20/2007	04/07/2009	Najaf
Construct Nassriyah Drainage Pump Station	\$20.00	3/01/2007	12/31/2008	Thi-Qar

Note: The budgeted costs listed in the table above represent the IRRF line item portion of each project as reported in the Iraq Reconstruction Management System (IRMS) and not total project costs. Line items may represent a portion of projects executed in multiple phases or multiple task orders.

<sup>a</sup> GRD portion only.

Source: IRMS, ITAO Rollup, 10/1/2008.

TABLE 2.8

**ISFF APPROPRIATIONS (\$ MILLIONS)**

APPROPRIATION	PUBLIC LAW	AMOUNT
Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005	P.L. 109-13	\$5,391
Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006	P.L. 109-234	\$3,007
Department of Defense Appropriations Act, 2007	P.L. 109-289	\$1,700
U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007	P.L. 110-28	\$3,842
Consolidated Appropriations Act, 2008	P.L. 110-161	\$1,500
Supplemental Appropriations Act, 2008	P.L. 110-252	\$2,500
<b>Total</b>		<b>\$17,940</b>

Note: Numbers affected by rounding.

### Ongoing IRRF 2 Projects

As of September 30, 2008, 297 IRRF 2 projects were ongoing, valued at \$1.10 billion. GRD projects account for about 75% of these costs, and as of October 15, 2008, 72 GRD projects were ongoing, costing \$826 million.<sup>47</sup> This quarter, GRD reported completing 54 construction projects and 8 non-construction projects.<sup>48</sup> Table 2.6 provides highlights of recent project activity, and Table 2.7 provides a list of some of the largest ongoing IRRF 2 reconstruction projects.

### Iraq Security Forces Fund

The ISFF is the largest ongoing reconstruction fund in Iraq (\$17.94 billion).<sup>49</sup> Obligations total \$14.09 billion, of which \$11.04 billion has been expended, leaving \$6.9 billion to spend. Expenditures this quarter increased by \$1.11 billion over the prior quarter. For a listing of ISFF appropriations since authorization of the ISFF in 2005, see Table 2.8.

The most recent supplemental funding appropriation for FY 2008 and FY 2009 bridge funding added \$2.5 billion to the ISFF. However, total ISFF appropriations for FY 2008 dropped 35% from a year ago.

The Multi-National Security Transition Command-Iraq (MNSTC-I) administers

ISFF funding to assist the Iraqi government in developing, organizing, training, equipping, and sustaining the Iraqi Security Forces (ISF).<sup>50</sup> Recent trends indicate that ISFF spending focuses on building Iraq's logistics and sustainment capabilities.<sup>51</sup>

The combined 2008 GOI budget allocations for the Iraqi Security Forces fell 44.3% below requests.<sup>52</sup>

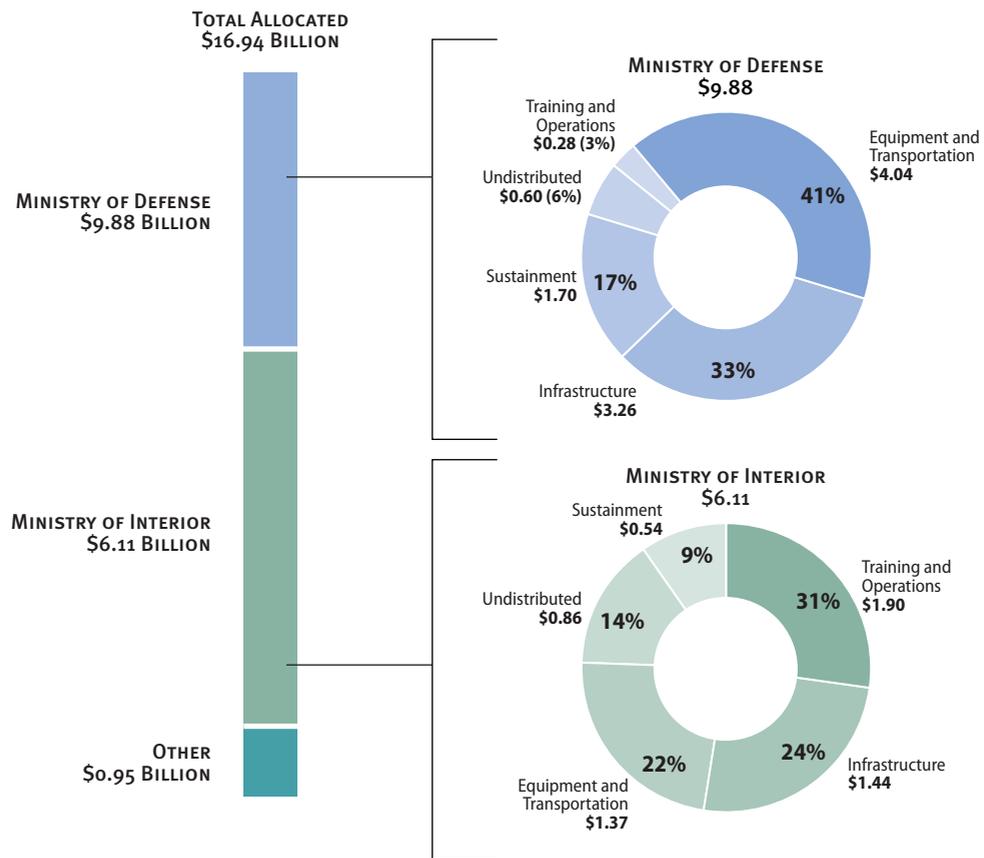
The NDAA underscores the Congress's view that funding for key aspects of Iraq's reconstruction must no longer come from U.S. tax dollars. The NDAA directs that the ISFF "may not be obligated or expended for the acquisition, conversion, rehabilitation, or installation of facilities in Iraq for the use of the Government of Iraq."<sup>53</sup> Further, Iraqi funds should be used to pay the costs of the salaries, training, equipping, and sustainment of Iraqi Security Forces.<sup>54</sup> For total ISFF allocations by sub-activity group, see Figure 2.5.

### Spending by Budget Activity Group

All ISFF funds are implemented in the security sector and distributed between two primary budget activity groups that support efforts for the Ministry of Defense (MOD) and the Ministry of Interior (MOI). Most funding (58%) supports

FIGURE 2.5

**ISFF ALLOCATIONS, BY SUB-ACTIVITY GROUP**  
\$ Billions



Note: Numbers are affected by rounding. Allocations do not include funds passed in the FY 2008 supplemental appropriation.

Source: OSD, response to SIGIR data call, 10/14/2008.

TABLE 2.9  
**LARGEST CATEGORIES BY SUB-ACTIVITY GROUP, AS OF 6/30/2008 (\$ MILLIONS)**

MINISTRY	SUB-ACTIVITY GROUP	CATEGORY	OBLIGATIONS
Ministry of Defense	Equipment and Transportation	Vehicles, Generators & Repair Parts	\$890.60
		Logistical Self Reliance	\$241.34
	Infrastructure	MOD Infrastructure Requirements	\$1,028.09
		Iraqi Army - 6th Div (5 BDE)	\$238.30
	Sustainment	Logistical Sustainment Concept	\$350.10
		Contracted Maintenance	\$195.50
	Training and Operations	Information Technology, Equipment & Service	\$46.50
		Communication Equipment & Service	\$38.60
Ministry of Interior	Equipment and Transportation	Replenishment and Spare Stock Levels	\$332.50
		Vehicles, Generators & Repair Parts	\$134.30
	Infrastructure	Department of Border Enforcement & Point of Entry	\$252.30
		Infrastructure Supporting IPS, NP, and DBE	\$189.29
	Training and Operations	Contracted Instructor Support	\$765.40
		International Narcotics and Law Enforcement (INL)	\$454.00

Source: OSD, response to SIGIR data call, 10/2/2008.

the MOD, and projects are funded under four major sub-activity groups:

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

ISFF obligations have shifted from sustainment activities to support the fielding of ISF units, “accelerating the growth of logistical units and pursuing key supporting capabilities that will enable and sustain units already generated.”<sup>55</sup> For a summary of the most costly projects, by sub-activity, see Table 2.9.

### MOD Budget Activity Groups

This quarter, \$502 billion was obligated to support Equipment and Transportation for the MOD, more than any other category. This represents 57% of the \$881 million in quarterly obligations for the MOD.<sup>56</sup> The MOD Equipment and Transportation sub-activity group has consistently received the highest allocation of the ISFF.

Expenditures for projects supporting MOD Infrastructure (\$271 million) outpaced spending on Equipment and Transportation projects (\$149 million) this quarter.<sup>57</sup> Expenditures supporting all MOD sub-activity groups increased by more than \$574 million. Table 2.10 shows the current status of MOD sub-activity groups.

TABLE 2.10

**ISFF STATUS BY MOD SUB-ACTIVITY GROUP** (\$ MILLIONS)

SUB-ACTIVITY GROUP	ALLOCATED	OBLIGATED	EXPENDED	% OBLIGATED	% EXPENDED
Equipment and Transportation	\$4,036.50	\$3,598.28	\$2,701.33	89%	67%
Infrastructure	3,256.52	2,849.26	2,196.95	87%	67%
Sustainment	1,696.36	1,691.71	1,375.25	100%	81%
Training and Operations	275.61	266.43	232.71	97%	84%
Undistributed	604.00	N/A	N/A	N/A	N/A
<b>MOD Total</b>	<b>\$9,868.99</b>	<b>\$8,405.68</b>	<b>\$6,506.24</b>	<b>85%</b>	<b>66%</b>

Source: OSD, response to SIGIR data call, 10/14/2008.

TABLE 2.11

**ISFF STATUS BY MOI SUB-ACTIVITY GROUP** (\$ MILLIONS)

SUB-ACTIVITY GROUP	ALLOCATED	OBLIGATED	EXPENDED	% OBLIGATED	% EXPENDED
Equipment and Transportation	\$1,367.05	\$1,346.73	\$926.39	99%	68%
Infrastructure	1,442.31	1,299.15	870.95	90%	60%
Sustainment	544.51	521.48	452.23	96%	83%
Training and Operations	1,904.91	1,877.40	1,859.05	99%	98%
Undistributed	856.00	N/A	N/A	N/A	N/A
<b>MOI Total</b>	<b>\$6,114.78</b>	<b>\$5,044.76</b>	<b>\$4,108.62</b>	<b>83%</b>	<b>67%</b>

Source: OSD, response to SIGIR data call, 10/14/2008.

**MOI Budget Activity Groups**

Equipment and Transportation also accounts for the largest percentage of new obligations to support projects for the MOI this quarter—more than \$218 million (43%). Expenditures for all projects supporting the MOI increased by more than \$506 million.<sup>58</sup> The Training and Operations sub-activity group recorded the largest amount expended since last quarter, at \$210 million,<sup>59</sup> and Sustainment projects expended the least. Table 2.11 shows the current status of MOI sub-activity groups.

**Spending across Multiple Fiscal Years**

Of total ISFF allocations to the MOD and MOI budget activity groups, just more than \$5.36 billion remains unexpended.<sup>60</sup> The largest amounts of unexpended obligations are within obligations to projects supporting the MOD—specifically for Equipment and Transportation and Infrastructure. Nearly \$900 million remains unexpended in Equipment and Transportation, and just over \$650 million within Infrastructure.

Of total ISFF obligations to support projects for the MOI, nearly \$430 million of

# RECONSTRUCTION OVERVIEW

FIGURE 2.6

## STATUS OF ISFF ALLOCATIONS, BY SUB-ACTIVITY GROUP, BY FISCAL YEAR

\$ Millions



**Note:** Numbers affected by rounding. Allocations do not include \$604 million in MOD budget activity group and \$856 million in the MOI budget activity group that have not yet been distributed to sub-activity groups.

**Source:** OSD, response to SIGIR data call 10/14/2008.

Infrastructure obligations and more than \$420 million of Equipment and Transportation obligations remain unexpended.<sup>61</sup>

Although about 78% of ISFF obligations have been expended, rates vary significantly between sub-activity groups and across fiscal years. Of MOD funds allocated in the past two fiscal years, 53% of FY 2007 and 4% FY 2008 obligations have been expended. Similarly, for MOI funds allocated during the same period, 51% of FY 2007 and 12% of FY 2008 obligations have been expended.<sup>62</sup> Figure 2.6 illustrates the status of obligations and expenditures by sub-activity group for MOD and MOI allocations by fiscal year.

### ISFF Project Status

A total of 857 completed ISFF projects are currently reported in the Iraq Reconstruction Management System (IRMS)<sup>63</sup> valued at more than \$2.34 billion, including 198 projects ongoing with a budgeted cost of \$1.34 billion.<sup>64</sup> As these numbers reveal, IRMS does not contain comprehensive reporting on ISFF projects. GRD administers many of these projects for MNSTC-I. A majority of ISFF projects (67%) are concentrated in the Baghdad, Anbar, Ninewa, and Basrah provinces.<sup>65</sup>

Table 2.12 lists the 10 largest ISFF projects by budgeted costs as reported in the IRMS database.

TABLE 2.12

## MAJOR ONGOING ISFF RECONSTRUCTION PROJECTS (\$ MILLIONS)

PROJECT	TOTAL BUDGETED COST	START DATE	PROJECTED COMPLETION DATE	PROVINCE
Location Command Tikrit	\$59.95	7/14/2008	1/24/2009	Salah Al-Din
Shaiba Location Command	\$37.89	5/30/2008	10/10/2009	Thi-Qar
Maymona Location Command	\$37.28	7/12/2008	4/6/2009	Missan
Construct Facilities at FOB Normandy	\$35.20	9/19/2007	10/31/2008	Diyala
Recruit Training Center, Baghdad Police College	\$31.11	4/9/2008	5/13/2009	Baghdad
Construct 1st Brigade 6th Div. IA HQs and 3 Battalions at FOB Justice	\$28.78	6/28/2007	7/15/2008	Baghdad
Complete Construction of Iraqi Air Force and Flight Training School at Kirkuk Regional Air Base	\$28.75	3/6/2008	1/30/2009	Tameem
Construct 1st BDE, 7th Div. HQ and 3 BNs at Ramadi	\$28.11	1/18/2007	2/25/2009	Anbar
Construct/Renovate facilities to support the 5th Div. NIA	\$27.99	5/31/2006	4/29/2008	Diyala
Construct Mosul Police Recruit Academy	\$27.69	6/16/2008	1/20/2009	Ninewa

Note: The budgeted costs listed in the table above represent the ISFF line item portion of each project as reported in the Iraq Reconstruction Management System (IRMS) and not total project costs. Line items may represent a portion of projects executed in multiple phases or multiple task orders.

Source: IRMS, *ITAO Rollup*, 10/1/2008.

## Economic Support Fund

In the U.S. supplemental funding bill passed in June 2008, the ESF received a nearly 17% increase in total funding (\$526 million).<sup>66</sup> This amount, however, is a significant decrease from the \$1.48 billion provided by the 2007 supplemental appropriation. The total appropriations amounting to \$3.74 billion (see Table 2.13) to the ESF play a key role in sustaining small-scale infrastructure projects and developing the capacity of governments at the national and local levels.

DoS administers ESF funds, and the U.S. Agency for International Development (USAID) and the U.S. Army Corps of Engineers, Gulf Region Division (GRD), execute the funds through interagency agreements. These two agencies received approximately 89% of ESF allocations.

### ESF Programs by Track

ESF programs are categorized into three tracks: economic, political, and security. The security track receives the largest allocation of funding, nearly 63% of total ESF appropriations.<sup>67</sup>

For the distribution of ESF allocations among these tracks, see Figure 2.7. For the funding status of each of the various programs using ESF funds, see Table 2.14.

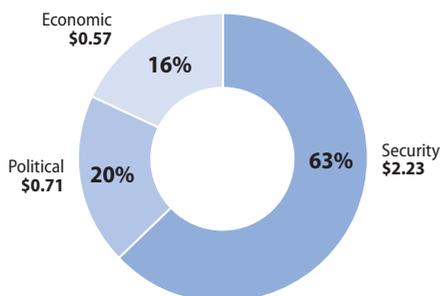
**Economic Track.** The largest economic program continues to be O&M Sustainment, which accounts for 50% of the funds for this track. The program provides services that assist Iraqis in sustaining U.S.-funded infrastructure.<sup>68</sup> Nearly 85% of the program's allocation has been expended.<sup>69</sup> The Targeted Development Program (TDP) has the largest percentage left to spend; as of September 30, 2008, only 5.3% of total allocations were expended. Total expenditures for the program rose by \$1.85 million this quarter to \$3.05 million.<sup>70</sup> This increase follows grant approvals for three large calls for proposals that consumed all of the TDP allocations.<sup>71</sup>

**Political Track.** The National Capacity Development (NCD) program has the highest allocation of all programs in the political track. In terms of expenditures, however, the Democracy and Civil Society program exceeded NCD's expenditure amount this quarter. The program

FIGURE 2.7

## ALLOCATIONS OF ESF FUNDS BY TRACK

\$ Billions, % of \$3.5 Billion Allocated



**Note:** Numbers affected by rounding. The total amount represented is approximately 93% of all appropriated ESF funds for Iraq, which totals \$3.74 billion. Program and track-level details were not available for \$50 million of FY 2003 funding.

**Sources:** DoS, response to SIGIR data call, 10/14/2007; ITAO, responses to SIGIR data call, 1/4/2008 and 10/2/2008; GRD, response to SIGIR data call, 10/6/2008; USAID response to SIGIR data call, 10/2/08; ITAO, *Essential Indicators Report*, 10/2/2008.

TABLE 2.13

## ESF APPROPRIATIONS (\$ MILLIONS)

APPROPRIATION	PUBLIC LAW	AMOUNT
Consolidated Appropriations Resolution, 2003	P.L. 108-7	\$40
Emergency Wartime Supplemental Appropriations Act, 2003	P.L. 108-11	\$10
Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006	P.L. 109-102	\$60
Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006	P.L. 109-234	\$1,485
U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007	P.L. 110-28	\$1,478
Department of Defense Appropriations Act, 2008, and continuing appropriations for the fiscal year 2008	P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149	\$123
Consolidated Appropriations Act, 2008	P.L. 110-161	\$15
Supplemental Appropriations Act, 2008	P.L. 110-252	\$527
<b>Total</b>		<b>\$3,738</b>

**Note:** Numbers affected by rounding.

TABLE 2.14

STATUS OF ESF PROGRAM FUNDING (\$ MILLIONS)

PROGRAM	TOTAL ALLOCATIONS	TOTAL OBLIGATIONS	TOTAL EXPENDED AS A % OF ALLOCATIONS	PROGRAM	TOTAL ALLOCATIONS	TOTAL OBLIGATIONS	TOTAL EXPENDED AS A % OF ALLOCATIONS
<b>Economic</b>				<b>Security</b>			
O&M Sustainment <sup>a</sup>	\$285.00	\$275.08	 85%	PRT/PRDC Projects <sup>a</sup>	\$700.00	\$412.70	 28%
Inma Private Sector Agribusiness Development	92.50	92.50	 42%	Community Stabilization Program	614.00	614.00	 69%
PEG	60.77	60.77	 17%	Community Action Program	225.00	225.00	 57%
Targeted Development Program	57.40	57.40	 5%	Infrastructure Security Protection <sup>a</sup>	217.00	178.80	 59%
Plant-Level Capacity Development and Technical Training <sup>a</sup>	51.97	41.78	 72%	PRT Quick Response Fund	134.78	134.78	 40%
Izdihar	23.83	23.83	 94%	Marla Ruzicka Iraqi War Victims Fund (transferred to IRRF)	14.96	14.96	 67%
<b>Political</b>							
National Capacity Development	\$264.33	\$264.33	 45%				
Democracy and Civil Society <sup>b</sup>	188.89	188.89	 65%				
Iraqi Refugees (Jordan)—transferred to Migration and Refugee Assistance <sup>c</sup>	95.00	95.00	 33%				
Economic Governance II, Policy, Subsidy, Legal, and Regulatory Reforms	85.00	85.00	 76%				
Ministerial Capacity Development	45.00	37.08	 56%				
Regime Crimes Liaison Office	33.00	32.02	 88%				

Notes: Numbers affected by rounding.

<sup>a</sup> Obligations for the "PRT/PRDC Projects," "Infrastructure Security Protection," "Plant-level Capacity Development and Technical Training," and "O&M Sustainment" are reported by GRD and represent sub-obligations that GRD has awarded to a contract for a specific project.

<sup>b</sup> Amounts in this category include programs reported as "Civil Society Development," "Civil Society-ADF and IFES," "Civil Society-IREX," "Democracy and Civil Society," "Democracy Funding for IRI NDI NED," and "USIP."

<sup>c</sup> Amounts in this category include programs reported as "Iraqi Refugees (Jordan)—transferred to Migration and Refugee Assistance" and *Iraqi Scholars Program*, as per guidance given in an OMB response to SIGIR data call on January 3, 2008.

Sources: DoS, response to SIGIR data call, 10/14/2007; ITAO, responses to SIGIR data call, 1/4/2008 and 10/14/2008; GRD, response to SIGIR data call 10/6/2008; USAID, response to SIGIR data call, 10/14/08; ITAO, *Essential Indicators Report* 10/2/2008.

expended \$57.48 million this quarter, bringing total expenditures to nearly \$123 million.<sup>72</sup>

**Security Track.** Among programs in the security track, PRT/PRDC projects receive the highest allocations—\$700 million to date.<sup>73</sup> These projects have the second lowest expenditure rates of this track with nearly 47% of allocations expended. This quarter, the Community Stabilization Program had the highest increase in expenditures over the previous quarter with over \$81 million expended since June 30, 2008.<sup>74</sup>

For highlights of program outcomes for each of these tracks, see Table 2.15.

## Fund Execution

The ESF implementing agencies currently execute projects using funds still available for new obligations under multiple appropriations from FY 2005 to present. SIGIR recently reviewed three interagency agreements funded by the ESF to determine the causes of the slower rate of expenditure for ESF funds in comparison to other funds used in Iraq. The agreements are valued at \$1.25 billion.<sup>75</sup> SIGIR's review identified

three interrelated factors that explain the delay in expenditure rate:

- The interagency agreements fall under the authority of the Foreign Assistance Act of 1961 and remain available for four years after the obligation expires.<sup>76</sup>
- Although the funds identified in the agreements are obligated at the time the agreements are signed, contracts for projects are not always associated with the agreements at that time. For example, SIGIR determined that GRD has not awarded contracts for \$126 million from the FY 2006 ESF and \$224 million from the FY 2007 appropriation.
- The nature and purpose of the agreements—to develop the Iraqis' capabilities—is also a key contributor.<sup>77</sup> Since many of these programs include teaching and training activities, the process does not lend itself to rapid expenditure.<sup>78</sup>

For details on SIGIR's ESF audit, see Section 4 of this Report. Table 2.16 details the portion of ESF funds that have been expended by fiscal year.

TABLE 2.15

ESF PROGRAM UPDATES

TRACK	PROJECT CATEGORY	HIGHLIGHTS
Economic	O & M Sustainment	<ul style="list-style-type: none"> <li>Plants supported by O&amp;M averaged 17% fewer outages than plants that were not supported by the program.</li> <li>A total of 51 projects worth \$267.2 million have been awarded, with 94% of available funds obligated.</li> </ul>
	Inma - Private Sector Agribusiness Development	<ul style="list-style-type: none"> <li>Inma jump-started the grants to loan program, issuing a solicitation to Iraqi private banks throughout the country. Once the banks are selected, Inma will award grants to provide loans specifically to the agribusiness sector.</li> <li>The Balad Canning Factory in Salah Al-Din is undergoing renovation. This \$5 million project will restore all 11 processing lines of Iraq's second largest food processing factory.</li> </ul>
	Targeted Development Program	<ul style="list-style-type: none"> <li>25 grants were awarded totaling \$33,065,007.</li> <li>Funding for the development of a project to raise environmental awareness and safety procedures for children in primary schools.</li> <li>Granted funds for the rehabilitation of a concrete block making factory in order to jump-start economic growth in the Abu Ghraib district of Anbar province.</li> </ul>
	Provincial Economic Growth	<ul style="list-style-type: none"> <li>The Al Bashaer microfinance institution established a payment account with the Iraqi Middle Bank Jamila Branch to distribute loans and carry out repayment transactions.</li> <li>In the last quarter, the Iraq Company for Bank Guarantees (ICBG) approved 14 loans valued at \$787,000. Of the 14, the ICBG disbursed five loans valued at \$100,000 in total.</li> </ul>
	National Capacity Development	<ul style="list-style-type: none"> <li>The Minister of Health received assistance from USAID/Tatweer in drafting a strategic plan for Iraq's healthcare system. The Ministry held a workshop with its provincial partners to discuss the strategic plan and the way forward.</li> <li>In total, USAID/Tatweer has trained more than 26,000 civil servants. This core of trained civil servants covers all USAID/Tatweer disciplines and all 18 provinces. More than 50% of this training is done by GOI Training of Trainers' graduates as USAID transitions to GOI ownership of all competency training activities.</li> </ul>
Political	Democracy and Civil Society	<ul style="list-style-type: none"> <li>Established a press center for the Media Department of the Iraqi parliament to allow journalists improved access to lawmakers and legislative processes and upgraded computer facilities for filing stories electronically.</li> <li>Provided a three-day training to 360 men and women in Thi-Qar on gender-based violence and the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW).</li> </ul>
	Economic Governance II, Policy & Regulatory Reforms	<ul style="list-style-type: none"> <li>Restored the Iraq Financial Management Information System (IFMIS) to working order including all software updates; the 2008 Budget was uploaded and the Chart of Accounts (CoA) was updated.</li> <li>Focused on the following Pension Information Technology engagement: continued training of the provincial staff on two interim solutions USAID has developed and are in use by Iraq's Board of Pensions until the Pension Solution goes live; network rollout, including network security; and installation of the World Bank purchased oracle software.</li> </ul>
	Iraqi Refugees (Jordan) - transferred to Migration and Refugee Assistance	<ul style="list-style-type: none"> <li>The United States had resettled 12,118 refugees as of September 30, 2008, surpassing the FY 2008 goal of admitting 12,000 Iraqi refugees into the country.</li> <li>Congress created two Special Immigrant Visa (SIV) programs: the SIV program for Iraqi translators/interpreters and Kennedy SIV program for Iraqi employees and contractors and their families.</li> </ul>
	Ministerial Capacity Development	<ul style="list-style-type: none"> <li>U.S. advisors work directly with each ministry or executive-level entity.</li> <li>More than half of Tatweer-funded training is performed by Iraqis.</li> </ul>
	Regime Crimes Liaison Office	<ul style="list-style-type: none"> <li>Advised and assisted Iraqi High Tribunal personnel in legal matters related to the transfer of detainees to GOI custody.</li> <li>Developed and executing the plan for the draw down of RCLO operations and staff directed by the Department of State and Department of Justice.</li> </ul>
	PRT/PRDC Projects	<ul style="list-style-type: none"> <li>13 PRDC projects were completed with a total contract value of \$12.9 million.</li> <li>The Abo Hussein Water Treatment Plant in Qadisiya completed this quarter will serve 10,000 villagers that have been without clean water for 36 years.</li> </ul>
Security	Community Stabilization Program	<ul style="list-style-type: none"> <li>CSP is now fully engaged in 18 cities throughout Iraq: Baghdad, Mosul, Telafar, Kirkuk, Ba'quba, Basrah, Iskandaria, Hillah, Falluja, Ramadi, Al-Ka'im, Habiniyah, Haditha, Heet, Baiji, Tikrit, Tooz, and Samarra.</li> <li>CSP successfully transitioned out of trash collection in Baghdad. The Baghdad municipal government (Amanat) is now responsible for trash collection.</li> <li>About 2,158 short-term jobs and 449 long-term jobs were created in Basrah.</li> </ul>
	Local Governance Program	<ul style="list-style-type: none"> <li>Initiated a pilot accounting and management system for Accelerated Development and Reconstruction Program projects in the provinces of Basrah, Missan, Najaf, and Babylon.</li> <li>Urban planning/GIS centers are now open in 17 of Iraq's 18 provinces.</li> </ul>
	Infrastructure Security Protection	<ul style="list-style-type: none"> <li>A security perimeter fence was completed for the Al Rashia Water Treatment Plant in the Diyala Province to secure the plant and facilitate operations.</li> <li>Phase 6 of Electrical Tower Hardening in the Salah Al-Din Province was completed.</li> </ul>
	Community Action Program	<ul style="list-style-type: none"> <li>There are 16,132,880 direct beneficiaries of local Community Action Group (CAG) activities.</li> <li>CAG community activities created 45,240 short-term jobs and 14,010 long-term jobs.</li> </ul>
	PRT Quick Response Fund	<ul style="list-style-type: none"> <li>Embassy QRF staff conducted outreach with each PRT in Iraq, resulting in an increase in the quantity and quality of Embassy Technical Evaluation Committee proposal submissions.</li> <li>A USAID implementing partner completed a database to track grant information, approvals and milestones.</li> </ul>

Source: DoS, Section 2207 Report, 7/2008; USAID, response to SIGIR data call, 10/2/2008, USAID, response to SIGIR data call, 10/14/2008; U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008.

TABLE 2.16

**STATUS OF ESF FUNDS, BY FISCAL YEAR (\$ MILLIONS)**

	ALLOCATED	OBLIGATED	EXPENDED	% OBLIGATED	% EXPENDED
FY 2003	\$50.00	\$50.00	\$50.00	100.0%	100.0%
FY 2006	\$1,525.41	\$1,390.40	\$1,158.73	91.1%	75.9%
FY 2007	\$1,602.73	\$1,342.17	\$721.23	83.7%	45.0%
FY 2008	\$382.79	\$382.79	None	100.0%	0.0%

Source: DoS, response to SIGIR data call, 10/14/2007; ITAO, responses to SIGIR data call, 1/4/2008 and 10/14/2008; GRD, response to SIGIR data call, 10/6/2008; USAID, response to SIGIR data call 10/14/2008; ITAO, *Essential Indicators Report*, 10/2/2008.

TABLE 2.17

**MAJOR ONGOING ESF RECONSTRUCTION PROJECTS (\$ MILLIONS)**

PROJECT	TOTAL BUDGETED COSTS	START DATE	PROJECTED COMPLETION DATE	PROVINCE
Maysan Surgical Hospital, Phase 2	\$14.08	2/19/2008	5/19/2009	Missan
Provide & Install 132 kV Power Cable Feeder	\$13.10	3/22/2008	3/09/2009	Basrah
Oil Pipeline Exclusion Zone Bayji - Baghdad - 6	\$11.86	5/04/2008	1/11/2009	Salah Al-Din
Oil Pipeline Exclusion Zone Bayji - Baghdad - 5	\$10.50	5/13/2008	12/26/2008	Salah Al-Din
Water Reverse Feeding of Clean Water ESFPRDC 06	\$10.18	1/24/2008	12/18/2008	Basrah
Baqubah General Hospital EHC (PRDC)	\$9.61	3/15/2008	4/17/2009	Diyala
Oil Pipeline Exclusion Zone Bayji - Baghdad - 3	\$8.57	5/13/2008	12/26/2008	Salah Al-Din
Oil Pipeline Exclusion Zone Bayji - Baghdad - 2	\$8.11	5/15/2008	12/26/2008	Salah Al-Din
Oil Pipeline Exclusion Zone Bayji - Baghdad - 4	\$7.93	5/22/2008	12/18/2008	Salah Al-Din
Construct 80 Bed Hospital—Phase 1 (36 Beds)	\$7.61	11/29/2007	5/19/2009	Missan

Note: The budgeted costs listed in the table above represent the ESF line item portion of each project as reported in the Iraq Reconstruction Management System (IRMS) and not total project costs. Line items may represent a portion of projects executed in multiple phases or multiple task orders.

Source: IRMS, *ITAO Rollup*, 10/1/2008.

## ESF Project Status

Currently, 9,850 ESF projects are ongoing, with budgeted costs of \$1.08 billion.<sup>79</sup> Several Pipeline Exclusion Zone (PEZ) projects are among them (see Table 2.17). An Infrastructure Security Protection (ISP) program's PEZ project was the subject of a SIGIR inspection last quarter. The inspection reported that the **Kirkuk-to-Baiji (Phase 3) PEZ project** contributed to an increase in northern crude oil exports.<sup>80</sup>

## Commander's Emergency Response Program

The CERP is administered by DoD and executed through the Multi-National Corps-Iraq (MNC-I)

to address the needs of the communities in which military commanders operate. For this reason, CERP projects vary in nature and scope. CERP programs are categorized by the permissible uses outlined in *Money As A Weapons System* (MAAWS), the CERP Standard Operating Procedures manual.

The Congress has appropriated \$3.56 billion to the CERP, with \$3.25 billion obligated, and \$2.68 billion expended.<sup>81</sup> For all CERP appropriations, see Table 2.18

## CERP Programs by Value

In the most recent defense authorization, the Congress directed the DoD to restrict future

TABLE 2.18

**CERP APPROPRIATIONS** (\$ MILLIONS)

APPROPRIATION	PUBLIC LAW	AMOUNT
Department of Defense Appropriations Act, 2005	P.L. 108-287	\$140
Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005	P.L. 109-13	\$718
Department of Defense Appropriations Act, 2006	P.L. 109-148	\$408
Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006	P.L. 109-234	\$300
Department of Defense Appropriations Act, 2007	P.L. 109-289	\$375
U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007	P.L. 110-28	\$375
Consolidated Appropriations Act, 2008	P.L. 110-161	\$370
Supplemental Appropriations Act, 2008	P.L. 110-252	\$875
<b>Total</b>		<b>\$3,561</b>

TABLE 2.19

**AVERAGE CERP NON-CONSTRUCTION & RECONSTRUCTION PROJECT VALUES, BY YEAR**

(\$ THOUSANDS)

	2004	2005	2006	2007	2008
Non-construction	\$42	\$71	\$76	\$81	\$80
Reconstruction	\$68	\$146	\$181	\$164	\$138

Source: IRMS, CERP Excel Workbook, 10/3/2008.

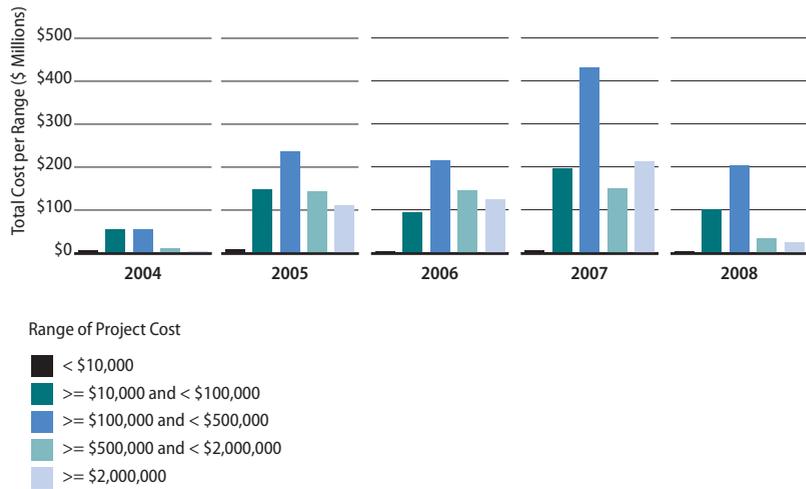
CERP appropriations from being used for projects valued at more than \$2 million, with some exceptions.<sup>82</sup> This restriction on spending comes at a time when average project values for the CERP are trending slightly downward. Previously, average project values were on the rise for both non-construction projects and reconstruction (defined in IRMS as construction) projects.

After an initial spike in 2005, average project values remained high and peaked in 2007. In 2008, project values have remained higher than those awarded in earlier stages of reconstruction, but there has been a notable decrease.<sup>83</sup> Table

2.19 shows the average CERP project value by year, based on project start date.

In addition to increases in average project values, the distribution of project values further illustrates the evolving use of CERP funding. Although the majority of CERP projects fall below \$100,000, the percentage of project costs is disproportionately skewed toward larger projects. In 2007, projects with values over \$500,000 accounted for 3% of total CERP projects started that year, and consumed just over 36% of project costs.<sup>84</sup> Of projects started in 2008, however, 1% cost over \$500,000, consuming 16% of total costs.<sup>85</sup> Even as the distribution of CERP project

**FIGURE 2.8**  
**DISTRIBUTION OF CERP PROJECTS AND COSTS, BY RANGE AND YEAR**



**Note:** Numbers affected by rounding. Includes completed and ongoing projects.

**Source:** IRMS, *CERP Excel Workbook*, 10/3/2008.

values has fluctuated, the median projects values have increased slightly each year. Figure 2.8 illustrates the distribution of project values by calendar year.

### Spending by Program Category

The Water and Sanitation category has received the largest portion of CERP obligations to date. In FY 2008, obligations increased significantly within the Protective Measures category, which is now second in CERP obligations. This quarter, 258 Protective Measure projects were completed,

accounting for just more than 64% of the cost of all projects completed since June 30, 2008.<sup>86</sup>

Figure 2.9 details the fund obligations, by project type and fiscal year.

### CERP Reconstruction Status

As of September 29, 2008, 22,903 CERP projects have been completed.<sup>87</sup> These projects account for nearly 70% of all CERP obligations. This quarter, 499 CERP projects were completed.<sup>88</sup> According to the IRMS, 2,271 projects are still ongoing, with budgeted costs of \$516.50 million.

FIGURE 2.9

CERP OBLIGATIONS, BY PROJECT TYPE AND FISCAL YEAR (\$ MILLIONS)



Source: IRMS, MNC-I Quarterly Report, 10/15/2008.

Note: Numbers affected by rounding. Obligations by project type vary from topline obligations reported in the Summary of U.S. Funding. SIGIR did not receive project- or sector-level reporting for CERP from agencies.

# RECONSTRUCTION OVERVIEW

TABLE 2.20

## MAJOR ONGOING CERP RECONSTRUCTION PROJECTS (\$ MILLIONS)

PROJECT	TOTAL BUDGETED COST	START DATE	ORIGINAL COMPLETION DATE	PROVINCE
Electrical Distribution in Muhalla 312	\$11.68	10/18/2007	1/31/2009	Baghdad
Fallujah Sewer Pump Stations F1, F2	\$7.60	1/20/2006	2/02/2009	Anbar
Electrical Distribution in Muhalla 310	\$6.57	10/18/2007	10/24/2008	Baghdad
Rehabilitate Two BIAP Domestic Terminals	\$6.56	6/13/2007	10/12/2008	Baghdad
PIC Sewage Installation–Karmat Ali	\$6.56	8/11/2007	8/11/2008	Basrah
Kirkuk City Clean-Up Supplies and Materials	\$6.13	1/01/2007	3/01/2008	Tameem
Al Faw, Redundancy and Mitigation	\$5.92	6/30/2006	5/31/2008	Thi-Qar
Fallujah Solar Lights Phase II	\$5.50	6/06/2008	1/01/2009	Anbar
Sulaimanyah Votech new construction	\$5.20	12/02/2007	12/23/2008	Sulaymaniyah
Transformers for Baghdad PC	\$4.82	10/20/2006	6/30/2007	Baghdad

**Note:** The budgeted costs listed in the table above represent the CERP line item portion of each project as reported in the Iraq Reconstruction Management System (IRMS) and not total project costs. Line items may represent a portion of projects executed in multiple phases or multiple task orders.

**Source:** IRMS, *CERP Excel Workbook*, 10/3/2008.

Of ongoing projects, 933 have projected completion dates during the upcoming quarter.<sup>89</sup> For a list of major ongoing CERP projects see Table 2.20.

### I-CERP Project Status

The I-CERP is a U.S.-administered emergency response fund intended to engage provincial-level officials in planning, coordinating, prioritizing, and transitioning projects that are paid for by the GOI.<sup>90</sup> Established and funded by the GOI in April 2008 with an expressed project focus on schools, water-purification plants, health clinics, city planning facilities, roads, sewers, and irrigation,<sup>91</sup> the I-CERP aims to leverage Coalition tactical resources in the field and CERP mechanisms to expeditiously direct resources to projects that benefit the people of Iraq.

Allocation of the I-CERP is weighted by provincial population, and project status is reviewed quarterly in concert with the Iraq Supreme

Reconstruction Council (I-SRC). Projects are intended to serve as training opportunities for affiliated Iraqi personnel with the expectation that over time the program will be transitioned to the ISF and provincial officials.

To date, 216 I-CERP projects are ongoing. In addition, 432 projects are in the planning stages, and 71 have been completed.

### Contracting

Six U.S. government organizations are primarily responsible for Iraq reconstruction contracts:<sup>92</sup>

- U.S. Army Corps of Engineers, Gulf Region Division (GRD)
- Joint Contracting Command-Iraq/Afghanistan (JCC-I/A)
- Multi-National Corps-Iraq (MNC-I)
- Air Force Center for Engineering and the Environment (AFCEE)
- USAID
- DoS

### Top 10 Contractors

More than \$12 billion in contract obligations have funded the top ten private contractors to the IRRF, ISFF, and ESF.

Since many IRRF projects are near completion and funds are no longer available for new obligations, the majority of the IRRF top contractors had little to no change in obligations and expenditures over last quarter. Obligations for Bechtel National, Inc., decreased by \$75 million over previously reported figures.<sup>93</sup>

Top IRRF contractors remained relatively unchanged over last quarter with the exception of one contractor. Development Alternatives, Inc., does not appear on the Top ten IRRF 2 Contractor list this quarter. USAID, which reported a contract worth more than \$439 million with this contractor in previous quarters, did not provide updated figures on the full value of this contract in time for publication in this report.

Two ISFF top contractors had a relatively large increase in funding this quarter. The American Equipment Company had the highest change in obligation since June 30, 2008, with just over \$100 million in new obligations. The Environmental Chemical Corporation had the highest amount of new expenditures—just over \$100 million.<sup>94</sup>

The top ESF contractors retained the same rank as reported last quarter. Obligations for contracts to International Relief and Development increased this quarter by \$137 million.<sup>95</sup> For top contractors of the IRRF, see Table 2.21; the ISFF Table 2.22; and the ESF Table 2.23.

### Contract Terminations

This quarter, SIGIR reviewed Department of Defense (DoD) records and identified 1,262 projects that DoD had terminated—732 for the convenience of the government and 530 for contractor default.<sup>96</sup> These terminated projects had initial obligations of nearly \$1 billion, of which approximately \$600 million had been paid to contractors, including \$89.7 million to contractors on projects terminated for default.

SIGIR found that terminations for convenience were often due to changes in scope requirement or security problems, or because the project was no longer needed. Terminations for default were normally due to poor contractor and subcontractor performance. However, a few were also for security problems.<sup>97</sup>

### Contract Costs and Outcomes

SIGIR continued its reviews of the outcome, cost, and oversight of major Iraq reconstruction projects this quarter, issuing its eighth report. This report looked at two USAID contracts for local governance program activities, valued at \$598 million.

SIGIR determined that it is unclear what was accomplished during the first four years of the contracts because key plans and accomplishment reports required by the contract were not submitted.<sup>98</sup> Costs were also reported only at the aggregate level rather than at an activity level, which precludes an assessment of the cost and benefit of individual activities. USAID has since received the plans and accomplishment reports but costs are still not reported at a level that allows an assessment of the value of individual activities.<sup>99</sup>

# RECONSTRUCTION OVERVIEW

TABLE 2.21

**TOP TEN IRRF 2 CONTRACTORS** (\$ MILLIONS)

#	CONTRACTOR	OBLIGATED	EXPENDED
1	Bechtel National, Inc.	\$1,187	\$1,178
2	FluorAMEC, LLC	\$948	\$943
3	Parsons Global Services, Inc.	\$671	\$635
4	Parsons Iraq Joint Venture	\$636	\$621
5	Kellogg, Brown & Root Services, Inc.	\$630	\$618
6	Washington Group International	\$512	\$505
7	Environmental Chemical Corporation	\$351	\$349
8	Research Triangle Institute	\$287	\$255
9	Anham Joint Venture	\$259	\$259
10	Symbion Power, LLC	\$253	\$234

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

**Sources:** Corps of Engineers Financial Management System, "All Items Report for PMCON and All Items Report for PMNCN," 10/7/2008; USAID, response to SIGIR data call, 10/10/2008.

TABLE 2.22

**TOP TEN ISFF CONTRACTORS** (\$ MILLIONS)

#	CONTRACTOR	OBLIGATED	EXPENDED
1	AECOM, Government Services, Inc.	\$778	\$530
2	Environmental Chemical Corporation	\$772	\$697
3	Contract to DoS for INL Support	\$696	\$696
4	American Equipment Company	\$442	\$242
5	Contract to DoS for INL Support	\$386	\$386
6	International Military & Gov't LLC	\$332	\$48
7	Iraqi Contractor	\$303	\$238
8	Tetra International, LLC	\$290	\$247
9	Innovative Technical Solutions, Inc.	\$284	\$257
10	Toltest, Inc.	\$259	\$221

**Note:** Numbers affected by rounding.

**Source:** Corps of Engineers Financial Management System, 9/30/2008.

TABLE 2.23

**TOP TEN ESF CONTRACTORS** (\$ MILLIONS)

#	CONTRACTOR	OBLIGATED	EXPENDED
1	International Relief and Development	\$636	\$341
2	Research Triangle Institute	\$323	\$143
3	Management System International	\$264	\$111
4	Louis Berger Group	\$177	\$64
5	CHF International	\$145	\$112
6	Development Alternatives, Inc.	\$130	\$29
7	BearingPoint, Inc.	\$85	\$60
8	Wamar International	\$70	\$63
9	Parsons Brinckerhoff	\$58	\$58
10	Iraqi Contractor	\$43	\$34

**Note:** Numbers affected by rounding.

**Source:** Corps of Engineers Financial Management System, 9/30/2008; USAID, response to SIGIR data call, 10/10/2008.

# USES AND OUTCOMES

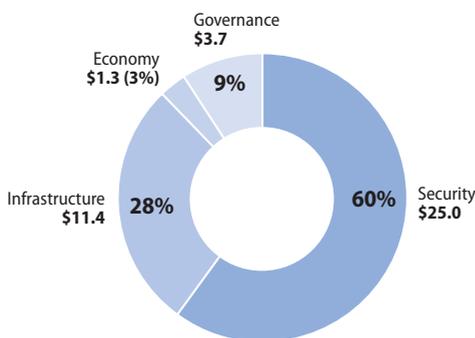
This section looks back at the outcomes and outputs of U.S. relief and reconstruction efforts to date. To analyze obligations and expenditures under the Iraq Relief and Reconstruction Fund (IRRF), the Iraq Security Forces Fund (ISFF), the Economic Support Fund (ESF), and the Commander's Emergency Response Program (CERP), as well as smaller accounts, SIGIR categorizes the activities and outcomes of U.S. programs into four main areas:

- **Security:** Security and Justice
- **Infrastructure:** Oil and Gas, Electricity, Water, Health Care, and Transportation and Communications
- **Economy:** Economic Development
- **Governance:** Capacity Development; Democracy; and Refugees, Human Rights, and Education

For the U.S. funding allocations to these four areas, see Figure 2.10, and for a cross-reference by program, see Appendix D.

FIGURE 2.10

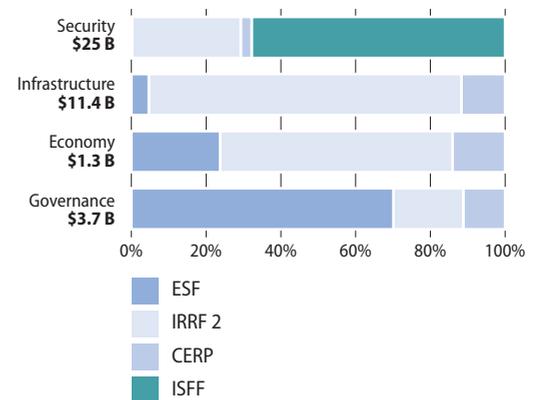
**U.S. FUNDING ALLOCATIONS TO SECURITY, INFRASTRUCTURE, ECONOMY, AND GOVERNANCE**  
\$ Billions



**Note:** Numbers affected by rounding. For the methodology on how SIGIR grouped U.S. programs by category (Security, Infrastructure, Economy, and Governance), see Appendix D. Obligations and expenditures by SIGIR category may vary from top-line obligations and expenditures reported in the *Summary of U.S. Funding*. SIGIR did not receive project- or sector-level reporting from all agencies, and some information was compiled from the IRMS. Figure includes only IRRF 2, ISFF, ESF, and CERP funding, and accounts for about 82% of U.S. appropriations.

**Sources:** IRMS, *ESF Cost to Complete*, 9/30/2008; DoS, *Iraq Weekly Status Report*, 10/1/2008; IRMS, *MNC-1 Quarterly Report*, 10/14/2008; USAID, response to SIGIR data call, 10/14/2008; ITAO, responses to SIGIR data call, 1/4/2008 and 10/14/2008; ITAO, *Essential Indicators Report*, 10/2/2008; OSD, response to SIGIR data call, 10/14/2008.

**% OF FUNDS ALLOCATED, BY RECONSTRUCTION AREA**



**Note:** Numbers affected by rounding. For the methodology on how SIGIR grouped U.S. programs by category (Security, Infrastructure, Economy, and Governance), see Appendix D. Obligations and expenditures by SIGIR category may vary from top-line obligations and expenditures reported in the *Summary of U.S. Funding*. SIGIR did not receive project- or sector-level reporting from all agencies, and some information was compiled from the IRMS. Figure includes only allocations for IRRF 2, ISFF, ESF, and CERP funding, and accounts for about 82% of U.S. appropriations.

**Sources:** IRMS, *ESF Cost to Complete*, 9/30/2008; DoS, *Iraq Weekly Status Report*, 10/1/2008; IRMS, *MNC-1 Quarterly Report*, 10/14/2008; USAID, response to SIGIR data call, 10/14/2008; ITAO, responses to SIGIR data call, 1/4/2008 and 10/14/2008; ITAO, *Essential Indicators Report*, 10/2/2008; OSD, response to SIGIR data call, 10/14/2008.

## SECURITY

The United States has allocated nearly \$25 billion to support the Iraqi Security Forces (ISF) and justice system, obligated more than \$22 billion, and expended nearly \$19 billion. The Congress designates funds for security through several accounts, including the ISFF, CERP, IRRF, ESE, and funding through the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL).

For the status of U.S. funds for security and justice projects, see Figure 2.11.

### Sustaining the Security Environment

Iraq's security situation is fragile,<sup>100</sup> with recent gains potentially reversible.<sup>101</sup> Notwithstanding this cautious assessment, the ISF is growing in strength and capability, control of security authority has been returned to Iraq in 11 provinces, and violence has declined to the lowest levels since 2004. For example, attacks in Baghdad fell 61% from the second to the third quarter of this year.<sup>102</sup>

### Provincial Iraqi Control

The Coalition returned security responsibility of Anbar to the Iraqis on September 1, 2008. Transitioning Anbar, formerly one of the most violent provinces in Iraq, is a significant milestone in the country's security progress.<sup>103</sup> On October 23, 2008, Babylon became the 12<sup>th</sup> province to PIC.<sup>104</sup>

The United States was prepared to transfer control of Anbar in July 2008, but a number of

FIGURE 2.11

### STATUS OF U.S. FUNDS SUPPORTING IRAQ'S SECURITY

\$ Billions



**Note:** Numbers affected by rounding. For the methodology on how SIGIR grouped U.S. programs by category (Security, Infrastructure, Economy, and Governance), see Appendix D. Obligations and expenditures by SIGIR category may vary from top-line obligations and expenditures reported in the *Summary of U.S. Funding*. SIGIR did not receive project- or sector-level reporting from all agencies, and some information was compiled from the IRMS. Figure includes only IRRF 2, ISFF, ESE, and CERP funding.

**Sources:** ITAO, *Essential Indicators Report*, 10/2/2008; USAID, response to SIGIR data call, 10/14/08; ITAO, response to SIGIR data call, 1/4/2008; DoS, *Iraq Weekly Status Report*, 10/1/2008; IRMS, *MNC-I Quarterly Report*, 10/14/2008; OSD, response to SIGIR data call, 10/14/2008.

challenges caused delays. Most notably, tensions between Baghdad and Anbar's leadership over security policies contributed to postponing transfer of Anbar to Provincial Iraqi Control (PIC).<sup>105</sup>

Of the six remaining provinces under coalition control, MNF-I reported that Wassit was also expected to transition by the end of October 2008.<sup>106</sup> Tameem and Salah Al-Din are expected to follow by the end of January 2009. The planned PIC date for Diyala is February 2009 and Ninewa should transfer by March 2009.<sup>107</sup> Baghdad will be the last to transition, scheduled for May 2009.<sup>108</sup>

After a province achieves PIC status, the ISF provides virtually all security services. Some reliance on Coalition support capabilities, however, will continue.

The U.S. Army Corps of Engineers Gulf Region Division (GRD) informed SIGIR this quarter that operating in a post-PIC province does not dramatically affect its reconstruction efforts. GRD personnel report that they rely



As security improves, the United States and Iraq are working to remove walls in Baghdad that had been erected to minimize violence by separating Shia and Sunni neighborhoods. (DoS photo)

on either their own resources or the ISF for assistance after security incidents rather than Multi-National Force-Iraq (MNF-I).<sup>109</sup> However, the ISF can restrict U.S. personnel movements and require ISF escorts for private security contractors—and they have done so, particularly in Thi-Qar and Muthanna.<sup>110</sup>

### Key U.S. Programs

Security and justice programs receive the largest portion of U.S. reconstruction funding in Iraq, facilitating the training of the ISF, providing equipment, strengthening Iraq's judiciary, and supporting the construction of prisons and courthouse facilities, among other activities.

### Status of the ISF

Since 2003, the number of trained ISF personnel has increased from 87,414 to 531,000.<sup>111</sup> Assigned ISF data, which reflects payroll information, totals 591,695 personnel.<sup>112</sup> DoD considers assigned data to be a more realistic evaluation of current ISF staffing because trained figures do not reflect present-for-duty numbers and include personnel who are AWOL, away, or injured. For a comparison of these discrepancies, see Table 2.24.

This quarter, SIGIR followed up on its April 2008 report with an audit assessing the reliability of ISF reporting. SIGIR found numerous weaknesses arising from improper documentation, corruption, ghost personnel, unauthorized hires, and weak personnel management systems.<sup>113</sup> Because reporting metrics and definitions have changed over time, SIGIR noted that meaningful ISF personnel trend analysis remains difficult. The United States funds an effort to develop an automated system for the Ministry of Defense (MOD), while the GOI is focusing on a system for the Ministry of Interior (MOI).<sup>114</sup>

### Building the Capacity of the ISF

Security program managers face multiple challenges in their work to create a self-sufficient Iraqi military under the MOD, including an understaffed officer corps, inadequate logistics capacity, and poor procurement processes. Within the MOI, continuing corruption, sectarianism, command and control deficiencies, and maintenance limit progress.<sup>115</sup>

Although total budgets for the MOD and MOI have increased steadily since 2004, they continue to fall short of ministry requests. In 2008, the MOI requested \$10.3 billion, but only

# RECONSTRUCTION OVERVIEW

TABLE 2.24  
ASSIGNED AND TRAINED TOTALS FOR THE ISF, AS OF 8/15/2008

FORCE	SERVICE BRANCH	ASSIGNED	TRAINEES
Ministry of Defense	Iraqi Army	180,296	224,970
	Training and Support Forces	22,069	21,144
	Air Force	1,887	2,246
	Navy	1,872	1,494
	<b>Total MOD</b>	<b>206,124</b>	<b>249,854</b>
Ministry of Interior	Iraqi Police	299,170	192,028
	National Police	39,739	50,184
	Border Enforcement	43,073	34,370
	<b>Total MOI</b>	<b>381,982</b>	<b>276,582</b>
Counter-Terrorism Bureau	Special Operations	3,589	4,564
<b>ISF Total</b>		<b>591,695</b>	<b>531,000</b>

Note: Although assigned numbers illustrate payroll data, they do not reflect present-for-duty totals. Trained figures include personnel who are AWOL and are away because of injury.

Source: DoD, *Measuring Stability and Security in Iraq*, 9/30/2008, p. 33.

53% of that request was approved.<sup>116</sup> The MOD received less than 63% of its request.<sup>117</sup> These shortfalls, exacerbated by slow budget execution mechanisms, affect U.S efforts to develop ISF self-sufficiency.<sup>118</sup>

Notwithstanding these shortfalls, the ISF made progress this quarter. The MOD continues to improve interagency coordination, training, Army force generation, and to expand Iraq's Air Force and Navy.<sup>119</sup> But basic training is limited by deteriorating equipment and facilities. The Coalition Army Advisory Training Team (CAATT) noted that substandard living conditions and damaged tents have reduced basic training capacity by 14%.<sup>120</sup>

The MOI improved as well. It advanced on efforts toward securing 100 of the required 108 land deeds for future structures, opened 4 forensics laboratories, increased National Police (NP) forces and provincial police conferences, and expanded facilities (including the construction or refurbishment of 175 police stations).<sup>121</sup>

## Growing the Commissioned and Non-commissioned Officer (NCO) Corps

SIGIR previously reported on the shortage of experienced commissioned and non-

commissioned officers in the ISF. The 12,000 NCOs trained from July 2007 to July 2008 met only one third of the end-state goal required to lead current force strength.<sup>122</sup>

On September 6, 2008, the MOD sought to recall former NCOs and officers from the Saddam-era military. By October 6, 2008, nearly 97,000 former NCOs and officers had registered, which exceeded the GOI's initial target of 80,000.<sup>123</sup> MNC-I reported that those ranked below Colonel have the best chance of reinstatement.<sup>124</sup> The MOD has formally reinstated 738 officers and 1,425 NCOs who were registered by September 13, 2008. For an overview of former NCO and officer registration, see Table 2.25.

TABLE 2.25  
REGISTRATION OF FORMER OFFICERS AND NCOs, AS OF 10/6/2008

RANK	# REGISTERED
General	1,321
Lt. Colonel to Colonel	4,163
Lieutenant to Major	8,299
NCO	83,178
<b>Total</b>	<b>96,961</b>

Source: MNF-I, response to SIGIR data call, 10/10/2008.

### Supporting Training and Transition

Although Iraq is assuming a greater share of training and administrative duties for the ISF, the United States continues to provide critical advisory support to help leaders in the field and in the ministries reach their goal of “operational independence.”<sup>125</sup> The Multi-National Security Transition Command-Iraq (MNSTC-I) oversees advisors who work as part of nine teams that specialize in assisting Iraq’s security apparatus. In addition to advisory teams in the MOD, MOI, and Joint Headquarters, the Coalition provides personnel to police training teams (including 766 international police advisors),<sup>126</sup> border transition teams, and military assistance transition teams within each of Iraq’s military branches, including 179 U.S. advisors to Iraqi Army (IA) basic training.<sup>127</sup>

Coalition forces oversee joint contingency operating facilities, which serve as shared bases of operation. Currently, 54 contingency operating bases and sites and more than 362 smaller contingency operating locations host ISF and Coalition forces.<sup>128</sup>

DoD reports that the objective is to partially close or hand over these facilities to the ISF once security gains in an area are achieved. For example, during 2007, there were 63 major tracked bases during the height of the U.S. Surge, and as supplemental forces were withdrawn, 9 major bases and 17 smaller bases have either been handed over to the GOI or closed.<sup>129</sup>

U.S. MOI advisors report improvement on budget execution processes, training capacity, and force-generation mechanisms but point to the challenges combating corruption and managing detainees.<sup>130</sup> Both the Civilian

Police Assistance Training Team and the MOI Transition Team report that poor strategic planning, inadequate training center capacity, structurally inadequate facilities, and slow assimilation and professionalization of MOI forces continue to hinder progress.<sup>131</sup>

### Supporting Logistics and Maintenance

Coalition forces provide advisory support to help the MOD bolster acquisition, storage, maintenance, and distribution systems critical to equipping personnel in the field. However, progress in developing self-sustaining logistics and maintenance systems is slower than anticipated<sup>132</sup> and remains problematic.<sup>133</sup>

The United States is taking action to bolster the IA’s logistics capacity, including:<sup>134</sup>

- training nearly 3,000 soldiers as part of several logistics initiatives this quarter
- developing a logistics doctrine and mechanisms
- creating training and guidance to improve core competencies
- standing up a general transportation regiment to move equipment and supplies from ports and depots to other facilities
- requesting \$18.75 million for upgrading antiquated equipment to meet long-haul requirements
- requesting nearly \$25 million in procurement actions to address equipment shortages at two motor transportation regiments
- supporting the production of a Highly Mobile Multipurpose Wheeled Vehicle program with \$45 million in supplies, repair parts, and a management team



U.S.-Iraqi ceremony with Sons of Iraq.  
(MNF-I photo)

Completion of the U.S.-funded **Taji National Depot and Complex**—which will be the largest logistics facility in Iraq—is expected by early 2009. However, Coalition advisors will still be needed to train and oversee the facilities until the Iraqis can assume control.<sup>135</sup> The small arms shop was handed over in May 2008, and training began in October 2008.<sup>136</sup>

Unlike the MOD, the MOI does not have a formally dedicated logistics system, and its maintenance capability is not robust enough to sustain vehicle rates above 85% readiness.<sup>137</sup> The MOI is in the process of developing a National Police Sustainment Brigade, which is expected to be completed by December 31, 2008. As of September 30, 2008, the brigade has approximately 46% of required personnel that comprise the maintenance, logistics, medical, and transportation companies.<sup>138</sup>

### Life-support Contracts

In October 2007, SIGIR began reporting on U.S. efforts to transfer life-support responsibility to the MOI and MOD for facilities, security, transportation, maintenance, logistics, and information technology. Of the 33 contracts that the United States targeted for transition, 19 contracts for the MOD are valued at \$181 million, and MOI's 14 contracts total nearly \$267 million. MNSTC-I reported that all contracts to the MOI will be transferred by December 31, 2008.<sup>139</sup>

As of September 8, 2008, 13 contracts worth \$150 million have been transferred.<sup>140</sup> This total is less than what was reported to SIGIR in July

2008 because MNSTC-I decided to retain control over seven contracts, which total nearly \$94 million.<sup>141</sup>

Since July 2008, three contracts for \$10 million were transferred, which leaves nearly \$300 million in contracts retained by the Coalition.<sup>142</sup>

### Transitioning the Sons of Iraq Program to Iraqi Control

In 2007, the United States began funding the Sons of Iraq (SOI) from CERP's protective measures money, which has since become the largest CERP category. Nearly \$368 million of the CERP has been spent on the SOI program.<sup>143</sup> Although monthly funding for the SOI has increased since the program's inception, the average monthly spending per person has fallen consistently since late 2007, reflecting the sharp rise in SOI membership.

As of October 1, 2008, the GOI agreed to assume payment responsibilities for the 51,000 SOI members operating in Baghdad.<sup>144</sup> This is the first step in transitioning the SOI program from U.S. to Iraqi management. MNC-I reported that it plans to transfer the remaining 44,000 members across the country over the next six months.<sup>145</sup> MNC-I also noted that the United States will continue to support the rest of the SOI members until it can work with the GOI to transition them into meaningful permanent employment into civilian employment or to the ISF.<sup>146</sup>

Although Iraq's Prime Minister has publicly said that he supports the transition,<sup>147</sup> the MOI and some Iraqi leaders have been reticent to

support the plan amid sectarian tension.<sup>148</sup> The United States hopes to transition about 20% of SOI members into the ISF, but transfers to the Iraqi Police over the last three months have shown “slow to no progress.”<sup>149</sup> Additionally, DoD has reported that some SOI members are being targeted by the GOI.<sup>150</sup>

In addition to coordinating SOI transfer and pay, the GOI and MNC-I must finalize a memorandum of understanding to reduce operational tensions between the Coalition and the IA while the responsibility for oversight of the SOI is transitioned.<sup>151</sup>

MNC-I established a reconciliation cell to engage the Iraqi Implementation and Follow-up Committee for National Reconciliation,<sup>152</sup> which conducts vetting of police recruits and works with provincial and local governments on reconciliation issues.<sup>153</sup> The Prime Minister tasked the committee with overseeing the SOI program transition. MNC-I has also conducted two new initiatives:

- setting up pay stations to begin acclimating the IA to the administration of the group by executing payroll for the SOI using U.S. funds<sup>154</sup>
- holding joint registration with the IA to help enroll SOI members for benefits under the transition program<sup>155</sup>

### Facilitating Foreign Military Sales

The Foreign Military Sales (FMS) program allows Iraq to quickly procure defense-related goods, equipment, and services from the United States. The Defense Security Cooperation Agency (DSCA) oversees this process, which supplies a range of equipment to the Iraqis,

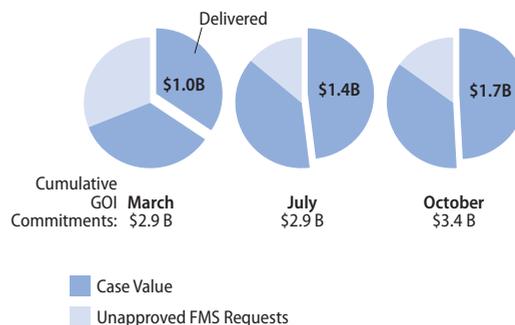
including small arms, clothing, tanker trucks, trailers, and repair parts.<sup>156</sup> More recently, Iraqis have requested more substantial equipment, including reconnaissance helicopters and transport aircraft.<sup>157</sup>

Since September 2007, Iraq has committed \$3.4 billion to the program.<sup>158</sup> As of October 15, 2008, the total value of FMS cases is \$2.9 billion (85% of the total committed), and the total amount delivered is nearly \$1.7 billion. To see the progress on FMS since March 2008, see Figure 2.12.

Between March 2008 and October 2008, the amounts committed by the GOI to FMS outpaced deliveries. Lengthy processing times had previously contributed to delays in approval and delivery. To streamline the FMS process, DoD

FIGURE 2.12

### STATUS OF FOREIGN MILITARY SALES WITH IRAQ, 2008



Note: Numbers affected by rounding.

Sources: DoD, *Measuring Stability and Security in Iraq*, 3/2008; MNSTC-I, response to SIGIR data call, 4/2008; SIGIR Deputy Inspector General, interview with OSD, Principal Deputy Assistant Secretary of Defense, Global Security Affairs, 7/7/2008; DSCA, response to SIGIR data call, 10/15/2008.

established a task force to improve processing speed,<sup>159</sup> and DSCA moved from a policy and oversight role to a more operational stance.<sup>160</sup>

The DSCA has strengthened delivery mechanisms by improving relationships with the leadership of the U.S. Transportation Command, elevating shipping priority for FMS goods, relying on air transport, and switching the terminus for ocean shipments from ports in Kuwait to Umm Qasr.<sup>161</sup>

Recently, GRD has become the executing agent for several cases and components of cases.<sup>162</sup> As of October 14, 2008, GRD was managing one case for the construction of a \$45 million pier and seawall project in Umm Qasr.<sup>163</sup> GRD has also received funding for other cases, valued collectively at \$128.4 million.<sup>164</sup>

## Shaping Iraq's Justice System

U.S. assistance to Iraq's justice system focuses on judicial security, training, and construction projects. Recognizing that stability and security for these institutions will require years of effort, the United States has been pursuing a variety of initiatives, including:

- addressing inadequate judicial security mechanisms
- improving the court system
- alleviating overcrowding in prisons

## Protecting Judicial Personnel

Serious threats continue to impede Iraq's judiciary. Personnel contend with intimidation, corruption, and assassination when investigating and prosecuting cases in an understaffed and under-trained field. DoD reported that “intimidation

significantly hinders administration of the criminal justice system and is the most immediate threat to advancement of the rule of law in Iraq.”<sup>165</sup>

Since June 2003, 38 judges have been assassinated (7 killed in 2008), and 6 family members of judicial employees have been killed (none this quarter).<sup>166</sup> Since June 2004, 99 other judicial staff members have been targeted.<sup>167</sup> The United States provides secure housing for 29 judges and their families.<sup>168</sup>

Between July 2008 and October 2008, the MOI issued 65 weapons permits for judicial staff.<sup>169</sup> This brings the total number of permits to 470, but amounts to less than 10% of all judicial security personnel. The Higher Judicial Council (HJC) is unable to generate adequate support for a Judicial Protection Service (JPS). Although it received some funding to pay for personal security details and Facility Protection Service members, the HJC did not receive enough to maintain sufficient personnel.<sup>170</sup>

U.S. agencies are coordinating with the HJC and MOI to support an order by the Prime Minister that directs the MOI to assume greater responsibility for judicial security.<sup>171</sup> INL notes that “the future of judicial security” across Iraq depends on the plan.<sup>172</sup>

INL is also funding Deputy U.S. Marshals and a contractor to evaluate judicial security nationwide, to establish policies and plans for judicial security personnel, to develop security assistance, and to work with GOI officials to develop security training classes for the **Judicial Education and Development Institute**.<sup>173</sup>

Red carpet awaits dignitaries at September 10, 2008, opening of new Rusafa Palace of Justice. (USACE photo)



### Improving Iraq’s Judicial Facilities

In Rusafa, U.S. agencies helped move the court and personnel to the new U.S.-constructed, \$11.3 million courthouse (known as the Palace of Justice).<sup>174</sup> The 10,200 sq. ft. courthouse opened in September 2008 to serve more than one million citizens. The facility includes a witness protection facility, living quarters for judges and legal staff, and numerous buildings for security, maintenance, and food service.<sup>175</sup> Although the United States considers the complex to be a model that can be applied across Iraq, the HJC is hesitant to replicate it.<sup>176</sup>

Since July 2008, 9 new courts have opened, bringing the total to 664 nationwide.<sup>177</sup> By October 3, 2008, security upgrades to courthouses in Mosul and Kirkuk were nearing completion.<sup>178</sup> The U.S. Marshals and INL have identified 27 more courthouses that require security upgrades.<sup>179</sup>

In addition to courthouse construction, the United States funds witness protection facilities to be located with courthouses. The lack of formal facilities forces witnesses and legal counsel to be housed in camps. Since October 2007, nearly 300 witnesses and defense lawyers stayed in these camps. From July 1 to September 17, 2008, 8 defense attorneys and 17 witnesses stayed for more than 6 weeks. The U.S. Justice Attaché noted that the camps were handed over to the GOI on September 30, 2008.<sup>180</sup>

By October 2, 2008, both of the newly completed witness protection facilities were part of Central Criminal Court of Iraq (CCC-I) compounds—one in Karkh and the other in part of the Palace of Justice compound, in Baghdad. For an update on these facilities, see Table 2.26.

TABLE 2.26

#### U.S.-FUNDED WITNESS PROTECTION FACILITIES, AS OF 9/30/2008

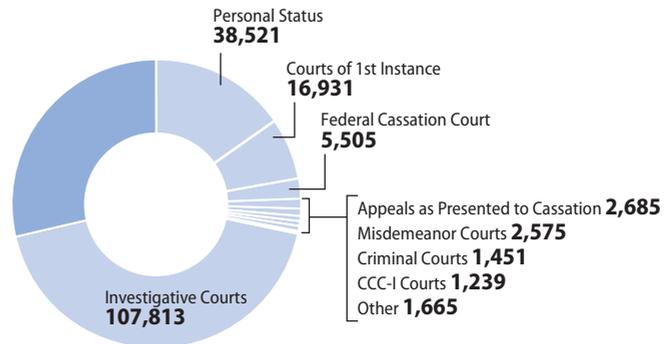
LOCATION	COST (MILLIONS)	COST TO COMPLETE (MILLIONS)	ANTICIPATED END DATE	% COMPLETE	CHANGE FROM 7/2008
Basrah	\$1.9	\$0.1	10/15/2008	98%	2% increase
Rusafa	\$2.9	\$0	Complete	100%	Complete
Karkh	\$2.0	\$0	Complete	100%	None

Source: INL, response to SIGIR data call, 10/3/2008.

FIGURE 2.13

## NUMBER OF CASES SETTLED BY IRAQ'S FEDERAL APPEALS COURTS, 5/2008-7/2008

250,371 Cases Presented, 71% Settled



**Note:** Federal Cassation is similar to the U.S. Supreme Court. "Appeals as originally presented" and "Appeals as presented to Cassation" designate courts that are similar in operation to the U.S. intermediate circuit courts. CCC-I are U.S.-supported courts that handle corruption and insurgent-related cases. Labor, Court of 1st Instance, Personal Status (Family), and Religious courts are civil courts. Misdemeanor, Juvenile, Commerce, and Investigative courts are all criminal courts. Others include: Juvenile Courts, Courts for Religious groups other than Muslim; Labor Courts, Commerce Courts, and Appeals as originally presented.

**Source:** U.S. Justice Attaché, "HJC Statistical Report," response to SIGIR data call, 10/2/2008.

### Building the Capacity of Iraq's Courts

The number of court personnel has been increasing and now includes 482 new judges, 287 investigative judges, 689 investigators, 313 prosecutors, and 4,482 protection staff.<sup>181</sup> However, the judiciary continues to be overwhelmed by the vast number of cases.

The United States has undertaken a three-step approach to assist Iraq in addressing the backlog of cases. In the near term, rule-of-law advisors are addressing immediate issues, such as electrical service and file management for the MOI.<sup>182</sup> In the long term, INL and other DoS offices are helping develop the **HJC Court Administration Project**, which focuses on building capacity for implementing and standardizing case management. The United States is also helping to coordinate the locations of administrative office space within new courts because they lack centralization.<sup>183</sup>

The U.S. Embassy's Law and Order Task Force (LAOTF), MNF-I, and PRT Baghdad contribute logistical and technical support to the CCC-I.<sup>184</sup> In Karkh, efforts include bolstering advisory capacity for processing evidence, coordinating witnesses, and providing direct security and logistical support for transporting prisoners.<sup>185</sup>

### Settling Cases

Between January and March 2008, more than 200,000 cases were presented before Iraq's federal appeals courts.<sup>186</sup> Between May 2008 and July 2008, 22% more cases were presented than during the first quarter of calendar year (CY) 2008, maintaining a high rate of case settlement.<sup>187</sup> In

Iraq, any allegation supported by two or more witnesses becomes a case. Once filed, the case is presented to an Investigative Judge (IJ) who endeavors to discover facts while simultaneously representing the interests of Iraq. The IJ is responsible for supervising the gathering of the evidence necessary to resolve the case or move it to a higher court, regardless of the case's validity or relevance. Thus, the requirement accounts for the immense number of cases heard in Iraq's court system. The IJ then decides whether to continue the case or settle it without further action. For a summary of case settlements, see Figure 2.13.

U.S. efforts include advising Commission on Integrity (CoI) staff (who develop and send cases to the investigative courts), increasing the number of cases referred from the CoI, and training IJs and judicial investigators.<sup>188</sup> Moreover, the United States is attempting to alleviate tensions between IJs and police, which can cause delays in transferring files and cooperation.<sup>189</sup>

TABLE 2.27  
**QUARTER-ON-QUARTER CHANGES FOR ELIGIBLE AMNESTY LAW CASES, CY Q1–Q2 2008**

ELIGIBLE DETAINEES	ELIGIBLE PRISONERS	ELIGIBLE ON BAIL	ELIGIBLE FUGITIVES	DENIED
+ 14.09%	+ 22.16%	+ 26.07%	+ 32.26%	+ 13.30%

Source: U.S. Justice Attaché, response to SIGIR data call, 10/2/2008.

PRT Baghdad and the LAOTF opened the **Rusafa Legal Defense Center** in May 2008 to offer legal counsel for detainees. By October 2008, more than 4,200 consultations (83 per day) had been conducted to support the release or transfer of 2,176 detainees—1,024 released under the Amnesty Law.<sup>190</sup>

INL has supported the development of a criminal justice tracking system, known as the Iraq Justice Integration Project (IJIP). After a change in implementing contractors, the project has been reinvigorated. In September 2008, three staff began working with the MOI to streamline detainee information, which will also be available to HJC and Ministry of Justice to improve coordination of detainee status.<sup>191</sup>

#### Expanding Amnesty Law Cases

By September 24, 2008, the HJC reported that 151,219 cases were brought before the courts as a result of February's Amnesty Law. Nearly 122,000 were deemed eligible.<sup>192</sup>

The largest rate of increase for eligible cases is for fugitives, which rose by more than 32% between the first and second quarters of CY 2008.<sup>193</sup> DoS noted that amnesty panels focus on reviewing and resolving those cases where the individual is not in custody (or whereabouts unknown).<sup>194</sup> To view the quarter-on-quarter rates of change of eligible Amnesty Law cases, see Table 2.27.

According to the HJC, nearly 80% of these cases have been granted.<sup>195</sup> However, the Justice Attaché reported that the number of actual releases is unclear. Administrative delays, database deficiencies, and the lack of coordination between the HJC, the MOI, MOD, Ministry of Justice, and the Ministry of Labor and Social Affairs often prevents the execution of release orders.<sup>196</sup> However, the Prime Minister's Office and the Minister of Human Rights are working to improve synchronization among implementing ministries and other GOI entities.<sup>197</sup>

#### Addressing Overcrowded Prison and Detention Facilities

As of October 8, 2008, there were 31,578 detainees and 10,169 prisoners in Iraq.<sup>198</sup>

Overcrowding in prisons and the comparatively large detainee population are placing stress not only on the courts but also on Iraq's detention systems. Mistreatment of detainees and prisoners also compounds the challenges facing Iraq's criminal justice system. The United States is attempting to alleviate some of the stress by training corrections service personnel and constructing new prisons. The United States is funding the construction of six prisons, valued at \$89.5 million. These facilities have a combined holding capacity of 8,089 prisoners and detainees.<sup>100</sup> For an overview of these facilities, see Table 2.28.

# RECONSTRUCTION OVERVIEW

TABLE 2.28

## PRISON CONSTRUCTION

PRISON	VALUE (\$ MILLIONS)	LOCATION	EST. DATE OF COMPLETION	EST. CAPACITY	STATUS
Basrah Central	\$9.4	Basrah	9/2009	1,500 beds	Contract awarded 8/10/2008; partial notice to proceed with design work and repair to a damaged perimeter wall issued 8/29/2008. An NP unit occupied the facility for billeting purposes from late summer 2007 until November 2007, at which point all action was stopped. Since then, the statement of work was revised and a new IGE was developed.
Chamchamal	\$32.0	Sulaymaniyah	2/2009	3,000 beds	52% complete as of 9/7/2008; in response to weather delays, a 23-day extension was granted by GRN.
Fort Suse: Phase I	\$6.5	Sulaymaniyah	4/2009	689 beds	42% complete as of 9/7/2008; a USACE review of the 30% design contract modification caused an 80-day extension; contractor was given more days because of security and weather delays, including vehicle curfews imposed by local authorities.
Fort Suse: Phase III	\$11.5	Sulaymaniyah	8/2009	1,000 beds	Contract awarded 6/08/2008; support agreement with INL pending.
Nassriya: Phase II	\$7.3	Thi-Qar	1/2009	400 beds	45% complete, as of 10/13/2008; original completion date shifted from 11/2008 to 12/2008 after workers were moved to Phase I to help complete that project on schedule. An additional contract modification to upgrade the sewage plant has delayed the completion date until January 2009.
Ramadi	\$22.8	Anbar	TBD	1,500 beds	Disputes over title to the land have placed the project on hold.

**Note:** Value of Basrah Central was calculated by adding 6.5% S&A and 7.5% contingency reserve to the actual contract award amount. The last report was based on the IGE.

**Source:** INL, response to SIGIR data call, 10/3/2008 and 10/15/2008.

## INFRASTRUCTURE

The United States has obligated nearly \$11.01 billion and expended nearly \$10.27 billion<sup>199</sup> to address Iraq’s critical infrastructure needs in these reconstruction sectors:

- oil and gas
- electricity
- water
- health care
- transportation and communications

For the status of U.S. funding across infrastructure projects and programs, see Figure 2.14, and for a sector breakout, see Figure 2.15.

FIGURE 2.14  
STATUS OF U.S. FUNDS FOR INFRASTRUCTURE  
\$ Billions

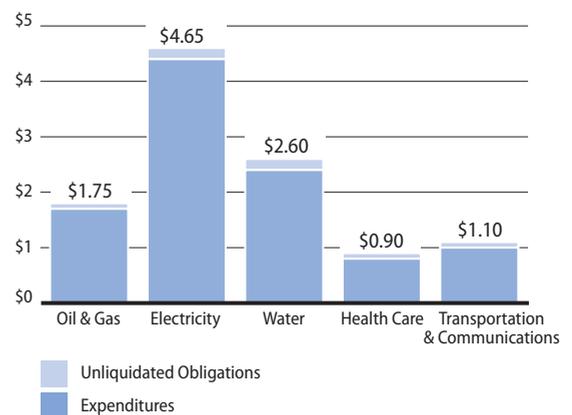


**Note:** Numbers affected by rounding. For the methodology on how SIGIR grouped U.S. programs by category (Security, Infrastructure, Economy, and Governance), see Appendix D. Obligations and expenditures by SIGIR category may vary from top-line obligations and expenditures reported in the *Summary of U.S. Funding*. SIGIR did not receive project- or sector-level reporting from all agencies, and some information was compiled from the IRMS. Figure includes only IRRF 2, ESF, and CERP funding.

**Sources:** IRMS, *ESF Cost to Complete*, 9/30/2008; DoS, *Iraq Weekly Status Report*, 10/1/2008; IRMS, *MNC-I Quarterly Report*, 10/14/2008.

As of September 30, 2008, nearly 94% of IRRF 2 appropriations had been expended.<sup>200</sup> The focus of residual U.S. support for infrastructure reconstruction has shifted from major projects to small-scale rebuilding and repair, as well as targeted technical assistance. At the beginning of FY 2008, the U.S. Embassy realigned remaining IRRF funds to focus on economic, governance, and capacity development efforts, marking the end of new reconstruction projects funded by the IRRF.<sup>201</sup>

FIGURE 2.15  
U.S. OBLIGATIONS FOR INFRASTRUCTURE, BY SECTOR  
\$ Billions



**Note:** Numbers affected by rounding. For the methodology on how SIGIR grouped U.S. programs by Infrastructure area, see Appendix D. Figure does not account for \$1.3 million in U.S. funding obligated and expended for ISP and O&M Sustainment projects categorized as “Buildings.” Figure includes only IRRF 2, ESF, and CERP funding.

**Sources:** IRMS, *ESF Cost to Complete*, 9/30/2008; DoS, *Iraq Weekly Status Report*, 10/1/2008; IRMS, *MNC-I Quarterly Report*, 10/14/2008.

## Oil and Gas

The United States has obligated more than \$1.75 billion and expended nearly \$1.69 billion in the oil and gas sector.<sup>202</sup>

For 2008, the GOI allocated \$2 billion to the Ministry of Oil for capital projects. As of June 2008,<sup>203</sup> more than \$482 million of this amount had been released to the ministry, which had expended \$410 million.<sup>204</sup> In the 2008 Iraqi supplemental, passed in August, the GOI budgeted an additional \$260 million for the Ministry of Oil.<sup>205</sup>

## Oil Production and Exports

Crude oil production this quarter hit a post-war record, averaging 2.47 million barrels per day (MBPD)<sup>206</sup>—a 2% increase from the figure reported last quarter and an 18% rise from the same quarter last year.<sup>207</sup>

Exports of crude oil averaged 1.73 MBPD—an 8% decrease from last quarter and a 2% decrease from the same quarter last year.<sup>208</sup> The recent decline in exports has been attributed to at least two factors:

**North:** In early September 2008, the North Oil Company reported a break in the main export line to Ceyhan, resulting in the halt of oil exports to the North for about a week until repairs were completed, by mid-month.

**South:** Bad weather delayed loading at the oil terminal in Basrah.<sup>209</sup>

Year-to-date average exports of 1.86 MBPD is slightly below the goal of 1.9 MBPD established by the Ministry of Oil.<sup>210</sup>

## Oil Prices and Revenues

Iraq's 2008 oil revenues reached \$55.4 billion.<sup>211</sup> GAO forecasts that 2008 oil revenues could range from \$66.5 billion to \$79.2 billion, but oil prices have sharply declined from the record levels reached in mid-2008.<sup>212</sup> Thus, Iraq's annual oil income will likely settle at the lower end of the spectrum. Kirkuk Crude oil averaged \$113 per barrel this quarter, but the weekly average for October 10, 2008, dropped below \$82.<sup>213</sup>

In its 2009-2011 Strategic Plan, the GOI calculated export prices of \$80 per barrel for 2009, \$85 for 2010, and \$90 for 2011.<sup>214</sup> For a summary of recent trends in Iraqi crude oil production and exports, see Table 2.29.

## Refined Fuels

The GOI continues to struggle to meet the country's internal demand for refined fuels. For example, daily averages for refined fuel supplies for the week ending September 21, 2008, were:<sup>215</sup>

- 41% below the target levels for gasoline
- 29% below the target levels for diesel
- 28% below the target levels for kerosene
- 8% below the target levels for liquefied petroleum gas (LPG)

TABLE 2.29

CRUDE OIL PRODUCTION, EXPORTS, PRICES, AND REVENUES

	QUARTERLY AVERAGE 7/1/2008–9/30/2008	CHANGE FROM SAME QUARTER LAST YEAR	TRENDS FOR MONTHLY AVERAGES
Production <sup>a</sup>	ITAO 2.50 MBPD	↑ 19%	
	NEA 2.47 MBPD	↑ 18%	
Exports <sup>a</sup>	ITAO 1.83 MBPD	↑ 3%	
	NEA 1.73 MBPD	↓ 2%	
Price Iraq Receives for Oil <sup>b</sup>	\$108.20/Barrel (Basrah Light)	↑ 54%	
	\$113.03/Barrel (Kirkuk Crude)	↑ 59%	
Cumulative Oil Revenues for 2007–2008 <sup>c</sup> (estimated)	\$17.6 Billion	↑ 54%	

Notes:

Numbers affected by rounding. MBPD denotes millions of barrels per day.

<sup>a</sup>Historically, SIGIR has based oil export and production trends on information compiled by ITAO. Varying quarterly averages for production and exports were reported by DoS, Bureau of Near Eastern Affairs-Iraq (NEA-I). This quarter SIGIR used historic figures provided by U.S. Embassy to create the trend lines.

<sup>b</sup>Quarterly price averages were provided by NEA-I; however, the trend line was created from ITAO data, which includes Basrah Light and Kirkuk Crude prices through 9/5/2008.

<sup>c</sup>The trend line is cumulative oil revenues since January 2007. The quarterly average for oil revenues was provided by NEA-I, response to SIGIR data call, 10/14/2008. However, historic figures used to create the trend line were compiled from DoS, *Iraq Weekly Status Reports*. In a response to SIGIR data call, U.S. Treasury commented that the oil revenue figures provided by the DoS, *Iraq Weekly Status Reports*, are high compared to their figures for CBI oil receipts. U.S. Treasury data shows \$46.6 billion in CBI receipts through August 2008; DoS, *Iraq Weekly Status Report*, 8/27/2008, notes a \$48.2 billion estimated oil revenues.

Sources: U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008; DoS, *Iraq Weekly Status Report*, 1/31/2007, 2/28/2007, 3/28/2007, 4/25/2007, 5/30/2007, 6/27/2007, 7/11/2007, 8/29/2007, 9/26/2007, 10/31/2007, 11/28/2007, 12/12/2007, 1/3/2008, and 1/16/2008; NEA-I, response to SIGIR data call, 10/14/2008.

The country continues to rely heavily on imports to meet some of the demand. Nearly 63% of the target supply for LPG was imported.<sup>216</sup> This quarter, daily average imports of LPG increased 280% from the same quarter last year.<sup>217</sup> For a summary of production and imports of refined fuels, see Table 2.30.

To increase refining capabilities and capacity in Iraq, the Ministry of Oil has plans to start construction of a refinery in Kerbala in 2012 and one in Nassriya in 2013. This quarter, the United States completed a \$6.5 million CERP project to construct truck lanes and install security cameras and barriers at the Baiji refinery.<sup>218</sup>

### IRRF Sector Closeout

This quarter, GRD announced the closeout of its oil program,<sup>219</sup> which spent \$1.7 billion on projects funded by the IRRF.<sup>220</sup> Although almost all of the 184 projects are physically complete, JCC-I/A is still performing contract closeout work.<sup>221</sup>

Through these projects, GRD reported that it reached its goal of increasing crude oil production capacity to 3.0 MBPD.<sup>222</sup> The pre-war capacity level for daily crude oil production was 2.8 MBPD.<sup>223</sup> GRD projects also created increased LPG production capacities up to 3,000 metric tons per day and natural gas productions up to 800 million standard cubic feet per day.

U.S. efforts in the oil and gas sector continue through ESF funding.<sup>224</sup> For the summaries of completed and ongoing projects funded by both the ESF and IRRF, as reported in the Iraq Reconstruction Management System (IRMS), see Table 2.31.

### ESF-funded Pipeline Exclusion Zones

The Infrastructure Security Protection (ISP) program, funded by the ESF, is a key continuing initiative in the oil sector. Pipeline Exclusion Zone (PEZ) projects executed through the program have reduced interdictions and improved the reliability of crude oil and petroleum product delivery. As of September 30, 2008, about \$129 million had been expended for the ISP.<sup>225</sup>

GRD provided an update this quarter on three phases of the PEZ program:<sup>226</sup>

**Baiji-to-Baghdad (156 km):** GRD has completed 50% of the U.S. component of the project, but work stopped on the GOI portion because of contractual issues with the Ministry of Defense. This PEZ project was allocated \$41.5 million of the ESF. The original completion date was scheduled for December 2008.

**Kirkuk-to-Baiji (96 km):** The U.S. portion of the project, funded with \$32.5 million, is now complete. SIGIR's inspection of this project last quarter showed it to be a success. Work on the Iraqi portion of the project, funded by \$13.5 million from the GOI, has ceased. The project had been scheduled for completion in September 2008, and a revised date has not been reported.

**Doura-to-Hillah Road (41 km):** The U.S.-funded work (\$13.1 million) on this project is 97% complete. The GOI contribution, supported by \$5.6 million from the Ministry of Interior, is still in planning stages without an estimated start date.

TABLE 2.30

QUARTERLY TRENDS—IMPORTS AND PRODUCTION OF REFINED FUELS

	PRODUCTION		IMPORTS	
	QUARTERLY AVERAGE 7/1/2008–9/30/2008	CHANGE FROM SAME QUARTER LAST YEAR	QUARTERLY AVERAGE 7/1/2008–9/30/2008	CHANGE FROM SAME QUARTER LAST YEAR
LPG	ITAO: 2,478 MTPD NEA: 2,664 MTPD	+64% +76%	ITAO: 3,677 MTPD NEA: 3,791 MTPD	+269% +280%
Kerosene	ITAO: 10,650 MLPD NEA: 8,280 MLPD	+90% +110%	ITAO: 527 MLPD NEA: 479 MLPD	- 5% +2%
Gasoline	ITAO: 7,598 MLPD NEA: 8,485 MLPD	+93% +10%	ITAO: 4,651 MLPD NEA: 3,829 MLPD	+12% -19%
Diesel	ITAO: 16,273 MLPD NEA: 17,015 MLPD	+96% +105%	ITAO: 1,789 MLPD NEA: 1,779 MLPD	+31% +31%

Note: Numbers affected by rounding.

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008; NEA-I, response to SIGIR data call, 10/14/2008.

TABLE 2.31

STATUS OF U.S. OIL AND GAS PROJECTS

	COMPLETED PROJECTS	COMPLETED PROJECT VALUES	ONGOING PROJECTS	ONGOING PROJECT VALUES
Capacity Building	305	\$480,439,002	0	\$0
Dedicated Power	7	\$36,197,774	0	\$0
Infrastructure Security <sup>a</sup>	41	\$172,288,172	14	\$85,174,683
LPG/LNG Plant Rehab	8	\$151,550,252	0	\$0
Misc Facilities <sup>b</sup>	147	\$932,314,094	4	\$78,689,054
Spare Part Replenishment	7	\$330,736	0	\$0
Storage/Distribution	1	\$11,213	0	\$0
Sustainment (O&M)	3	\$124,819,164	0	\$0
Water Injection Pump Stations	30	\$34,605,759	0	\$0
<b>Totals</b>	<b>549</b>	<b>\$1,932,556,167</b>	<b>18</b>	<b>\$163,863,737</b>

Note: This list of reconstruction project values is based on information provided by the Iraq Reconstruction Management System (IRMS). SIGIR has reported that IRMS data is not fully accurate or complete. Therefore, project totals may not reconcile with top-line obligations and expenditures provided by the agencies. This table includes project values and not obligations or expenditures.

<sup>a</sup> This category includes additional projects beyond the projects from the Infrastructure Security Protection (ISP) program. ITAO ISP reported that there are 52 completed projects for infrastructure security, valued at \$74.2 million. ITAO ISP, response to SIGIR data call, 10/14/2008.

<sup>b</sup> All but one ongoing project are funded by the ESF. As of October 1, 2008, IRMS reported one ongoing IRRF project, valued at \$58,031,544. This project is included in the table under "Misc Facilities." On 8/4/2008, GRD reported that two administrative task orders were open for final closeout activities.

Source: IRMS, ITAO Rollup, 10/1/2008.

## Southern Export Redundancy/Single Point Mooring Project

The United States is assisting the Ministry of Oil on the “largest and most critical single project involving Iraq’s national economy,” according to GRD.<sup>227</sup> With funding chiefly provided by the GOI, the \$5 billion **Southern Export Redundancy/Single Point Mooring** project started in August 2007. The project will provide new sub-sea pipelines in the northern gulf that extend from shore to the fixed terminals and single-point moorings. The on-shore work will consist of new storage tanks, pipelines, pumps, and control equipment. These are the two phases of the project.<sup>228</sup>

- Phase 1 will provide redundancy for the existing 1.6 MBPD of export capacity.
- Phase 2 will enable the Ministry of Oil to increase export capacity in southern Iraq to 4.5 MBPD.

## Electricity

The United States has obligated \$4.65 billion and expended nearly \$4.42 billion for Iraq’s electricity sector.

In 2008, the GOI allocated \$1.3 billion for electricity capital projects. As of June 2008, \$708 million of this amount had been released to the ministry, which had expended nearly \$229 million.<sup>229</sup> In the 2008 Iraq budget supplemental passed in August,<sup>230</sup> the GOI provided an additional \$1.03 billion to the Ministry of Electricity.<sup>231</sup>

## Record Production

Average daily electricity generation set a post-war record this quarter with an average of 4,919 megawatts (MW) per day (including a daily average of 319 MW imported). This average was 12% higher than last quarter and 8% higher than the same quarter last year.<sup>232</sup>

Despite these gains in electricity production, the GOI continues to struggle with meeting increased demand.<sup>233</sup> Use of electronic consumer goods—such as computers, refrigerators, and air-conditioning units—has increased significantly since 2003, pushing up demand for electricity.<sup>234</sup>

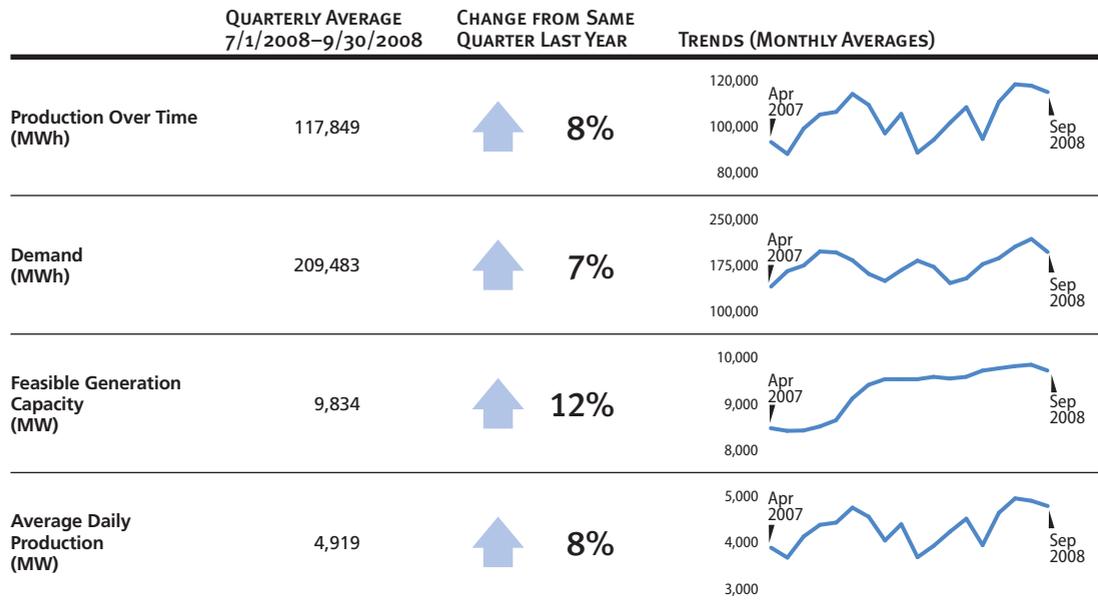
The average output capacity of Iraq’s generation plants to produce electricity over time is a useful measurement of how customers experience power usage. This quarter, output averaged 117,849 megawatt-hours (MWh) per day—an increase of 12% from last quarter and 8% from the same quarter last year.<sup>235</sup> On August 8, 2008, production reached 127,511 MWh, a new record for one-day output.<sup>236</sup> The U.S. Embassy reports that the Iraqi grid produced about 90,000 MWh per day before the war.<sup>237</sup> For a quarterly update on Iraq’s electricity production and demand, as well as the capacity of Iraq’s grid, see Figure 2.16.

## Generation Capacity

The recent feasible generation capacity for Iraqis is about 9,600 MW.<sup>238</sup> The gap between capacity and production stems from poor maintenance practices, the use of sub-optimal fuels, the lack of proper fuel distribution, and insufficient water supply.<sup>239</sup>

FIGURE 2.16

ELECTRICITY PRODUCTION, DEMAND, AND CAPACITY



Note: Numbers affected by rounding.

Sources: ITAO, IRMO Electricity Daily Units Performance Report, 7/1/2006–9/30/2008.

The Ministry of Oil recently requested assistance from USAID to gather flared gas at the Zubair oil field in Basrah. The Ministry of Oil completed the construction of a gas-gathering plant in 2003 but security issues have prevented startup of the plant. USAID will assist in commissioning the plant, which will capture enough flare gas to potentially generate \$1 billion in annual revenue and increase the capacity of the electrical grid by 3,500 MW.<sup>240</sup>

The Ministry of Electricity announced this quarter that it had signed deals—totaling \$8 billion—with several Western firms to build power plants to add 11,000 MW of capacity to the Iraqi electricity grid. The ministry awarded the largest contract to General Electric to build plants capable of producing 6,800 MW.<sup>241</sup>

**U.S. Operation, Maintenance, and Sustainment Programs**

Power plants supported by the U.S. Operations, Maintenance, and Sustainment (OMS) program sustained fewer outages in 2008 by a monthly average of 17%.<sup>242</sup> The OMS program includes 95 projects in the electricity, health care, transportation and communications, and water sectors. Electricity projects have received more than 80% of the \$275 million total program obligations.<sup>243</sup> Of the \$222 million obligated for O&M electricity projects, nearly \$198 million has been expended.<sup>244</sup>

Last quarter, SIGIR reported on the pending September 2008 conclusion of U.S. support for the OMS program to assist the Ministry of Electricity. The U.S. Embassy reported this quarter that the Ministry has been authorized by the Council of Ministers to assume the OMS contract.<sup>245</sup> The terms, conditions, and price of

the contract with the current vendor are under negotiation. U.S. funding of this program was set to expire unconditionally in mid-October 2008.

## IRRF Electricity Projects

Approximately 550 IRRF projects, valued at \$4.3 billion, have added about 2,500 MW to the Iraqi grid—a 40% increase to the overall capacity.<sup>246</sup> For an overview of GRD’s completed and ongoing IRRF 2 projects in the electricity sector, see Table 2.32. For the metrics and goals set by GRD for electricity projects, see Table 2.33.

USAID completed its \$2.3 billion IRRF program in the electricity sector in 2006. According to USAID, 42 generation projects added capacity to Iraq’s grid, and 25 projects rehabilitated distribution substations. USAID also trained 240 MOE officials, plant managers, and engineers on the operation and maintenance of power plants.<sup>247</sup>

## Ongoing U.S. Efforts

U.S. reconstruction managers are continuing projects in the electricity sector through other funding mechanisms. For example, this quarter, GRD awarded a \$6.5 million contract to upgrade the electrical distribution system for the Ministry of Interior. ISFF funding will support this effort.<sup>248</sup> Table 2.34 provides the status of U.S. projects in this sector.

## Water

The United States has obligated \$2.60 billion and expended nearly \$2.38 billion in the water sector since 2003.<sup>249</sup>

In 2008, the GOI allocated \$375 million for capital projects in its original budget for 2008. As of June 2008, \$327 million of this amount had been released to the ministry, which expended about \$113 million.<sup>250</sup> In the 2008 supplemental

TABLE 2.32

### IRRF ONGOING ELECTRICITY PROJECTS

	TOTAL COMPLETED PROJECT VALUES	ONGOING PROJECTS	TOTAL ONGOING PROJECT VALUES	ESTIMATED CLOSEOUT	NOTABLE PROJECTS
Generation	\$343.0 million	9	\$430.3 million	Unknown	Qudas Power Plant Expansion: \$176.8 million Status: Contractor remains behind schedule and may not complete work by the end of 2008.
Transmission	\$627.2 million	17	\$232.8 million	3/31/2009	Ghammas Substation (Grant with GOI): \$14.7 million Status: The project is 85% complete, and civil work is 45% complete; excavations for equipment foundations are ongoing. Estimated completion date is 3/31/2009.
Distribution	\$689.8 million	3	\$12.2 million	9/30/2008	Buhriz 33/11-kV Substation: \$3.6 million Status: The descoping modification for electrical installation is complete, and completion of the remaining civil work is estimated for 9/30/2008.

Note: Ongoing generation project statistics include those funded by the ESF.

Source: GRD, *Bi-Weekly Directorate SITREP*, 8/4/2008, pp. 3-4; GRD, *Monthly Directorate SITREP*, 8/31/2008.

TABLE 2.33

**IRRF ELECTRICITY PROGRAM—GRD METRICS AND GOALS**

METRIC	U.S. GOALS	ACTUAL ACHIEVED (8/17/2008–8/30/2008)
Hours of Power per Day Equivalent, Nation <sup>a</sup>	10-12 hours	12.0 hours
Hours of Power per Day Equivalent, Baghdad	10-12 hours	11.0 hours
132kV and 400kV Substations Completed	43	29
33/11kV Substations Completed	89	87

Note: Metrics and goals are as reported by GRD.

<sup>a</sup> Does not represent actual hours received at households; includes essential services, which receive 24/7 power, as well as Government/Universities, which receive 12 hours/day.

Sources: GRD, *Bi-Weekly Directorate SITREP*, 8/4/2008, pp. 3-4; GRD, *Monthly Directorate SITREP*, 8/31/2008.

TABLE 2.34

**STATUS OF U.S. ELECTRICITY PROJECTS**

	COMPLETED PROJECTS	COMPLETED PROJECT VALUES	ONGOING PROJECTS	ONGOING PROJECT VALUES
Capacity Building	2	\$2,056,854	20	\$163,148,883
Distribution	699	\$1,250,527,640	1	\$133,707
Generation	630	\$2,241,828,848	14	\$214,864,827
Infrastructure Security	5	\$4,374,743	1	\$1,989,238
Monitoring and Control	11	\$130,845,590	2	\$9,923,465
Spare Part Replenishment	5	\$2,619,648	0	\$0
Sustainment (O&M)	181	\$340,265,710	23	\$54,040,193
Transmission	399	\$994,785,984	14	\$170,282,969
Electricity	337	\$58,026,377	10	\$4,998,485
Other	195	\$38,061,147	1	\$940,082
Misc Facilities	42	\$58,124,832	2	\$184,317,943
No Category Provided	940	\$365,212,804	97	\$66,415,861
<b>Totals</b>	<b>3,446</b>	<b>\$5,486,730,176</b>	<b>185</b>	<b>\$871,055,653</b>

Note: Numbers affected by rounding. This list of reconstruction projects is based on information provided by the Iraq Reconstruction Management System. SIGIR has reported that IRMS data is not fully accurate or complete. Therefore, project totals may not reconcile with top-line obligations and expenditures provided by the agencies. This table includes project values and not obligations or expenditures.

Sources: IRMS, *ITAO Rollup*, 10/1/2008; IRMS, *CERP Excel Workbook*, 10/3/2008.

passed in August,<sup>251</sup> the GOI budgeted an additional \$241 million to the Ministry of Water Resources.<sup>252</sup> The GOI recently awarded a tender to a French-Iraqi group for a \$1 billion water project to be completed in Rusafa over the next 28 months.<sup>253</sup> The project plans to restore eastern Baghdad's water supply.<sup>254</sup>

IRRF projects have restored or added the capacity to treat 2.25 million cubic meters of water per day, potentially serving 8 million Iraqis.<sup>255</sup> Approximately 58% of Iraqis feel that they can

get safe clean drinking water at least some of the time.<sup>256</sup>

Due to reprogrammings of funds in 2005, GRD received only half of the initial \$2.05 billion allocated from the IRRF for projects in the water sector.<sup>257</sup> GRD projects valued at more than \$267 million remain ongoing, and projects valued at \$10 million have not started.<sup>258</sup> For the status of ongoing projects in the water sector, see Table 2.35.

## Sadr City R3 Water Treatment Plant

This quarter, SIGIR inspected Baghdad's **Sadr City R3 Water Treatment Plant**, a project aimed at providing 4,000 cubic meters per hour of potable water to about 192,000 residents in Sadr City. Upon completion, this new treatment plant will increase water access from 46 liters per capita to 200—more than a 300% increase. SIGIR's inspection concluded that the \$65.8 million project—which is 92% complete—should result in a functional water treatment plant.<sup>259</sup>

## Falluja Waste Water Treatment System

At the request of the U.S. Ambassador to Iraq, SIGIR reviewed the **Falluja Waste Water Treatment System** this quarter. The \$98 million project is the only major new sewage system being constructed in Iraq.<sup>260</sup>

SIGIR assessments concluded that the project will only be able to provide the backbone for Falluja's wastewater treatment system and not a comprehensive system for the city as originally planned. Moreover, the project will be completed three years later than scheduled and will cost \$65 million more than the original \$32.5 million price tag. Only a third of the number of homes originally targeted will have access to the system, and the project did not connect these homes to the system.<sup>261</sup>

While the contractors' quality control plans were sufficiently detailed and the government quality assurance program was effective, sustainability was not adequately addressed for the project.<sup>262</sup> SIGIR recommendations included better coordination with the GOI in supplying permanent power and adequate fuel to the plant,

ensuring that remaining contractors are paid, and guaranteeing that house connections are made to tie the collection areas into the sewer system.<sup>263</sup> For more detailed information about these SIGIR inspections, see Section 4 of this Report.

## Health Care

The United States has obligated \$896 million and expended \$824 million in the health care sector.<sup>264</sup>

In 2008, the GOI allocated \$83 million in its original budget for capital projects for health care. As of June 2008, nearly \$43 million of this total budgeted amount had been released to the ministry, which expended more than \$8 million.<sup>265</sup> In the 2008 supplemental passed in August,<sup>266</sup> the GOI budgeted an additional \$51 million to the Ministry of Health.<sup>267</sup>

## U.S. Hospital Projects

The **Missan Surgical Hospital** is one of the largest ongoing health care projects. Construction of the facility was funded with nearly \$13 million of the ESF. GRD reported that the Iraqi Minister of Health views the project as the most important one in the province. Project work is only 10% complete, but facilities will include a main hospital, emergency department, and several support services. Completion is scheduled for August 2009.<sup>268</sup> Table 2.36 shows the status of U.S. health care projects.

Construction of the main building of the \$164 million **Basrah Children's Hospital** was completed this quarter.<sup>269</sup> The final completion of GRD contracts, including the integration of

TABLE 2.35

STATUS OF U.S. WATER PROJECTS

	COMPLETED PROJECTS	COMPLETED PROJECT VALUES	ONGOING PROJECTS	ONGOING PROJECT VALUES
Water Distribution	442	\$275,998,466	27	\$50,180,579
Water-General	1,477	\$251,666,611	45	\$25,611,853
Water Resource	7	\$131,989,768	8	\$69,093,692
Misc Facilities	457	\$123,960,089	11	\$18,260,163
Sewage Collection	26	\$118,688,157	17	\$34,939,470
Irrigation	7	\$14,473,904	1	\$20,019,000
Sewage Treatment	4	\$7,482,005	2	\$24,846,342
Sanitation	134	\$31,131,516	1	\$4,885,126
MFS	7	\$1,441,495	0	\$0
Infrastructure Security	5	\$1,221,813	0	\$0
Civil Infrastructure	1	\$55,415	0	\$0
Solid Waste	0	\$0	1	\$905,616
Capacity Building	17	\$16,786,061	5	\$3,242,975
Misc. Procurement	134	\$179,290,313	7	\$30,702,012
O & M Sustainment	338	\$410,191,463	3	\$6,594,878
Water Treatment	237	\$776,079,849	18	\$86,449,391
Other	5	\$381,900	1	\$84,670
Category Not Provided	1,721	\$497,622,395	167	\$55,572,177
<b>Totals</b>	<b>5,019</b>	<b>\$2,838,461,220</b>	<b>316</b>	<b>\$430,887,944</b>

Note: Numbers affected by rounding. This list of reconstruction projects is based on information provided by the Iraq Reconstruction Management System. SIGIR has reported that IRMS data is not fully accurate or complete. Therefore, project totals may not reconcile with top-line obligations and expenditures provided by the agencies. This table includes project values and not obligations or expenditures.

Sources: IRMS, ITAO Rollup, 10/1/2008; IRMS, CERP Excel Workbook, 10/3/2008.

equipment, is scheduled for January 31, 2009.

In 2003, the Congress authorized \$50 million of the IRRF for the Basrah hospital.<sup>270</sup> A July 2006 SIGIR review found that the estimated cost had grown to approximately \$98 million, and the estimated completion date had slipped to July 31, 2007.<sup>271</sup> The original completion date was December 31, 2005.<sup>272</sup> USAID turned over management of the project to GRD in July 2006.<sup>273</sup>

Work continued this quarter on the \$7.4 million PRDC project to build an emergency health clinic at the **Baquba General Hospital**. After completion in April 2009, the facility will serve more than 300,000 Iraqis with additional beds and advanced-technology surgical suites.<sup>274</sup>

### Primary Healthcare Centers

The **Primary Healthcare Center (PHC) program** is close to completion, with 25 PHCs turned over to the GOI this quarter. Overall, 122 PHCs of the target 142 centers have been completed and turned over to the Ministry of Health, as of September 25, 2008.<sup>275</sup> Seven additional PHCs await acceptance letters from the ministry. Table 2.37 shows the status of the PHC program compared to the update from last quarter.

The Ministry of Health is planning to build 6 new hospitals and up to 1,000 public health care centers in the next 10 years.<sup>276</sup>

# RECONSTRUCTION OVERVIEW

TABLE 2.36

## STATUS OF U.S. HEALTH CARE PROJECTS

	COMPLETED PROJECTS	COMPLETED PROJECT VALUES	ONGOING PROJECTS	ONGOING PROJECT VALUES
Primary Health Centers/Clinics	378	\$151,824,596	79	\$141,762,386
Health Programs and Equipment	22	\$84,945,650	73	\$28,366,468
Health Care	202	\$13,654,802	8	\$1,367,875
Clinics	157	\$12,019,038	2	\$568,950
Hospital	138	\$135,061,941	15	\$75,523,744
Primary Health	2	\$1,968,664	0	\$0
Civil Infrastructure	1	\$91,616	0	\$0
Infrastructure Security	1	\$25,210	0	\$0
Capacity Building	1	\$10,000	1	\$790,000
Sustainment (O&M)	0	\$0	2	\$7,008,061
Other	6	\$962,840	1	\$27,338
Misc Facilities	354	\$58,988,767	70	\$233,601,288
No Category Provided	585	\$63,903,429	40	\$10,242,837
<b>Totals</b>	<b>1,847</b>	<b>\$523,297,350</b>	<b>291</b>	<b>\$499,258,947</b>

**Note:** Numbers affected by rounding. This list of reconstruction projects is based on information provided by the Iraq Reconstruction Management System. SIGIR has reported that IRMS data is not fully accurate or complete. Therefore, project totals may not reconcile with top-line obligations and expenditures provided by the agencies. This table includes project values and not obligations or expenditures.

**Source:** IRMS, *ITAO Rollup*, 10/1/2008; IRMS, *CERP Excel Workbook*, 10/3/2008.

## Transportation and Communications

The United States has obligated nearly \$1.10 billion and expended \$964 million for transportation and communications projects.<sup>277</sup> Table 2.38 provides the status of U.S. projects as reported in the Iraq Reconstruction Management System.

In 2008, the GOI investments in these areas include:<sup>278</sup>

- **Ministry of Transportation:** The GOI allocated \$301 million for capital projects in its original budget for 2008. As of June 2008, nearly \$77 million of this amount had been released to the ministry, which expended nearly \$40 million.
- **Ministry of Communications:** The GOI allocated \$250 million for capital projects in its original budget for 2008. As of June 2008, more than \$51 million of this amount had been released to the ministry, which expended about \$39 million.

### Delivery of Aircraft Delayed

Last quarter, the GOI announced a nearly \$5 billion order for 40 commercial aircraft from Boeing and Bombardier. Since the signing of the

deal, Kuwait has filed a \$1.2 billion lawsuit in Canada against Iraqi Airways and the GOI for assets and revenue lost during the Gulf War.<sup>279</sup> As a result, the first Bombardier aircraft—which was due for delivery earlier this year—was delayed by a Canadian court injunction issued on behalf of Kuwaiti Airlines.<sup>280</sup> One Bombardier aircraft arrived in Iraq on October 7, 2008; however, the issue of compensation to Kuwait has not yet been resolved.<sup>281</sup>

The first Boeing aircraft is currently scheduled for delivery in 2010, after completion of assembly and production at Boeing, although if previous orders slip, early delivery is a possibility. The DoD Task Force for Improving Business and Stability Operations provided procurement support to the GOI during negotiations to acquire the aircraft.<sup>282</sup>

### Airport Openings

On August 22, 2008, the Mosul Airport opened for commercial passenger operations. On September 1, 2008, Iraqi Airways started weekly scheduled service to Mosul from both Baghdad and Basrah.<sup>283</sup>

TABLE 2.37

STATUS OF PHC PROGRAM

REPORTING DATE	TURNED OVER	CONSTRUCTION COMPLETE	UNDER CONSTRUCTION	COMPLETE WITH SECURITY IMPACT	CANCELLED	TOTAL
7/2/2008	97	16	19	0	10	142
9/25/2008	122	6	3	1	10	142
Change	+25	-10	-16	+1	0	0

Source: GRD, responses to SIGIR data call, 7/2/2008 and 10/7/2008.

TABLE 2.38

STATUS OF U.S. PROJECTS IN TRANSPORTATION AND COMMUNICATIONS

	COMPLETED PROJECTS	COMPLETED PROJECT VALUES	ONGOING PROJECTS	ONGOING PROJECT VALUES
Ports	65	\$157,986,244	0	\$0
Communication Equipment	116	\$157,269,695	4	\$6,848,954
Transportation (Other)	72	\$127,219,317	4	\$1,527,330
Airports	62	\$105,516,835	13	\$59,851,321
Railroad Stations	214	\$99,457,590	6	\$1,891,811
Village Roads	116	\$97,944,358	14	\$24,540,871
Roads	673	\$89,837,465	10	\$1,200,572
Bridges	98	\$22,164,143	11	\$15,032,736
Telecom	194	\$19,134,980	3	\$327,471
Expressways	2	\$13,677,027	3	\$36,650,463
Postal Facilities	29	\$13,652,254	0	\$0
Outside Plant	3	\$1,762,848	5	\$27,597,334
Civil Infrastructure	1	\$827,600	0	\$0
Railroad	5	\$739,790	0	\$0
Economic Financial Management	2	\$80,290	0	\$0
Miscellaneous	2	\$25,267	0	\$0
Infrastructure Security	1	\$0	1	\$525,000
Other	2	\$612,554	0	\$0
Not Categorized	1,173	\$493,003,845	91	\$37,672,807
<b>Totals</b>	<b>2,830</b>	<b>\$1,400,912,102</b>	<b>165</b>	<b>\$213,666,669</b>

Note: Numbers affected by rounding. This list of reconstruction projects is based on information provided by the Iraq Reconstruction Management System. SIGIR has reported that IRMS data is not fully accurate or complete. Therefore, project totals may not reconcile with top-line obligations and expenditures provided by the agencies. This table includes project values and not obligations or expenditures.

Sources: IRMS, ITAO Rollup, 10/1/2008; IRMS, CERP Excel Workbook, 10/3/2008.

TABLE 2.39

## RECENT DEVELOPMENTS IN TRANSPORTATION

RECENT DEVELOPMENTS	
Aviation	Basrah Airport Review: Acceptance testing was completed in September 2008, and a flight check of the IRRF-funded radar system is planned for October 2008. Two other systems already passed flight checks. Air traffic control training is scheduled for completion by January 2009, and U.S.-funded projects have an October 2008 completion forecast.
Roads and Bridges	Budget Update: The Ministry of Construction and Housing's State Commission for Road and Bridges has spent 67% of its 2008 maintenance budget and 66% of its capital budget. Preliminary 2009 allocations appear to be insufficient for an adequate highway and maintenance program.
Railways	<p>Iraqi Republic Railway (IRR): The preliminary estimate for train movements this quarter is 2,200, a 40% increase from last quarter. The security situation has continued to improve over the third quarter of 2008, allowing the IRR to continue to increase total train movements.</p> <p>The Iraqi Ministry of Transportation has earmarked \$960 million for the reconstruction of the IRR between Baghdad and Rabiya and Baghdad and Basrah. The Ministry of Transportation has indicated that the additional capital funding will be used to buy construction materials for the rail project and that the IRR will supply construction management and manpower to complete the project. Funding is expected to be available in the 2009 GOI budget.</p>
Ports	Umm Qasr Port Development: Office of Transportation Attaché continues on the current path toward rehabilitation and commercial development of the Port of Umm Qasr, including encouraging the new Minister of Transportation to approve the hiring of an experienced international port consultancy to provide advice and counsel on national port development. The Attaché is also working with GRD and JCC-I/A to complete refurbishment of two Nelcon gantry cranes at Berths 5 and 6 in the Port of Umm Qasr. Completion of this IRRF-funded project is expected before January 2009. Limited use of CERP funding is planned for additional port improvement projects in the Port of Umm Qasr, including the repair of container stacker vehicles for the GOI and repairs to perimeter security fencing in the port.

Sources: U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008; ITAO, *Essential Indicators Report*, 8/28/2008; GRD, response to SIGIR data call, 10/1/2008.

The Najaf Airport opened on July 20, 2008. The U.S. Office of the Transportation Attaché and the PRT in Najaf facilitated the construction and impending operational certification of the airport by Iraq's Civil Aviation Authority. Officials estimate that about 4,000 residents of the province will use the airport during the upcoming Hajj.<sup>284</sup>

For additional updates in Iraq's transportation sector, see Table 2.39.

### Telecommunications Infrastructure

The U.S. Embassy reported this quarter that 1.3 million Iraqis subscribe to landline telephone services—an 8% increase from last quarter; 827,500 subscribe to the Internet—a 10%

increase since last quarter. Nearly 13 million Iraqis subscribe to wireless telephone services.<sup>285</sup> About \$4 billion in private equity has flowed into the telecommunications sector since 2003.<sup>286</sup> However, reliable business-class broadband remains unavailable because the core fiber infrastructure restricts advancements in modern data services, including banking services, inventory, and management control systems.<sup>287</sup>

The United States continues to provide support to this sector, but work has stalled on the Al-Mamoon Telecom Center,<sup>288</sup> the only telecom center being built in the country.<sup>289</sup> Completion of this U.S. project—which includes new switching and transmission systems—will slip into 2009.<sup>290</sup>

## ECONOMY

The United States has allocated nearly \$1.35 billion, obligated \$1.29 billion, and expended nearly \$1.10 billion for economic development activities in Iraq. For the status of these funds, see Figure 2.17.

Increasing oil revenues in 2008 bolstered Iraq's economy.<sup>291</sup> In September, an International Monetary Fund (IMF) report stated that:<sup>292</sup>

- Iraq's prospects for sustained economic growth have improved.
- Economic activity in non-oil sectors appears to have increased during the first half of 2008, except in the drought-ridden agriculture sector.
- Iraq's inflation slowed with consumer price inflation in the single digits since December 2007.

For an overview of inflation, exchange, and interest rates, as well as GDP and government oil revenues, see Figure 2.18.

### Economic Challenges

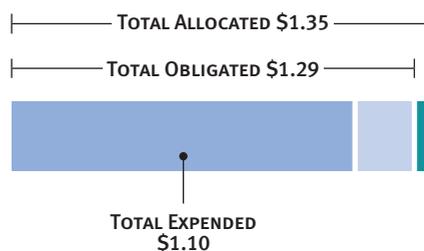
Despite recent fiscal progress, Iraq's economy remains subject to a variety of considerable risks.<sup>293</sup> Many Iraqis still struggle to meet their basic economic needs. The United Nations (UN) reported that "unemployment rates remain high, and many governorates rate consistently low on key socioeconomic indicators, such as unemployment, malnutrition, and illiteracy."<sup>294</sup>

Since 2003, Iraq reportedly has averaged a 60% rate of underemployment plus unemployment,<sup>295</sup> but the exact figure is difficult to measure.<sup>296</sup> Official GOI estimates for unemployment remain at nearly 18% and underemployment

FIGURE 2.17

#### STATUS OF U.S. FUNDS SUPPORTING IRAQ'S ECONOMY

\$ Billions



**Note:** Numbers affected by rounding. For the methodology on how SIGIR grouped U.S. programs by category (Security, Infrastructure, Economy, and Governance), see Appendix D. Obligations and expenditures by SIGIR category may vary from top-line obligations and expenditures reported in the *Summary of U.S. Funding*. SIGIR did not receive project- or sector-level reporting from all agencies, and some information was compiled from the IRMS. Figure includes only IRRF 2, ESF, and CERP funding.

**Sources:** USAID, response to SIGIR data call, 10/14/2008; ITAO, response to SIGIR data call, 10/14/2008; IRMS, *ESF Cost to Complete*, 9/30/2008; DoS, *Iraq Weekly Status Report*, 10/1/2008; IRMS, *MNC-I Quarterly Report*, 10/14/2008.

at 38%.<sup>297</sup> The UN estimates that over half of all Iraqis do not have access to one or more essential services.<sup>298</sup>

### Developing Iraq's Oil Fields

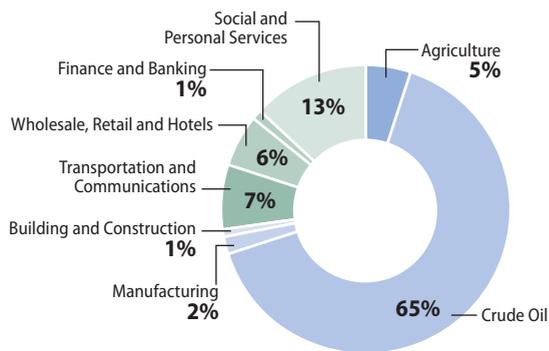
The lack of a hydrocarbon law has delayed negotiations with potential foreign investors interested in developing Iraq's oil fields. On September 9, 2008, the Minister of Oil announced cancellation of plans to provide short-term technical service contracts to several western oil companies. But on October 13, 2008, Ministry of Oil officials opened bidding for 20-

FIGURE 2.18

## Iraq's Economic Highlights

### GDP BY SECTOR

% of 77.72 Trillion Iraqi Dinars

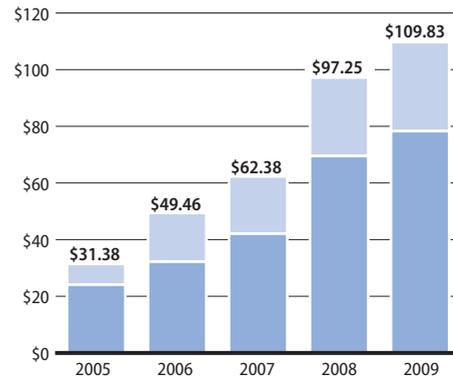


**Note:** Percentages are based on 2006 provisional estimates (at current prices) of GDP activities. Two sectors (Other Mining and Electricity/Water) contributed less than one percent toward the GDP.

**Source:** IMF, "Country Report No. 07/294," 8/2007.

### IRAQ'S NOMINAL GDP GROWTH

\$ Billions



Other GDP Activities  
Government Oil Revenue

**Note:** Numbers affected by rounding. Data for crude oil revenues was provided as a percentage of GDP. Data for 2005, 2006 estimated; 2007 preliminary; 2008, 2009 projected.

**Source:** IMF, "Country Report No. 08/303," 9/2008, p. 17.

## INTEREST, EXCHANGE, AND INFLATION RATES IN IRAQ

### Lending Interest Rate (Policy Rate)

Interest rate paid by Central Bank of Iraq (CBI) for commercial bank deposits.

- In November 2006, the CBI began raising interest rates to keep inflation under control.
- At the beginning of July 2008, the CBI loosened monetary control over inflation by lowering the policy interest rate from 17% to 16%.



### Exchange Rate

Average for the Iraqi dinar (ID) exchange rates against the U.S. dollar (USD) in the daily CBI auction.

- The ID has appreciated against the USD by more than 24% since November 2006, when CBI began targeting interest rates to control rising inflation.
- To keep inflation under control, CBI will increase the pace of currency appreciation to 0.5% per month during the second half of 2008.



### Overall Price Inflation

Year-on-year comparison of monthly averages for the overall consumer price index.

- The steady appreciation of the dinar and an improving security environment have contributed to the continued stabilization of the overall consumer price inflation rate.
- Year-on-year consumer price inflation was negative for June, July, and August 2008, meaning that prices were lower than the same time period in 2007.



### Core Inflation

Year-on-year comparison of monthly averages for the core consumer price index that excludes the costs of fuel, electricity, transportation, and communications.

- Higher food prices contributed to a spike after March 2008, but core inflation normalized to approximately 12% in June 2008, and it remained relatively steady this quarter.
- Food prices continue to drive core inflation above overall price inflation.



**Sources:** IMF, "Country Report No. 08/303," 9/2008; CBI, "Key Financial Indicators," 9/24/2008, [www.cbi.iq](http://www.cbi.iq), accessed 10/2/2008; DoD, *Measuring Stability and Security in Iraq*, 9/26/2008; NEA-I, response to SIGIR data call, 10/14/2008.

TABLE 2.40

## IRAQ STOCK EXCHANGE ACTIVITY

ACTIVITY	2007 (FULL YEAR)	2008 (8 MONTHS)
Listed Companies	94	95
Trading Sessions	119	98
Shares Traded	153 billion shares	124 billion shares
Value of Trades	\$357 million	\$211 million
Foreign Shares Traded	7 billion shares	12 billion shares
Value of Foreign Trades	\$14 million	\$14 million

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008.

year contracts, covering 6 oil fields and 2 natural gas fields. Under the terms of the contracts, the GOI would require companies to form joint ventures with Iraqi state-owned companies, who would maintain majority ownership.<sup>299</sup>

Other negotiations and arrangements for the development of Iraq's natural resources are proceeding:

- In September 2008, the GOI approved a preliminary gas deal between Royal Dutch Shell and the Iraqi South Gas Company to establish a joint venture for processing natural gas produced in Basrah.<sup>300</sup>
- The China National Petroleum Corporation (CNPC) is pursuing a joint venture with Iraq's North Oil Company to develop the Ahdab oil field. As of October 2, 2008, Iraq's Council of Ministers (CoM) had approved the broad terms of the \$3 billion deal, but the Minister of Oil and CNPC had yet to sign a contract outlining the terms of the venture.<sup>301</sup> Of note, in 2007, China signed a memorandum of understanding to forgive \$8.5 billion of Iraq's external debt,<sup>302</sup> and negotiations continue on a final debt agreement between the two countries.<sup>303</sup>

### Continuing Corruption in the Oil Sector

This quarter, the IMF reported that Iraq had made progress in strengthening governance and fighting corruption in the hydrocarbon sector through oil metering and Iraq's commitment to participate in the Extractive Industries Transparency Initiative (EITI).<sup>304</sup> The EITI stresses the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.<sup>305</sup> This quarter, the GOI appointed an Iraqi EITI coordinator.<sup>306</sup>

### Bolstering Foreign Investment

This quarter marked one year since trading on the Iraq Stock Exchange (ISX) opened to foreign investors. Foreign investment in the ISX continues to lag domestic investment, but the United States believes foreign investment will increase after Iraq lifts the requirement to deliver share documents sold on the exchange to brokers.<sup>307</sup> For an overview of the ISX activity, see Table 2.40.

The United States continues to support the development of Iraq's capital markets in several ways, including:<sup>308</sup>

- standing up the independent Iraq Securities Commission
- fully automating the ISX
- supporting the Iraq Association of Securities Dealers
- drafting the permanent Iraq Securities Law

Iraq's National Investment Commission (NIC), established in February 2007, formulates national investment policy, guidelines, and regulations and serves as a national regulatory agency for all investments except those in the banking, insurance, and oil and gas extraction and production industries.<sup>309</sup> Regional and provincial commissions coordinate with the NIC to create investment plans for their provinces. There are currently 15 Provincial Investment Commissions. Only Diyala, Kirkuk, and Anbar have yet to establish commissions. Other private-sector activity includes the U.S.-Iraq Business Dialogue and the Organization of Economic Cooperation and Development Investment Reform Program.<sup>310</sup>

### Costly Public Food Distribution System

Iraq's Public Distribution System (PDS) provides a monthly food basket to each Iraqi citizen as part of the basic entitlement system. More than 12 million Iraqis depend on the food basket as their primary source of nutrition.<sup>311</sup> The Ministry of Trade requested a \$7.3 billion budget to cover the PDS for 2008; the GOI allocated less than three-fourths that amount, \$5.3 billion

(\$3.3 billion in the 2008 budget and \$2 billion in the GOI 2008 Supplemental).<sup>312</sup>

Rising food prices will likely affect the GOI plan to continue the PDS.<sup>313</sup> Moreover, the system "has had perverse effects on agriculture because of its heavy reliance on imports and the artificially low prices caused by large injections of food into the Iraqi market."<sup>314</sup> This quarter, PRT Ninewa noted that the "PDS system delivers a fraction of entitlements to beneficiaries, and then only sporadically."<sup>315</sup>

### Debt Burden

Since 2003, Iraq has benefited from extraordinary and unprecedented international debt forgiveness. Of Iraq's \$142 billion in external debt prior to the 2004 Paris Club agreement, \$43 billion in total debt remains (according to IMF estimates).<sup>316</sup> The third stage of debt reduction under the Paris Club agreement, which will reduce Iraq's external debt by an additional \$10 billion,<sup>317</sup> is pending a December 2008 IMF review of the country's performance under the Stand-by Arrangement.<sup>318</sup>

Since May 2007—which marked the beginning of the International Compact with Iraq—bilateral agreements with Russia, Bulgaria, Bosnia, and Slovakia have reduced Iraq's debt obligations to those countries from \$26 billion to about \$900 million. The United Arab Emirates recently announced that it would cancel \$7 billion of Iraq's debt; however, a formal agreement has not yet been signed.<sup>319</sup>

The IMF reported that Iraq is currently negotiating with 11 non-Paris Club creditor countries to settle an additional \$16 billion.<sup>320</sup> Iraq signed

TABLE 2.41

## U.S. FINANCIAL ASSISTANCE PROGRAMS

PROGRAM	PROGRAM UPDATE
CERP Micro-grants	<ul style="list-style-type: none"> <li>• Program obligated \$4.2 million in micro-grants through 8/31/2008—a 38% increase over the obligations made last quarter.</li> <li>• As of 9/30/2008, total obligations for the program for FY 2007 and FY 2008 had topped \$30 million, and nearly \$10 million had been disbursed through micro-grants.</li> <li>• Total number of grants made in FY 2007 and for the first three quarters of FY 2008 total 2,229 grants, with an average approval per grant of \$13,815.</li> </ul>
Izdihar Program	<ul style="list-style-type: none"> <li>• Program closed on 3/31/2008.</li> <li>• Izdihar provided more than \$27 million in micro-loans between 8/2003 and 3/2008.</li> <li>• USAID reports a repayment rate of nearly 99%.</li> </ul>
Tijara Program	<ul style="list-style-type: none"> <li>• Three grant proposals for \$2 million in loan capital were approved this quarter.</li> <li>• Also called the Provincial Economic Growth program, the program is helping microfinance institutions establish payment accounts with Iraqi bank branches to expedite loan disbursements and repayment transactions.</li> <li>• As of 10/14/2008, the program has yet to make any grants and will initiate its Grants-to-Loan program in the first quarter of FY 2009.</li> </ul>
Community Stabilization Program	<ul style="list-style-type: none"> <li>• USAID has made more than 8,500 CSP business-development grants to Iraqi entrepreneurs.</li> <li>• As of 9/23/2008, more than \$68 million in grants had been approved, and nearly \$35 million had been completed.</li> <li>• Grants to businesses in Baghdad accounted for about 46% of the total expenditures, and businesses in Anbar were granted nearly 27% of expended amounts.</li> </ul>
Quick Response Fund	<ul style="list-style-type: none"> <li>• Under the ESF, the program extends financing opportunities to Iraqi entrepreneurs.</li> <li>• As of 9/23/2008, USAID had approved large grants totaling at more than \$34 million.</li> <li>• DoS approved small grants totaling \$1.5 million, micro-purchases of \$17 million, and direct procurements totaling \$16 million. About 50% of the approved amounts have been disbursed.</li> </ul>
Targeted Development Program	<ul style="list-style-type: none"> <li>• Administered by ITAO, the program places grant funding with non-governmental organizations.</li> <li>• Program conducted three calls for proposals and awarded 32 grants valued at more than \$57.4 million—exhausting the entire ESF allocation for this program.</li> </ul>
Iraqi Company for Bank Guarantees	<ul style="list-style-type: none"> <li>• Company was formed by 11 private Iraqi banks with USAID support.</li> <li>• Organization provides access to loans for small and medium-sized businesses.</li> <li>• This quarter, 14 loans were approved, valued at \$787,000.</li> </ul>

Sources: U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008; DoS, *Section 2207 Report*, 9/2008; USAID, response to SIGIR data call, 10/14/2008; OSD, response to SIGIR data call, 10/2/2008; DoS, *Quick Response Fund Newsletter*, 9/25/2008; U.S. Embassy, response to SIGIR data call, 10/2/2008; ITAO IMU, response to SIGIR data call, 10/14/2008.

a memorandum of understanding with China to reach agreement for \$8.5 billion in debt.<sup>321</sup> These are the largest remaining debt balances:<sup>322</sup>

- Saudi Arabia: \$15 billion–\$39 billion
- China: \$8.5 billion
- Kuwait: \$8.2 billion
- Qatar: \$5 billion

In a debt-for-bond swap, Iraqi commercial debt was reduced by \$16 billion. Creditors acquired Iraqi bonds valued at \$0.20 for every dollar of debt owed, and the price of tradable bonds approached \$0.75 in October 2008.<sup>323</sup>

## U.S. Financial Assistance Programs

The United States conducts several programs to support Iraq's economic development. Activities

started under the IRRF continue with funding from the ESF and CERP. Several U.S. programs have offered financing tools to support Iraqi business development. Table 2.41 provides details on several U.S. programs extending financing mechanisms to spur Iraqi business development.

## U.S. Agriculture Projects

Of 581 irrigation and agriculture projects, about 68% have been completed.<sup>324</sup> More than 56% of the total cost of U.S. agriculture projects is concentrated in four provinces—Diyala, Basrah, Baghdad, and Kerbala. Half of that total is allocated for projects in the Diyala province alone.<sup>325</sup> For the status of reconstruction funding in this sector, see Table 2.42.



Euphrates Fish Farm. (USAID photo)

## Inma Agribusiness Program

Several ESF-funded programs continue to support ongoing projects in the agriculture sector. The **Inma Agribusiness Program** aims to stimulate growth in agribusinesses and expand agricultural outputs to increase productivity.

- **Balad Canning Factory** (Salah Al-Din)—\$5 million project to restore all 11 processing lines of Iraq’s second largest food processing factory<sup>326</sup>
- **Euphrates Fish Farm** (Babylon)—\$3.6 million forward contract agreement to provide the hatchery with up-front funding to purchase fingerlings, helping the farm double its expectations by producing 12 million fingerlings<sup>327</sup>
- **Taji-Abu Ghraib Vegetable Project**—provides 900 farmers the same collection of seeds and plastic sheeting to protect the vegetables during the winter<sup>328</sup>
- **Basrah Tomato Enterprise**—plans for a fully-integrated fresh and processed private tomato enterprise and includes state-of-the-art packaging and processing facilities<sup>329</sup>
- **Nissan Market** (Baghdad)—plans to refurbish

a market in Baghdad and will include the completion of display stands, roller shutters on the stalls, and electrical and plumbing installation<sup>330</sup>

Inma started a grants-to-loan program this quarter that will increase the funding available to agricultural businesses. Through the program, Inma will award grants to select banks that will extend loans to the agribusiness sectors.<sup>331</sup>

In an audit of Inma activities, USAID Office of Inspector General reported problems in 2 of the 12 agribusiness activities:<sup>332</sup>

- **Increasing the gross sale of dates by 150% over three years:** The audit found that this goal was too ambitious given the current state of the date industry, which is struggling with the drought and continuing pest problems. Further, the Inma program did not build on the efforts of a previous USAID agriculture initiative.
- **Providing master’s degrees in agribusiness subjects to 25 Iraqis over three years:** The audit found that the \$5 million allocated to

TABLE 2.42

## STATUS OF U.S. RECONSTRUCTION PROJECTS IN THE AGRICULTURE SECTOR

STATUS	AGRICULTURE		IRRIGATION	
	# OF PROJECTS	VALUE OF PROJECTS	# OF PROJECTS	VALUE OF PROJECTS
Proposed	4	\$3.50 million	14	\$110.17 million
Planned	4	\$0.58 million	7	\$14.13 million
In-Progress	27	\$18.21 million	16	\$21.48 million
Completed	248	\$40.62 million	261	\$44.82 million
<b>Total</b>	<b>283</b>	<b>\$62.91 million</b>	<b>298</b>	<b>\$190.60 million</b>

Source: ITAO IMU, “Iraq Agriculture & Irrigation Overview,” 6/2008, p. 9.

cover costs of likely Iraqi participants will not be used because few qualified candidates have been identified. The audit recommended that those funds be reprogrammed for use elsewhere.

### PRT Agricultural Efforts

The U.S. Department of Agriculture (USDA) has 23 agricultural advisors serving in PRTs across 15 provinces.<sup>333</sup> The PRT agricultural advisors, the USDA, and GOI officials are working together to address the effects of the drought affecting Iraq's agricultural sector. In August 2008, the GOI allocated \$167 million through the supplemental budget to support drought mitigation efforts.<sup>334</sup>

## DoD Task Force To Improve Business and Stability Operations in Iraq

Launched in June 2006, the Task Force to Improve Business and Stability Operations in Iraq (Task Force) has focused its efforts on stimulating economic recovery and employment

in Iraq. The Task Force was allocated about \$210 million in DoD funding; more than 34% has been expended.<sup>335</sup> For the distribution of Task Force allocations to activity groups, excluding administrative and support service expenses, see Table 2.43.

The Task Force's efforts to expand banking capabilities and promote investment in Iraq continued this quarter:

- **Strengthening Iraq's banking and financial networks.** To facilitate wider adoption of electronic funds transfer (EFT) capabilities, the Task Force supports the EFT Assistance Center in Baghdad. Although center operations face the challenge of a continuing lack of trust in the Iraqi banks, thus far the center has not reported experiencing corruption issues.<sup>336</sup> About 94% of JCC-I/A's contract payments are now executed using EFT. In the second half of FY 2008, nearly \$82 million in contracts for Iraqi First vendors were paid via EFT, compared to only \$2 million in the first five months.<sup>337</sup>

TABLE 2.43

### OVERVIEW AND STATUS OF TASK FORCE ACTIVITIES

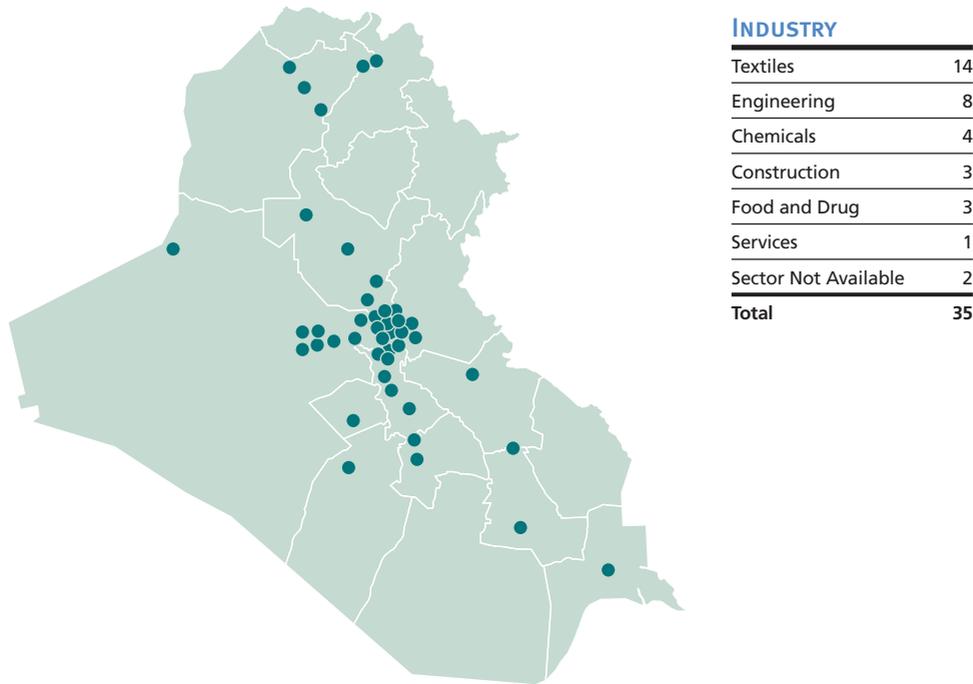
FOCUS AREA	STRATEGY	ESTIMATED FUNDING ALLOCATION (\$ MILLIONS)	% CHANGE FROM JULY 2008
Industrial Capacity Restoration	Restart and restore production to idled Iraqi industrial base	\$76.20	+45%
Private Investment/Privatization	Facilitate direct investment opportunities from institutions, private equity, and corporations	\$36.00	+6%
Communications Infrastructure	Incentivize the development of necessary wireless and wire-line communications infrastructure capable of supporting economic activity	\$17.50	No change
Direct Economic Stimulus through DoD Contracts	Support JCC-I/A through policies, processes, and systems to direct U.S. government contracts to private Iraqi business	\$13.50	No change
Banking and Financial Networks	Incentivize the development of private sector financial services and associated infrastructure	\$6.00	No change
<b>Total</b>		<b>\$149.20</b>	<b>+21%</b>

**Note:** The Task Force reports that allocations of funding between the various key elements are difficult to specify because funds are often placed against efforts that support more than one element. Also, the portion of the funds used for administrative and support services, such as security, life support, and travel, are not included.

**Sources:** SIGIR Audit 08-024, "Information on a Special Department of Defense Program to Foster Economic Recovery in Iraq," 7/29/2008; TFSO, response to SIGIR data call, 10/2/2008.

FIGURE 2.19

## STATE-OWNED ENTERPRISE FACTORIES SUPPORTED BY THE U.S. TASK FORCE TO IMPROVE BUSINESS AND STABILITY OPERATIONS



Note: Locations are approximate. The Task Force provided a map showing locations where it has "impacted a factory," as well as a list of SOEs, by industry, supported by its activities.

Source: OSD, response to SIGIR data call, 10/2/2008.

- Facilitating opportunities for international corporate investors.** DoD reported that foreign direct investment facilitated by the Task Force will exceed \$1 billion in new businesses this year and more than \$1 billion in private investment into Iraq's state-owned enterprises (SOEs). As of September 26, 2008, more than 50 international proposals were in process for investment projects facilitated by the Task Force, such as the new luxury hotel that broke ground in Baghdad recently.<sup>338</sup>

In its review of Task Force efforts last quarter, SIGIR reported that nearly \$50 million had been allocated to restart factories in Iraq. The Task Force estimated that these restarts resulted in employment of 25,000 Iraqis.<sup>339</sup> Figure 2.19 provides the sector and the location of the factories

receiving assistance from the Task Force. SIGIR will release another review of Task Force initiatives next quarter.

### Iraqi First Program

Reconstruction managers have sought to enhance local economic development by encouraging the procurement of goods and services from local nationals. JCC-I/A has worked with the Task Force to identify Iraqi vendors for reconstruction contracts. Between August 1, 2007, and August 31, 2008, JCC-I/A executed nearly 15,000 contracting actions, valued at more than \$3 billion.<sup>340</sup>

Through August 2008, nearly 21% of all JCC-I/A awards for the year had been awarded to Iraqi vendors.<sup>341</sup>

## GOVERNANCE

Since 2004, the United States has allocated \$3.7 billion, obligated \$3.36 billion, and expended \$2.21 billion for governance activities in Iraq, including democracy and capacity-building programs, refugee assistance, and programs to support human rights and education.<sup>342</sup> Of these amounts, the Department of State (DoS) and U.S. Agency for International Development (USAID) have obligated more than \$1.9 billion for democracy programs.<sup>343</sup>

For the status of U.S. reconstruction funds in the programs that carry out governance activities, see Figure 2.20. For the categorization of various reconstruction programs under the SIGIR-defined sectors, see Appendix D.

### Democracy and Reconciliation

The following key legislative and executive actions are essential to helping Iraq move more quickly toward national reconciliation:

- implementation of provincial elections
- enforcement of Article 140 of the Iraq Constitution
- passage of the hydrocarbon legislation
- implementation of anticorruption legislation
- implementation of constitutional reform
- passage of private security contractor legislation

For a timeline of progress on key Iraqi legislative measures, see Figure 2.21.

### Provincial Elections

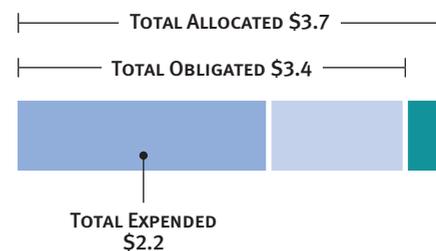
Provincial elections have long been pending in Iraq. The *Provincial Election Law*, which will govern them, was finally passed by the Council of Representatives (CoR) on September 24, 2008.<sup>344</sup> With the exception of Tameem province and Kurdistan, Iraq is scheduled to hold provincial elections by January 31, 2009.<sup>345</sup>

According to Article 23 of the Provincial Election Law, the Kurdistan provinces (Dahuk, Erbil, and Sulaymaniyah) will hold elections later in the year because of the ongoing dispute over

FIGURE 2.20

#### STATUS OF U.S. FUNDS SUPPORTING IRAQ'S GOVERNANCE

\$ Billions



**Note:** Numbers affected by rounding. For the methodology on how SIGIR grouped U.S. programs by category (Security, Infrastructure, Economy, and Governance), see Appendix D. Obligations and expenditures by SIGIR category may vary from top-line obligations and expenditures reported in the *Summary of U.S. Funding*. SIGIR did not receive project- or sector-level reporting from all agencies, and some information was compiled from the IRMS. Figure includes only IRRF 2, ESF, and CERP funding.

**Sources:** USAID, response to SIGIR data call, 10/14/2008; ITAO, response to SIGIR data call, 10/14/2008; IRMS, *ESF Cost to Complete*, 9/30/2008; DoS, *Iraq Weekly Status Report*, 10/1/2008; IRMS, *MNC-I Quarterly Report*, 10/14/2008; ITAO, *Essential Indicators Report*, 10/2/2008; GRD, response to SIGIR data call, 10/6/2008.

# RECONSTRUCTION OVERVIEW

FIGURE 2.21

## STATUS OF IRAQI LEGISLATION TO PROMOTE NATIONAL RECONCILIATION

	LAWS DRAFTED AND REVIEWED	DRAFT REFERRED TO COUNCIL OF REPRESENTATIVES/ COMMITTEE	DRAFT AMENDED BY COMMITTEE	VOTE TAKEN	RATIFICATION PROCEDURES	LAW PUBLISHED IN GAZETTE	STATUS
<b>Government of Iraq Constitution</b>	✓ June 2005	✓ August 2005	✓ Date Unknown	✓ October 2005	✓ Date Unknown	✓ October 2005	Iraq's Constitution was approved in a national referendum in October 2005, but the GOI has not completed its constitutional review to resolve the status of disputed territories and the balance of power between federal and regional governments.
<b>National Election Law</b>	✓ August 2005	✓ January 2004	✓ Date Unknown	✓ June 2004	✓ October 2004	✓ November 2005	The first national election occurred on 12/15/2005, and the next election is planned for 12/2009.
<b>Provincial Election Law</b>	✓ October 2007	✓ January 2008	✓ July 2008	✓ February 2008	✓ September 2008	✓ September 2008	Iraq is scheduled to hold provincial elections by 1/31/2009, with the exception of Kurdistan and Tameem province.
<b>Provincial Powers Law</b>	✓ October 2007	✓ January 2008	✓ August 2008	✓ February 2008	✓ Date Unknown	✓ February 2008	The law takes effect once provincial elections occur (planned for 1/31/2009).
<b>Amnesty Law</b>	✓ October 2007	✓ January 2008	✓ Date Unknown	✓ February 2008	✓ Date Unknown	✓ February 2008	Implementation is in process; however, the number of detainees and prisoners eligible for release under the law is unclear because Iraqi agencies lack integrated and updated databases for tracking the detainee population.
<b>Hydrocarbon Law</b>	✓ February 2007	✓ March 2007	✓ July 2007				The GOI drafted three of four interrelated pieces of legislation needed to establish control and management of Iraq's hydrocarbon resources and to ensure equitable distribution of revenues. Only the hydrocarbon framework draft has progressed to the CoR. Kurdistan and the federal government disagree on many areas of proposed legislation—particularly about how much control the KRG will have in managing its oil resources.
<b>Private Security Contractor Law</b>	✓ August 2008	✓ September 2008					The CoR Security and Defense Committee is discussing merging two drafts of the law. The second reading has not yet occurred.

Sources: Iraq Ministry of Justice, [www.iraqlegislations.org/laws](http://www.iraqlegislations.org/laws), accessed 10/14/08; Iraqi Council of Representatives, "Law Drafts," <http://www.parliament.iq/>, accessed 10/14/08; Council of Representatives, "Law Publications," <http://www.parliament.iq/>, accessed 10/14/08; GAO, *Securing, Stabilizing, and Rebuilding Iraq: Progress Report: Some Gains Made, Updated Strategy Needed*, 7/23/2008; U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008.

sectarian demographics.<sup>346</sup> In the other provinces, all major parties have announced their support for these elections—a major step forward in Iraq’s political development that will set the stage for national elections in December 2009.<sup>347</sup>

#### Article 50

The Provincial Election Law did not include *Article 50* of the Transitional Administrative Law, which would set aside seats for minorities on several Provincial Councils (PCs).<sup>348</sup> The United Nations Assistance Mission for Iraq (UNAMI) continues its consultations with political leaders and minority groups to ensure that the provision can be reintroduced to the CoR.<sup>349</sup>

#### Article 140

This quarter, limited progress was made on *Article 140*, which mandates a process of normalization and referendum for disputed territories. UNAMI has been providing assistance to the Iraqi leaders and recently completed findings on these disputed areas in northern Iraq:<sup>350</sup>

- Akre
- Hamdaniya
- Makhmur Districts
- Mandali Sub-Districts in Baladroz

UNAMI plans to release reports on the remaining disputed areas in northern Iraq, including Tameem, next quarter.<sup>351</sup>

Passed in October 2006, the *Regions Formation Law* contained a provision that the law would not take effect until April 2008. In

February 2008, the CoR passed the companion *Law Governing Powers of Provinces not Formed into Regions*. The steps to form a region are actions to be taken by PCs that will be elected under the Provincial Election Law by the end of January 2009. The Shia Islamic Supreme Council of Iraq (ISCI) and Fadhilah parties are interested in region formation in the south.<sup>352</sup>

#### Organizing Elections

In July 2008, the Independent High Electoral Commission (IHEC) began preparing for provincial elections to ensure that Iraqis have timely access to information on the electoral process.<sup>353</sup> The United Nations (UN) is assisting in the effort to organize the elections, training and building the capacity of the electoral staff and assisting hundreds of national non-governmental organizations (NGOs) to launch the Electoral Education Foundation.

The IHEC must overcome logistical and organizational challenges in organizing its local operations, executing complicated procurements, and assembling and distributing election materials. USAID obligated more than \$102 million and expended more than \$61 million to support the IHEC with preparations for the provincial elections.<sup>354</sup> Through advisors embedded in the IHEC organization and working in the provinces with the Governorate Election Offices (GEOs), USAID is providing training and management support to facilitate national and local elections.<sup>355</sup>

## Hydrocarbon Legislation

Progress on the *hydrocarbon legislation package* remains stalled. The government thus will be limited to awarding contracts to foreign oil firms on an ad hoc basis until the four pieces of hydrocarbon legislation are passed.<sup>356</sup>

## Amnesty Law

In February 2008, the GOI passed the *Amnesty Law*, which allows detainees in Iraqi custody to be granted amnesty if they are not already sentenced to death or if the charges against them are not included in the list of exemptions.<sup>357</sup>

However, detainees are required to petition for amnesty through committees that must first be established in each province. The number of detainees and prisoners eligible for release under the Amnesty Law is unclear because Iraqi agencies lack integrated and updated databases of the detainee population.<sup>358</sup> Often, court release orders are not executed because of administrative deficiencies and lack of coordination among the ministries. The Minister of Human Rights and the Office of the Prime Minister are working to unify the efforts of other ministries for more efficient application of the law.<sup>359</sup>

## Anticorruption Legislation

The proposed legislation pertaining to the powers of the Commission on Integrity (CoI), the Board of Supreme Audit (BSA), and the ministry inspectors general (IGs) failed to complete a second reading in the CoR in June 2008 and was later pulled back by the Prime Minister's Office. The new legislation attempts to codify the

authorities of Iraq's anticorruption agencies first laid out under Coalition Provisional Authority (CPA) Orders 55, 57, and 77. Although informal drafts of the new national anticorruption laws have circulated since June 2008, no formal presentations have been made to the CoR.<sup>360</sup>

## International Anticorruption Efforts

In September 2008, the UN launched a five-year plan to assist Iraq with preventing and combating corruption.<sup>361</sup> This initiative, partly funded by the UNDG ITF, will be carried out by the United Nations Office of Drugs and Crime (UNODC) and the UNDP to strengthen Iraq's main anticorruption bodies and to promote cooperation among them through the Joint Anti-Corruption Council. In line with the UN anticorruption treaty, projects will be directed at strengthening prevention, transparency, accountability, and integrity in the private and public sectors. The program also aims to strengthen the capacity of Iraqi anticorruption officials to prevent, detect, and investigate money laundering and to enable asset recovery.<sup>362</sup>

## U.S. Anticorruption Efforts

The U.S. Embassy and DoS continue to revise their plan for managing anticorruption activities in support of the GOI. The Embassy's Anticorruption Coordination Office (ACCO) awarded an \$8 million grant to the UNDP and UNODC this quarter to conduct two years of anticorruption programming in Iraq.<sup>363</sup>

The program will focus on compliance with the United Nations Convention Against

Corruption, which Iraq adopted this year. Activities include conducting a comprehensive assessment of corruption in Iraq and working with the GOI to develop a national anticorruption strategy to promote accountability, transparency, and good governance at the regional and provincial levels of government. The ACCO is also in the final stages of awarding a grant to strengthen Iraq's anticorruption legislative framework and to enhance the public outreach of Iraqi anticorruption bodies.

The DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) continues to sponsor the International Criminal Investigative Training Assistance Program (ICITAP). Advisors administered nearly 1,756 hours of investigation mentoring training to CoI investigators and 720 hours of investigative training. This quarter, 30 new cases were forwarded to Iraq's Investigative Judges, and their docket now lists 188 cases in progress.<sup>364</sup>

### Constitutional Reform

The 29-member Constitutional Review Committee (CRC) is responsible for review and proposed reform of the evolving Constitution. The draft final report was produced in August 2008—17 months after its original proposed

deadline—and involved agreements on more than 50 constitutional amendments. In May 2007, the CRC issued an interim report, which highlighted the need to address three issues still unresolved by the Executive Council:<sup>365</sup>

- Presidential powers
- regional versus federal powers
- status of Tameem (Article 140)

### Private Security Contractor Legislation

The CoR held first readings of the two draft laws that govern private security contractor (PSC) immunity. Both drafts withdraw immunity for PSCs, but the shorter draft would retain the licensing and registration scheme that is less cumbersome than the one in the first draft. The CoR Security and Defense Committee is currently in discussions about merging the two drafts, and the second reading has not yet occurred.<sup>366</sup>

Changes to PSC immunity would affect reconstruction efforts in Iraq. During informal discussions with the U.S. Embassy, many PSCs indicated that they would leave Iraq once immunity is lifted. If PSCs depart in large numbers, U.S. reconstruction efforts will be forced to rely on U.S. military security, to augment foreign PSCs with local security, or to reduce operations.<sup>367</sup>

TABLE 2.44

## ONGOING USAID AND DOS DEMOCRACY-BUILDING ACTIVITIES

PROGRAM	OBLIGATIONS (\$ MILLIONS)	OBJECTIVE	SCHEDULED COMPLETION
<b>USAID Programs</b>			
Local Governance Program	\$370	To strengthen local governments	12/2008
National Capacity Development Program	\$339	To build the capacity of Iraqi national government ministries	7/2009
Community Action Program	\$150	To promote and provide economic and social stability in Iraqi communities	9/2008
Quick Response Fund	\$30	To support civil society and build democratic practices through provincial reconstruction teams	12/2008
Iraq Rapid Assistance Program	\$53	To provide technical assistance to IHEC in preparation for elections	12/2010
Policy and Regulatory Reform	\$24	To improve the legislative and regulatory framework of the government of Iraq	9/2010
<b>DoS Programs</b>			
National Endowment for Democracy–Grant	\$71	To assist democratic transformation in Iraq and to promote the development of a legal civil society and media to operate independently	3/2009
National Democratic Institute–Grant	\$50	To encourage constructive political dialogue and participation of the GOI	3/2009
International Republican Institute–Grant	\$50	To assist in training for Iraqi governance, civil society, and political parties	3/2009
Smaller Grants	\$44	The remaining 11 grants average about \$4 million each and fund support for independent media in Iraq, national reconciliation training, and democratic transformation assistance, among other activities.	Not Available
<b>Total Ongoing Programs</b>	<b>\$1,181</b>		

Note: Numbers affected by rounding.

Source: SIGIR Audit 09-001, “Opportunities to Enhance U.S. Democracy-Building Strategy for Iraq,” 10/2008.

## U.S. Programs Supporting Democracy Building in Iraq

Since 2004, DoS and USAID have obligated nearly \$2 billion for democracy-building programs in Iraq—more than 93% under USAID management.<sup>368</sup> Of these obligations, nearly \$1.2 billion in projects remain ongoing. For an overview of the ongoing democracy-building activities of these two agencies, see Table 2.44. With the closeout of construction projects, democracy and governance programs have received a relatively higher allocation of U.S. reconstruction funding.

This section highlights several ongoing Economic Support Fund (ESF) funded programs carried out by USAID and DoS, and provides examples of democracy-building activities as reported by the agencies.

## Strategic Plan for Future Democracy Efforts

DoS and USAID manage U.S. strategy for advancing and strengthening democracy and governance in Iraq. A SIGIR audit this quarter found that the strategy *does not* meet the following goals:<sup>369</sup>

- address how U.S. goals and objectives will be integrated with the Iraqi government and international organizations
- include the current and future costs to implement the strategy, such as the costs of building GOI capacity at the provincial and national level
- assign accountability for implementing major aspects of the strategy

The audit noted that DoS and USAID could improve their assessments of progress in achieving the strategy's objectives. Although DoS and USAID receive reports describing the progress of individual programs, they do not entirely show progress toward the strategy's broad objectives or expected outcomes. For a summary of findings and recommendations, see Section 4 of this Report.

### Community Action Program

In August 2008, the USAID Office of the Inspector General performed an audit of the Community Action Program II, providing four recommendations. Currently, USAID is addressing two of four recommendations:<sup>370</sup>

- Reevaluate whether current targets are realistic and ensure that realistic targets are included in the performance management plan and Project Reporting System.
- Develop procedures to ensure that changes to performance indicators and targets are properly documented.

### Local Governance Program

Since 2005, more than 32,600 Iraqis have participated in 8,300 meetings to educate citizens on democracy and political transitions through USAID's Local Governance Program (LGP).<sup>371</sup>

Additionally, the LGP has trained 8,825 council members, 18 governors, 18 deputy governors, and 330 Directors General, as well as key staff in 400 departments and all of the PCs elected in January 2005.<sup>372</sup>

Recently, the LGP hosted an accountability workshop that aimed to bring more transparency into the government. More than 70 Iraqi leaders from the Baghdad PC joined the Baghdad district councils and Baghdad governor's office for meetings.<sup>373</sup>

This quarter, SIGIR conducted a focused contract audit on the USAID contractor that implements the LGP.<sup>374</sup> The audit examined two contracts, valued at more than \$598 million, which were awarded to the Research Triangle Institute (RTI) in 2003, finding that costs were not easily linked to outcomes and that contract achievements were initially unclear. However, contract management and oversight has improved in the past few years. For a summary of findings and recommendations, see Section 4 of this Report.

### Quick Response Fund

DoS and USAID are jointly executing Quick Response Fund (QRF) projects to accelerate capacity at the local government level and catalyze local development in a wide range of sectors,

TABLE 2.45

## SECTORS USING QRF GRANTS

SECTORS	APPROVED	DISBURSED	% DISBURSED
Agriculture	\$6,923,436	\$4,400,134	64%
Economic Development	\$9,605,862	\$4,968,626	52%
Civil Society	\$7,439,275	\$4,711,082	63%
Education	\$10,743,455	\$3,492,752	33%
Governance	\$9,740,459	\$4,490,880	46%
Business Development	\$4,470,426	\$2,645,945	59%
Health	\$6,643,737	\$2,333,938	35%
Women's Programs	\$3,842,897	\$2,714,296	71%
Youth Programs	\$2,983,371	\$2,552,730	86%
Rule of Law	\$2,624,780	\$1,431,864	55%
Other	\$3,337,604	\$210,520	6%

Source: DoS, *Quick Response Funds Newsletter*, 9/25/2008.

including agriculture, education, media, microfinance, and the rule of law.<sup>375</sup>

As of September 23, 2008, \$68.4 million has been approved through QRF grants for 2,065 programs, and \$34 million has been disbursed.<sup>376</sup> For a summary of QRF grants by objective, see Table 2.45.

A new QRF grant was signed this quarter to provide critical medical supplies and equipment worth \$200,000 to strengthen the **Iskandariya Hospital** emergency response capacity in Babylon.<sup>377</sup>

### Community Stabilization Program

The Community Stabilization Program (CSP) responds to key needs in Iraqi communities and is conducted in close collaboration with the national and local governments, private sector, and Provincial Reconstruction Teams (PRTs).<sup>378</sup>

The CSP and the Ministry of Youth have organized soccer leagues modeled after those in the United States.<sup>379</sup> The soccer tournaments aim to keep the youth engaged in constructive alternatives to militia recruitment activities. The CSP sponsored 14 soccer tournaments (at a cost

of \$1.1 million) across the Baghdad province. The program allowed more than 40,000 Iraqi boys and girls to participate in the events, which are held at refurbished parks.<sup>380</sup>

### U.S. Capacity Development Programs

Coalition efforts to build Iraqi ministerial capacity continue to focus on improving internal oversight and expanding Coalition advisory teams. USAID and the Iraq Transition Assistance Office (ITAO) lead efforts to assess current ministerial performance and to follow through with prioritized action plans, milestones, and outcomes. U.S. advisors work directly with each ministry or executive-level entity. For a breakout of civilian staff in the ministries as of September 22, 2008, see Table 2.46.

As of September 30, 2008, nearly \$300 million in allocations has been obligated to the National Capacity Development (NCD) program, also known by the Arabic name for development, "Tatweer."<sup>381</sup> The program has been assisting the GOI since August 2006, building the capacity of public management and professional training.

TABLE 2.46

## U.S. ADVISORS IN GOI MINISTRIES AND EXECUTIVE OFFICES

GOI MINISTRIES	U.S. EMBASSY ADVISORS	USAID ADVISORS
PMO/ComSec	12	5
Electricity	9	7
Oil	5	10
Health	6	4
Justice	7	1
Planning and Development	55	7
Agriculture	11	5
Education	2	0
MPW	0	3
Water	2	5
Finance	9	4
Transportation	11	0
Multiple	49	16
Trade	0	7
L&SA	0	1
<b>Total</b>	<b>178</b>	<b>75</b>

Source: USAID, response to SIGIR data call, 10/14/2008.

TABLE 2.47

## HIGHLIGHTS OF TATWEER ACTIVITIES IN THE IRAQI MINISTRIES

MINISTRY	STATUS
Ministry of Electricity	USAID/Tatweer and the Ministry of Electricity signed a memorandum of understanding to reinforce U.S. government commitment to continue assisting the ministry in improving administrative systems and training, with an emphasis on fiscal management, budget preparation and execution, procurement, and project management.
Ministry of Municipalities and Public Works	USAID/Tatweer advisors provided training to the Ministry of Municipalities and Public Works on 15 Provincial Planning Units in Visual FoxPro. The software is used to store and analyze capital investment project information and will allow provincial planning units to track and report progress on their own projects directly to Baghdad.
Ministry of Health	The Minister of Health received assistance from USAID/Tatweer in drafting a strategic plan for Iraq's healthcare system. An outcome of the workshop was a vision statement for the Ministry, and USAID/Tatweer is playing a key role in drafting the Ministry of Health's 2009–2013 Strategic Plan.

Note: Since early 2008, USAID has provided training to the IGs in at least 10 ministries.

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008.

The Tatweer program conducted several activities across all provinces this quarter, including:<sup>382</sup>

- 371 classes for nearly 7,500 people
- anticorruption, procurement, and human resource training for 283 members of the ministry IG staff

USAID has been transitioning ownership of a growing training capacity to the GOI, and now more than half of Tatweer-funded training is performed by Iraqis.<sup>383</sup> Table 2.47 provides additional updates on Tatweer activities within the Iraqi ministries this quarter.

## U.S.-funded Procurement Assistance Centers

The GOI continues to review U.S. support for its public procurement activities. The Iraqi-led Procurement Assistance Center (PAC) program and the Provincial Procurement Assistance Teams (PPATs) are funded and managed by the Task Force to Improve Business and Stability Operations (Task Force). There are three PAC offices (two in Baghdad and one in Erbil). The PPATs are currently in all provinces except Dahuk and Missan, and Baghdad is supported by the PAC.<sup>384</sup>

The United States analyzes the procurement data reported by each PPAT and assists the Baghdad support team of local nationals through a coaching and mentoring program. The ongoing support has enabled more consistent reporting from the provinces and is building trust between the PPATs and the PAC offices. The PACs provide direct assistance and training to 19 ministries and to the Provincial Procurement Offices in 16 provinces.<sup>385</sup>

## Refugees and IDPs

The DoS Bureau for Population, Refugees, and Migration (PRM) was allocated \$20 million in March 2008 to respond to the UN Health Appeal for Iraqis. Of this funding, the United Nations High Commissioner for Refugees (UNHCR) received \$12.4 million, the World Health Organization (WHO) received \$4.6 million, and the United Nations Children's Fund (UNICEF) received \$3 million.<sup>386</sup>

In September 2008, PRM received \$45 million in ESF funding for Iraqi refugees in Jordan from the FY 2008 Emergency Supplemental Appropriations. Funds were distributed to the following organizations, but no expenditures have been reported to date:<sup>387</sup>

- \$36.6 million for UNHCR's 2008 Supplemental Appeal for Iraq
- \$4.1 million for the UNICEF Education Appeal program
- \$2.6 million for WHO's Health Appeal program
- \$1.7 million for UNICEF

## Refugees

As of September 2008, the United States had resettled 12,118 refugees, surpassing the FY 2008 goal of admitting 12,000 Iraqi refugees.<sup>388</sup> To protect many Iraqis who work for or on behalf of the United States, the Congress created two Special Immigrant Visa (SIV) programs.<sup>389</sup>

- SIV program for Iraqi translators/interpreters
- Kennedy SIV program for Iraqi employees and contractors and their families

TABLE 2.48

### ESTIMATED REFUGEE POPULATIONS (THOUSANDS)

Syria	1,200-1,400
Jordan	450-500
Lebanon	50
Egypt	20-40
Turkey	5-10
Gulf States	More than 200

Source: DoS, "Status of U.S. Refugee Resettlement Processing for Iraqi Nationals," Report Number MERO-IQO-08-02, 7/2008.

TABLE 2.49

## U.S. FUNDING FOR HUMANITARIAN ASSISTANCE—FY 2007 AND FY 2008 (\$ MILLIONS)

AGENCY	INTERNATIONAL ORGANIZATIONS	NGOs	FY 2008 TOTAL	FY 2007 TOTAL
DoS	\$207.80	\$3.50	\$211.30	\$122.81
USAID	66.70	40.20	106.90	48.25
<b>Total</b>	<b>\$274.50</b>	<b>\$43.70</b>	<b>\$318.20</b>	<b>\$171.06</b>

Source: DoS, Office of the Spokesman, "U.S. Surpasses Goal of Admitting 12,000 Iraqi Refugees in Fiscal Year 2008; Assistance Reaches New Heights," 9/12/2008.

Between October 1, 2007, and August 31, 2008, SIVs were issued to 870 Iraqis. More than 1,000 Iraqis had made travel plans to visit the United States by the end of September.<sup>390</sup> For an estimate of Iraqi refugee populations in other nations, see Table 2.48.

As a result of increased processing capacity throughout the region, DoS expects that at least 17,000 Iraqi refugees will be admitted to the United States in FY 2009.<sup>391</sup> Processing of Iraqi refugees for resettlement requires cooperation between many parties, including DoS, the Department of Homeland Security, UNHCR, Overseas Processing Entities, the International Organization for Migration, the International Catholic Migration Commission, and the GOI.

### IDPs

In September 2008, the Iraqi Prime Minister issued an eviction order for all Baghdad squatters so that the displaced owners of these homes could return. Although militant groups illegally occupy some properties, a substantial number of squatters are internally displaced persons (IDPs) who could become secondarily displaced. When these families vacate, they will be entitled to a government rental subsidy of approximately \$250 each month for six months.<sup>392</sup>

In Tameem, ethnic tensions between Arabs, Kurds, and Turkmen have resulted in displacement of hundreds of families. They are facing the effects discrimination in high rent assessments and poor access to basic services and employment.<sup>393</sup>

### Returnees

Returns of IDPs to Baghdad and Diyala are increasing as the GOI continues to encourage Iraqis to return to their homes. This year there are approximately 16,000 returnees in Iraq.<sup>394</sup> The Ministry of Displacement and Migration announced that it will grant approximately \$600 to every returnee family previously registered with the Ministry.<sup>395</sup>

### Humanitarian Assistance to Iraqis

U.S. humanitarian aid for Iraqi refugees, conflict victims, and IDPs increased to more than \$318 million in FY 2008. This is an increase over last year's total of \$171 million.<sup>396</sup> Since 2003, the United States has been the largest contributor to programs assisting displaced Iraqis, funding programs for food, health, education, water and sanitation, emergency shelter, and protection.<sup>397</sup> For an overview of U.S. funding by agency, see Table 2.49.

## Education

The U.S. program continues to support the construction and rehabilitation of Iraq's schools. As of September 30, 2008, the United States has obligated \$723.45 million and expended \$622.31 million in the education sector.<sup>398</sup> Table 2.50 provides a sample of several large ongoing projects in the education sector.

SIGIR assessed three Iraq-Commander's Emergency Response Program (I-CERP) school refurbishment projects in Sadr City. The inspections found that the schools—Al Quds, Al

Mualameen, and Al Faoo—were incomplete at the time of the SIGIR site visit on September 17, 2008. The original completion date for the projects was July 29, 2008.<sup>399</sup>

The Iraqi contractor did not complete the refurbishments because he requested to be released from the contracts. The contractor stated that he received threats for not paying bribes to GOI representatives. One of SIGIR's recommendations was for the Multi-National Corps-Iraq (MNC-I) to initiate another contract to complete the school refurbishments.<sup>400</sup>

TABLE 2.50

### ONGOING PROJECTS IN THE EDUCATION SECTOR (\$ MILLIONS)

PROJECT NAME	TOTAL BUDGETED COST	FUND TYPE	PROVINCE	PROJECT START DATE	FORECASTED COMPLETION DATE
Sulaimanyah Votech New Construction	\$5.20	CERP	Sulaymaniyah	12/2/2007	12/23/08
Construct a New Elementary School ESFPRDC	\$4.26	ESF	Baghdad	11/28/2007	9/18/08
BE/Zanobiya New Elementary Sch BSP-154	\$4.25	ESF	Baghdad	11/19/2007	2/14/09
BE/Desgn-Cnstr Salwa New Elementary School	\$3.92	ESF	Baghdad	12/10/2007	11/15/08
Renovate Al Mujtameh Al Jadded (New Society) Elementary School	\$3.02	ESF	Baghdad	7/21/2008	12/17/08

Source: IRMS, *ITAO Rollup*, 10/1/2008; IRMS, *CERP Excel Workbook*, 10/3/2008.